

THE BIG BANK IN COUNTRYSIDE MINDANAO



2009 ANNUAL REPORT

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

ONB, the BIG BANK in countryside Mindanao!

The buildings of its branches are but manifestations of how this homegrown financial institution has grown in proportions beyond expectation.

ONB's 75 branches to date is the biggest banking network in countryside Mindanao. No other rural bank operates a fleet of 96 ATMs (as of April 2010) connected to the Megalink network and gained equity membership to the esteemed Megalink consortium. Moreover, no other rural bank has been granted participation to PhilPaSS of BSP and with the direct clearing operations of PDIC.

In terms of technology, the bank has set up its own Data Center and Data Recovery Center. ONB's product and service lines meanwhile have matured and its offerings are now analogous to that of commercial banks. Loan exposure to the agricultural sector, employees and big businesses are in billion peso increments while its deposit portfolio has expanded at a corresponding proportion. The Bank is also the biggest employer of the rural banking industry.

As far as operating results are concerned, ONB managed to sustain its profitability and strong fundamentals despite the rapid expansion of its branch and ATM network. These accolades speak much about the quality of governance overseeing the Bank's operation.

The future surely looks bright for One Network Bank, its shareholders and employees as the Big Bank is set to venture new markets and pioneer new technologies in the countryside.

Financial Highlights

2009 Year End Performance

OPERATING RESULTS (IN MILLION PESOS)

	2009	Growth	2008	Growth	2007
Net Income After Tax	291	15%	252	9%	231
Resources	9,286	7%	8,712	34%	6,495
Loans	5,799	0%	5,826	30%	4,488
Deposit Liabilities	6,886	15%	6,011	29%	4,673
Stockholders' Equity	1,661	21%	1,370	23%	1,117
Number of Employees	1,004	14%	884	6%	832
Number of Branches	75	4%	72	3%	70
Number of ATMs	92	21%	76	25%	61

SELECTED FINANCIAL RATIOS

	2009	2008	2007
Return on Private Investment	29%	28%	32%
Return on Assets	3%	3%	4%
Risk-Based Capital Adequacy Ratio	27%	19%	19%
Intermediation Ratio	84%	97%	96%
Liquidity Ratio	29%	24%	17%
Expense to Gross Income Ratio	79%	81%	79%
Non-Performing Loans (NPL)	5%	3%	4%
Non-Performing Assets (NPA)	3%	2%	3%

President and Chairman's Message

Big Banking That Is Inclusively Yours

It is fairly common for retail and service establishments to provide "exclusive" facilities for certain clients. In fact, the word "clientele" is often used to describe this elite set. Thus, we see airlines delineate special parts of their aircraft and airports for the exclusive set. There are now specially outfitted theaters providing upper class entertainment. In banking, this thread of exclusivity also rings true. Invariably this is generally described as "private banking" or "wealth management".

This line of thinking – focusing on the cream of the crop – makes a lot of business sense. In fact, this is a clear manifestation of the Pareto Principle. Also described as the "law of the vital few", this principle states that, in many occurrences in this world, 20% of the causes explain around 80% of the results. The best proof of this truth is that, in this world, 82% of income is generated by 20% of the people.

So it does not come as a surprise that banks crowd urban centers. The economic flows bring them there. The irony of our times is that banks cluster in cities when it is the countryside that needs banking services more.

The ONB paradigm could not have been more different. Our contrarian model rests on the very basic truth that a business exists to serve needs. And, as far as the need for banking services go, this is felt more in the countryside. Our reason for being lies in the countryside.


This is especially true for the need for big banking services. While there are community banks serving the countryside, the prototypical rural bank has been a stand-alone unit with minimal capitalization offering basic savings deposit products and loans.


We are proud to say that we have redefined rural banking. While remaining a community bank by pledging community reinvestment in the areas we operate in, we have grown to be an online, multi-branch operation, extensive enough to lay claim to having the biggest number of bank branches in Mindanao (75 going on 81) even when compared to commercial banks. Our young work force of more than 1,000 men and women provides extensive service coverage few Mindanao financial institutions can match. We offer checking accounts that clear through the same route and as fast as those provided by commercial banks. Each ONB branch offers ATM services through the bank's 96-unit network linked with Megalink, thus assuring acceptance in all ATMs in the country. Each of the 240,000 cardholders is allowed to have a balance as low as PhP 100 in his ATM account and still be part of the system. The bank's credit folders have accounts that breach the PhP 100M mark yet the average loan size remains at PhP 63,000. The average deposit size is PhP 14,000 among more than 510,000 depositors.

And while there are more than 700 rural banks in the country, ONB alone can easily account at least 6% of total resources, deposits, loans, capital and net income of the rural banking system as a whole. ONB's past due (5%), NPL (5%) and NPA to Gross Assets (3%) ratios are less than half of the Rural Bank Industry average. ONB also has provided far more coverage for its NPL and NPA than the average rural and thrift bank. And ONB has remained more profitable even as it managed its growing portfolio prudently based on its industry-leading capital adequacy.

All these measures shape the banking paradox that is ONB. While it has grown big enough to serve, ONB has remained small enough to care. Big banking services for even the small, inclusively for everyone.

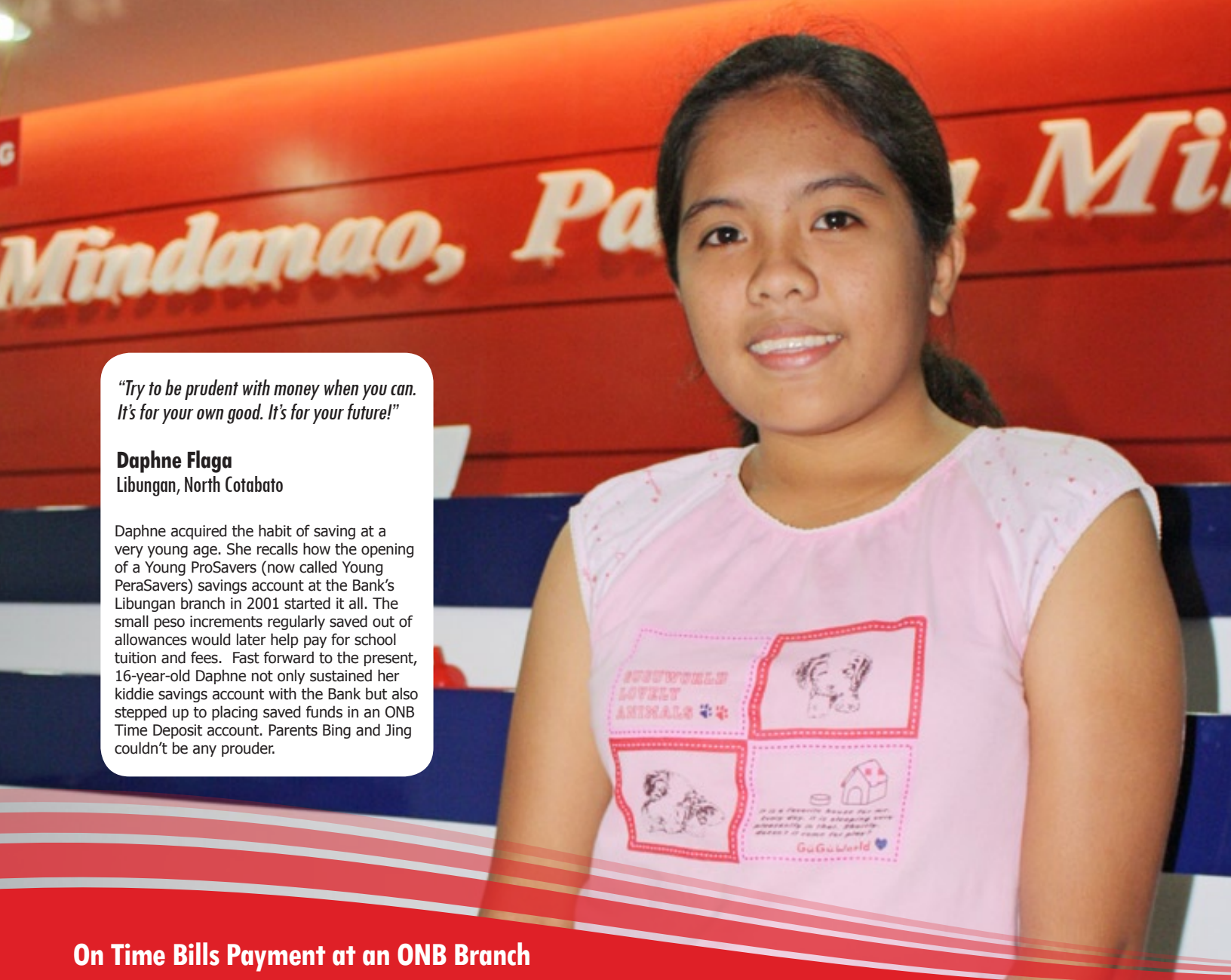

Victor A. Consunji
Chairman


Alex V. Buenaventura
President

A photograph of two men, Victor A. Consunji and Alex V. Buenaventura, wearing white and light-colored shirts with intricate embroidery. They are standing outdoors with green foliage in the background. The image is framed by a white circular graphic on the left side.

Victor A. Consunji
Chairman

Alex V. Buenaventura
President



"Try to be prudent with money when you can. It's for your own good. It's for your future!"

Daphne Flaga
Libungan, North Cotabato

Daphne acquired the habit of saving at a very young age. She recalls how the opening of a Young ProSavers (now called Young PeraSavers) savings account at the Bank's Libungan branch in 2001 started it all. The small peso increments regularly saved out of allowances would later help pay for school tuition and fees. Fast forward to the present, 16-year-old Daphne not only sustained her kiddie savings account with the Bank but also stepped up to placing saved funds in an ONB Time Deposit account. Parents Bing and Jing couldn't be any prouder.

On Time Bills Payment at an ONB Branch



"I was able to save at least P200 transportation expense now that I can pay my Smart Bro bills at ONB Antipas Branch."

Juvelon Layos
Poblacion Antipas
North Cotabato

Operating a 14-unit internet café powered by internet service provider Smart Bro in the remote town of Antipas, North Cotabato runs the risk of incurring delayed monthly subscription payments and the likely disconnection of broadband services, due to the unavailability of payment centers in the area. Thus for café owner Belol, the settlement of monthly billing entailed expensive and tiresome travel to either Kidapawan City or Davao City every month. Well, that was before ONB opened a branch in Antipas. Now Belol can conveniently settle his Smart Bro bill over the counter at ONB's Antipas branch without having to worry about missing due dates ever again.

Timely Credit Assistance for Micro Borrowers

Copra production can be such a labor and capital intensive business. Nurliza would have stuck it out with trading dried copra with businessmen in Mawab and Nabunturan but micro credit availed through ONB's PeraSosyo program allowed her to set up the facilities and manpower needed to process fresh coconuts into copra. Proceeds of the loan availed were used to put up a landahan or a direct drying furnace for coconut meat, hire

additional workers to carry out the production process and, of course, fund the working capital requirements of her expanded business. So far, Nurliza has been benefited with increased income streams that would not have been possible with the trade of dried copra alone.



"I wouldn't be able to expand into copra production without ONB's PeraSosyo Program."

Nurliza Gementiza
Poblacion Trento, Agusan del Sur

Big Heart for Small Accounts

One Network Bank's romance with the small accounts spans over 5 decades of providing low maintenance bank deposit and credit facilities to the underserved sectors of countryside Mindanao. But it is the strong community orientation of its forerunners, not to mention the high touch delivery of banking services that established for ONB what can be coined as the small accounts culture in banking.

Today, the small accounts culture is still very much alive in the many aspects of the Bank's operations. Deposit products have remained tolerant to micro deposits given the affordable opening requirement of P100 for its classic Passbook Savings and P1,000 for Time Deposit accounts. The same can be said of the P1,000 average deposit size of the Bank's PeraAgad ATM Pinoy Savings product.

Loan facilities for micro entrepreneurs have since then been reactivated under the PeraSosyo brand but still packaged with the same set of small accounts friendly parameters such as the P10,000 minimum loan amount, affordable interest rates and fees, uncollateralized and simple documentary requirements.

Despite the lure of focusing its credit services on more lucrative markets, ONB has remained faithful to this niche of micro loan programs as its principal barometer of success. Compliant micro borrowers were able to expand their trade and increase their net worth while many fixed income earners were able to establish a business, put their children through college or just make ends meet using salary loans proceeds availed from the Bank.

Nowadays, small account clients do more than just deposit or borrow funds from the Bank. ONB's investments in modern banking services and corporate tie-ups made it possible for this banking segment to transact in PeraAgad ATMs; perform inter-branch and mobile-based (G-Cash) fund transfers online; send and receive domestic remittances as well as claim foreign remittances through PeraDala; exchange US dollars to Philippine Peso through ONB's PeraXchange money changing service; receive SSS pensioner funds; as well as pay bills and tuition fees over the counter.

In all of these micro-based offerings, ONB has contributed to the economic turnaround of underserved rural communities that are home to many small account clients. But the Bank's affair with this niche does not end there. On its way are new products and services that will surely make modern banking services more accessible to small accounts. Currently under pilot testing is the Bank's Point of Sale (POS) project that will allow PeraAgad ATM cardholders to settle purchases, pay their bills and transfer funds through POS terminals available in selected merchant stores and with ONB branches as well.

Indeed, ONB has a big heart for the small accounts. The Bank may have grown BIG enough to now serve BIGGER clients but its commitment to small countryside clients has prevailed.

Real Life Benefits of the Salary Loans Program



"Through ONB's financing (salary loans), I was able to put my children through college. My daughter just graduated from a nursing course at Ateneo de Davao University."

Jonas Sadangsal
Poblacion Hagonoy
Davao del Sur

With income coming only from his day job as a public school teacher, Jon knew he needed financing support to sustain his daughter's schooling at the Ateneo de Davao University (ADDU). Weighing his credit options carefully, Jon availed of a salary loan from ONB. Periodic re-availments allowed him to pay for enrollment and tuition fees each time these become due while receiving net take home pay that is still adequate for subsistence needs. And since school fees can be settled over the counter at ONB's branches, parents like Jon are assured that payments reach ADDU on time, without the hassles and risks associated with personally paying these on campus.



“ONB responds promptly to our needs for credit and other banking services, so why look for another bank?”

Rey and Marites Garay
Don Carlos, Bukidnon

Engaged in the distribution and retail of fertilizers, chemicals and feeds in his hometown of Don Carlos, Bukidnon, Atty. Rey Garay considers ONB as a “rural but BIG Bank” given its highly service-oriented approach to banking that is hardly experienced with commercial banks. What impressed Rey the most is the Bank’s flexible and prompt response to servicing the cash requirements of their business; from cash pick up services to the delivery of either cash or manager’s check to their supplier’s depository bank.

The Bank’s Don Carlos branch manager also works closely with Rey and wife Marites, particularly in setting up a package of financial and cash management services customized to the needs of their expanding trade. In fact, the couple has a standby credit line with the Bank that they can utilize to fund the working capital requirements of their business.

Ongoing Partnership with Valued Clients



“We (Leslie and ONB) own this gasoline station. I wouldn’t be able to put this up without ONB.”

Leslie Quesada
Kapalong, Davao del Norte

Leslie Quesada recognizes ONB’s contribution to the establishment and eventual expansion of her gasoline station. The credit line extended by the Bank helped mobilize the development of her property into a fully operational Shell station. Also one of the first clients of the Bank’s Kapalong branch, Leslie thinks of ONB more as a trusted financial partner. This is founded on the personalized services extended by the Bank’s branch managers in the client’s availment of One Business Loans as well as in the timely release of adequate funds to finance her projects, a gesture that made her feel important and valued. In return, Leslie has become one of ONB’s most loyal patrons.

Convenience Banking for Countryside Businesses

Just how do you manage the receivables and payables of an enterprise operating multiple outlets in countryside Mindanao? Looks like ONB has these covered for agricultural supplies dealer Hernie Figueroa. With outlets in the SOCSKARGEN region, a Special Deposit Arrangement (SDA) with the Bank facilitates the sweeping of daily sales deposited in enrolled ONB savings accounts with Koronadal, Isulan, Matalam, Tacurong, Mlang and Kabacan branches to a mother account in ONB Matalam branch.

The cost efficiencies and conveniences enjoyed by Hernie with the SDA are further extended through his availment of the Automatic Transfer Account (ATA) and Bills Purchase (BP) line facilities of the Bank. Indeed with just a phone call to the branch, Hernie can now remotely manage his finances.

*“Isang tawag ka lang sa ONB bisan asa dapit sa Mindanao!”
(With just a phone call, all of the Bank’s services anywhere in Mindanao are within your reach.)*

Hernie Figueroa
Matalam, North Cotabato



Big Banking Services for Countryside Clients

One Network Bank's 56-year history unfolds with the humble beginnings of small community banks in countryside Mindanao. Mandated with limited banking powers, the Bank's predecessors could therefore only do so much to serve the cash transactions of a rural businessman, much less finance a million peso business expansion project.

It was the consolidation of ONB's component banks in 2004 that paved the way for multi-million peso investments in modern banking technology, branching and the repackaging of product lines to integrate Big Banking services much needed in the countryside but often available only from commercial banks in urban centers.

Leading the array of Big Bank product and service innovations are ATM based deposit products and ONB's PCHC-cleared checking account. Issued ONB checks not only go through faster clearing time but are also well accepted even by suppliers and multinationals with stringent check acceptance policies. Meanwhile for surplus funds, the Bank widened its menu of time deposit products by offering competitively priced Five-Year Time Deposit placements given its diversified investment and credit portfolio.

For its credit operations, ONB modernized its system of lending by introducing risk- and cash-flow based processes. Discarding the traditional asset-backed lending of the past, ONB generated a more flexible line of loan products that can be customized to meet particular business needs. In fact, One Business Loan accounts are packaged based on the trading cycle and established cash flow of an enterprise availing the credit. And given the Bank's over P350 million Single Borrower's Limit (SBL), the grant of multi-million peso credit lines to crop traders, product distributors, gasoline dealers, general merchandise retailers and social institutions in the countryside has been made possible, apart from offering domestic Bills Purchase (BP) lines and Bank Guarantees to valued clients. This has given ONB countless opportunities to nurture the institutional growth of its clients through time and to adapt to their ever-growing credit needs.

Regular banking services now available to big business clients – including cash pick-up services, Automatic Transfer Accounts (ATA), Special Deposit Arrangements (SDA), ATM Payroll Servicing, PeraDala Online Fund Transfers and the servicing of cash requirements, will soon be integrated into a cash management facility called ONB Special Banking Services Program that will help streamline and simplify critical business functions as well as increase the efficiency of the operational units of corporate and institutional clients.

Also in the pipeline is the launch of ONB's very own internet banking facility and the release of a special membership/ATM card called the Agila Card that will be issued to high net worth clients. These premium offerings will undoubtedly underscore ONB's agenda of providing Big Banking services to rural based enterprises.

ONB's *Big Banking Services* is truly a package of financial products and cash management services that has addressed to a large extent the related risks, inconveniences and the lack of an adequate and systematic financing scheme that has hindered the growth of most businesses in countryside Mindanao for many, many years.

Big Bank Products for Countryside Clients



"I am really impressed with the fast clearing for ONB checks."

John Gait

Maranding, Lala, Lanao del Norte

John Gait is a prominent businessman in the trading center of Lanao del Norte that is barangay Maranding. Taking an interest in ONB's Five-Year Time Deposit product, the grocery and bakery owner acknowledged how the guaranteed interest rate that is a little higher than those offered by commercial banks plus the scheme of crediting monthly interest earnings to his savings account persuaded him to place his extra funds in this special deposit facility. John also cited the faster clearing time for ONB checks that is highly favorable for doing business.



"I was encouraged by the success stories of OBP growers in the Panabo area. I am glad that I too shifted to farming bananas and availed of the OBP. Production targets have been met, the APTs have been very helpful and I am assured of extra financing support during lean months."

Jose Nelo Muyco
Barrio 9, Banga, South Cotabato

Nelo started with the One Banana Program (OBP) in April (2009) and is also the first avalee in the SOCSKSARGEN region. Output in his 3-hectare farm lot surely did not upset the former corn and asparagus farmer as initial harvest in December of the same year of Class A Cavendish bananas was bigger than expected. Excess cash flow from his now established farm has so far been used to accelerate payment of his production loan with the Bank. But this does not worry Nelo because the OBP stipulates for a monthly subsistence allowance.

And during times of fortuitous events such as calamities that would take its toll on production levels, OBP avalees like Nelo can request for an additional financing loan that would help cope up with the shortfalls in production.

Agri Development Loan for Oil Palm Farmers



"For the first time, somebody (ONB) placed their trust and confidence in Maguindanao."

Faujiah Mangelen
Datu Paglas, Maguindanao

Barangay Chairman Fong Mangelen is grateful to ONB for helping the Mangelen family finance the establishment of an oil palm plantation in Datu Paglas. ONB's One Oil Palm Program (OOPP) qualifies up to 10 hectares of agricultural land per borrower. With this proviso, the Mangelen siblings enrolled a total area of 80 hectares under the OOPP financed by ONB.

What used to be an unproductive 80 hectares of farm land is now a fully developed oil palm plantation awaiting initial harvest, developed using purely local employment. Oil palm is a high value crop. It produces fresh fruit bunches sold to oil mills where crude palm oil is extracted and further refined to fill in the country's vegetable oil requirements.

Once again, ONB is going to places other banks dare not go by serving the long term development funding requirements of Muslim communities in countryside Mindanao.

Big Agri Loans for Small Farmers

Agricultural lending has always been a core business of ONB and its predecessor rural banks. The many years dedicated to funding the production requirements of small farmers have revealed to ONB the formula for a sustainable agricultural lending program.

Raising the productivity of small farmers through a tested production technology and intensive farm supervision and then linking this constituency to an established buyer engaged in strategic alliances with markets worldwide is the platform we use to upgrade lives in the countryside.

From this set of parameters, ONB's agri-lending program for Cavendish banana growers called the One Banana Program came into being. The agricultural production loan is a departure from the usual micro credit services offered by rural banks to farmers since eligible growers can borrow as much as P821,000 per hectare for a maximum term of 7 years. To date, the biggest exposure to a single grower is at P2.2 million covering a maximum financed area of 3 hectares.

In 2009, the One Banana Program financed over 1,300 hectares of farm land in North Davao and South Cotabato. The rapid expansion of its loan portfolio necessitated the corollary implementation of rigorous control procedures to ensure that quality requirements, as well as production targets are satisfactorily met. Prior to availment, controls were implemented through the conduct of thorough site evaluation by Agri Production Technicians (APTs) and validated by the Technical Services Manager (TSM). The presence of APTs in the field also provides oversight for compliance to standard cultivation practices.

The One Banana Program is a P600 million credit facility provided to a borrower base of over 600 banana growers. ONB extended comprehensive support to this underserved sector despite its high risk profile and lack of adequate collateral. The program also makes available subsistence allowances during the development stage of the crop and a provision for additional financing which allows the farmers to redeem the land they have mortgaged to informal moneylenders, an unequivocal act of freeing the farmer from the cycle of perpetual debt. In order to minimize bank interest paid by farmers, ONB releases the development loan in tranches according to actual fund requirements. In addition, interest is reckoned based on the diminishing balance. And with the Bank's program of accelerated payment of loans, the effective rate of interest would be lower than half of the nominal rate!

The real life benefits of increased production, wealth creation and improved way of life liberated from usurious debt serve as intangible rewards to these little sacrifices. With the success of its flagship program, the Bank is confident that the same formula employed in lending to Cavendish banana growers will work in financing the production of other perennial, high valued crops with continuing harvest periods such as oil palm and rubber.

Big agri loans to small farmers will surely make way for a better life in countryside Mindanao. Rest assured, ONB will continue to look after the welfare of this core constituency.

Freedom from Usurious Debt



"I was debt trapped when I was farming rice. With the OBP and the cultivation of Cavendish bananas, I was able to pay all my debts, send my children to school and live a comfortable life that I never experienced before."

Perlito Gerolaga
Tubod, Carmen, Davao del Norte

Life has been tough for rice farmer Perlito and his brood of 10. Of the many setbacks to rice production, mounting payables to informal lenders was one of the biggest problems that had to be dealt with. It was not until his availment of the OBP in 2005 that he finally saw a major turnaround in his life.

Output from first generation suckers cultivated in his 2 hectare property was very promising. Leading up to an average annual production of 5,000 boxes of Class A Bananas per hectare, income earned was more than enough for subsistence and the full settlement of debts. In gratitude, Perlito is committed to complying with set production standards and financing terms, and likewise vowed to continue delivery of fruits in compliance with the long term purchase contract that originally supported his OBP loan.



"I am very pleased with the friendly and accommodating staff of the Bank"

Thelma Ortuyo
Caasinan, Cabadbaran City

Kagawad Thelma used to endure the monthly 80-minute travel to and from Butuan City just to receive the allotment coming from daughter Josephine in New Jersey, United States. Apart from that, she also has to contend, at times, with the uncooperative staff of other banks.

The opening of an ONB branch in Cabadbaran City and the Bank's remittance distribution tie-up with PNB was an answered prayer to her. Now she can easily verify the crediting of allotment funds to her savings account at ONB-Cabadbaran branch itself.

OFW-friendly Exchange Rate and Fees



"Funds transferred are immediately available for payout within the day. It's so convenient and safe."

Gilbert Fuertes
Lupon, Davao Oriental

For 8 years now, Gilbert has been receiving overseas remittances from his wife Mary Flor, a registered nurse based in Singapore. He previously sampled the payout facilities of a nearby pawnshop and a commercial bank in Davao City but remained basically unsatisfied. It was the combined package of competitive exchange rate and low service fees for remittances paid out in ONB Lupon branch that met his requirement and he asked his wife to keep sending funds through BDO Remit, one of ONB's foreign remittance partners. Gilbert also likes it that proceeds are credited to his account within the day and in the exact peso amount as remitted by his wife.

Direct to Saving Account Payout as a Form of Savings

OFW spouses Jojo and Beth Castromayor are both based in Riyadh Saudi Arabia. Jojo, a communications consultant for a Saudi Arabian telecoms company regularly transfers funds to his hometown of Tibanban through AUB's Gintong Hatid remittance facility, for payout at ONB Governor Generoso branch.

Away from their Tibanban home for most of the year, the ability to send money direct to their ONB savings account spells security and ease. As beneficiary, the credit-to-account system of remittance payout allows the build-up of savings over time that Jojo and Beth can access upon their return to the country.

"Our remittances are regularly credited directly to our savings account with ONB Governor Generoso branch. Each time we go on home leave, our savings are easily accessible."

Jonathan & Elizabeth Castromayor
Tibanban, Gov. Generoso, Davao Oriental



Biggest Bank Network for Remittance Payout in Mindanao

Money transfers have become an intrinsic component of emergent economies in the countryside. As rural entrepreneurs and merchants coming from key cities are expanding their business interests elsewhere in Mindanao; rural markets now, more than ever, have become more financially interlinked with each other and with urban centers as well. Mindanao is also home to OFW beneficiaries based in the countryside where remittance inflows from abroad now form an integral part of the dynamics of rural economies.

Consequently, ONB's PeraDala Fund Transfer facility has become the nexus of these commercial activities. The Bank's wide network of 75 branches serves as an important channel for the movement of cash within Mindanao (inter-branch) as well as for funds coming from Visayas and Mindanao (domestic) and from overseas (foreign remittances) locations.

In 2009, the Bank serviced a volume of over P12 billion PeraDala inter-branch transactions. What the numbers confirm to us is how entrenched the Bank is as a fund transfer and payout facility for the multiple mercantile transactions crisscrossing Mindanao's financial highways. The shift to a centralized banking system has considerably streamlined the processing of inter-branch deposit, withdrawal and check encashment, resulting to a quicker service delivery at lower costs.

The Remit-Agad Domestic Remittance Service meanwhile extended the Bank's outreach to now cover Luzon and Visayas. In 2009, funds moved through this facility reached over P78 million, up by 66% from the previous year, with the bulk of remittances originating from outside Mindanao through the branches of remittance partner Security Bank and paid out in ONB's branches. Indeed, this so called cross-border remittance service is the initial step towards fulfilling the countryside's demand for fund transfer channels linking Mindanao to the rest of the country.

The volume of overseas remittances paid out in ONB's 75 branches reached over P 300 million in 2009 which represents 18% growth from 2008 figures. A good volume of remittance inflows channeled through the Bank come from OFWs based in the Middle East but there are also recurrent transfers emanating from Southeast Asia and the United States.

Now considered as a major service of the Bank, PeraDala Foreign Remittances currently offers payout services in the Bank's branches for 13 remittance tie-ups - BDO-Remit, MoneyGram, AUB, I-remit, Xoom, Uniteller, PNB Foreign Remittance, RCBC Telemoney, DBP, G-Cash Remit plus 3 tie-ups inked in 2009 namely, Perihelion, LBC, and BPI. The future rollout of ONB's Internet Banking facilities will allow beneficiaries to monitor the status of their remittances online.

ONB's wide network of 75 online branches; its capabilities for domestic fund transfers and the expanded remittance payout options available to OFWs abroad for sending money to Mindanao beneficiaries through the Bank's branches, truly makes ONB the biggest bank network for remittance payout in Mindanao.

Fast Payout of Remittance Funds to Beneficiaries



"Why claim remittances in Digos City when we have an ONB branch here in Sta. Maria?"

Susan Siva
San Isidro, Sta. Maria
Davao del Sur

Susan saw the wisdom in claiming remittance funds at ONB Sta. Maria branch versus crediting remittance proceeds at a commercial bank in faraway Digos City, as suggested by her OFW brother based in Sydney, Australia. Well, it appears that Susan was right all along as this proved to be a very convenient and cost-effective option. She is particularly impressed with the speedy payout of funds at the branch (even for successive transfers) which came in handy when her father was hospitalized.



Sindangan Branch
Zamboanga del Norte



Dipolog Branch
Zamboanga del Norte



Surigao Branch
Surigao City

Biggest Branch Banking Infrastructure in Mindanao

Fifty-six years ago, the thought of operating online branches would have been far from the minds of the 6 independent rural banks that later merged to form Network Rural Bank. Some forty-two years ago, electronic banking services via ATMs were probably unheard of in the maiden branch of Rural Bank of Panabo. And finally 13 years ago, the proponents behind Provident Rural Bank of Cotabato surely did not have any inkling that its branch network of 7 offices would one day form part of the widest banking network in Mindanao – that is One Network Bank.

The Bank's billion-peso equity expanding at double digit growth rates, substantial resource base of over P9 billion, and consistent 9 digit net income after tax year after year allowed it to pioneer technological advancements in the countryside as well as utilize the branching licenses issued by BSP each year and convert them into fully operational, brick and mortar branches.

From all these capital expenditures, ONB has established the widest branch banking infrastructure in Mindanao as its footprint extended into Northern Mindanao in 2009 with the opening of 5 new branches in Regions IX and X. Indeed, the idea of bigness that suitably describes the Bank's infrastructure network encompasses the physical count of its 75 branches and 96 ATMs, and the sophistication of its banking system and related facilities.

By setting up additional branches in Mindanao's business centers and converting leaseholds to bank owned sites particularly by acquiring prime real properties, ONB established an image of stability in the countryside communities it serves and the key players of the country's financial system.

By expanding its branch and ATM network even in the remote countryside as well as converting to a centralized banking system, ONB brought its services closer to more and more clients; eased its crowded lobbies and mapped out a strategic route for safe and efficient fund transfers between rural areas and urban centers in Mindanao to which its 75 branches have become reliable access points. In fact, the Bank's infrastructure complex is often tapped by businessmen expanding their trade in the countryside and also by commercial banks, money transfer companies and telecoms intending to reach out to their clients in areas where they do not operate.

By locating in unbanked and underbanked municipalities, the Bank served as catalyst for financial consciousness to an erstwhile savings ignorant and credit adverse population. And wherever ONB sets foot, the promise of "Pera ng Mindanao, Para sa Mindanao " will surely resonate to the many corners of the community.

These achievements in terms of branching and ATMs have already etched an enduring mark in the rural banking industry and likewise among countryside clients in Mindanao. And in its desire to minimize the crowding in the lobbies of its branches, the Bank has explored alternative service distribution channels through Internet Banking and Point of Sale (POS) terminals; all these in its continuing efforts to bring modern banking closer to more doorsteps in countryside Mindanao.

In the end, what its branching and ATM agenda has established is a strategic presence and strong market position in the countryside that has earned for ONB the claim of "Big Bank in Countryside Mindanao".

Gingoog Branch Misamis Oriental



The opening of an ONB branch in Gingoog City serves the gap between Butuan City and Cagayan de Oro City where many of the Bank's clients are based. This broadens ONB's geographic reach in the countryside as its strategic branch network now spans most of Mindanao's economic centers.

ONB Gingoog Branch is the Bank's 72nd branch and is among the 4 new ONB branches opened in 2009. The Bank's 73rd, 74th and 75th branch are located in Dipolog City, Sindangan in Zamboanga del Norte and Surigao City respectively.

The Widest Banking Network in Mindanao

75 Branches* and **96** *Pera Agad* ATMs*

ONB
ONE NETWORK BANK
A Rural Bank



Pera ng Mindanao, Para sa Mindanao

*as of April 2010



Check Clearing Operations



Data Center Operations

Big Electronic Banking Technologies

ONB has always been ahead of its peers and technology is one platform that clearly demonstrates the Bank's leadership in the provincial banking industry.

There is an ongoing crossover to more sophisticated, proprietary banking software among rural banks, but ONB already has in full operation its very own core banking system called ONeBanker that interconnects almost all of its 75 branches through a central data server and allows the online, real time access to bankwide deposits and loans information. Other rural banks are tapping the services of a 3rd party ATM network and deployer to carry out ATM services but ONB has already established its own network of 96 ATMs running on a secure Triple Data Encryption System (DES) and linked to the Megalink ATM network, and through Megalink, to other ATM networks, as well.

Now that the Bank's online banking system and ATM network are in place, the full conversion to the ONeBanker Loans Module was a priority information technology project carried out in 2009. This was followed through with the installation of additional firewall hardware and an anti-spam system which further reinforced the Bank's network security infrastructure.

A major technological milestone for 2009 is the transfer of ATM transaction authorization to the ONeBanker system. This switch upgrade expedited processing time for ATM withdrawal and balance inquiry transactions. ONB is also migrating to more cost-efficient technologies to improve the connectivity of its branches and ATM network, streamline related costs and sustain the affordability of its now technology-driven product and service lines. In 2009, most of its VSAT facilities were retired to make way for the more cost-effective IP-VPN communications protocol provided by major telecommunications providers. Also in the works is the full implementation of a Bankwide IP Telephony Solution (VOIP) that will set up toll free, inter-branch and branch to Head Office connectivity. VOIP technology will serve as the backbone of the Bank's future phone banking services.

Meanwhile, the Bank is actively pursuing the deployment of alternative service delivery channels as a core strategy to minimizing the growing queues in its lobbies. Now on its final stages of development is ONB's Internet Banking facility that will make available on the World Wide Web pertinent banking services from CASA and overseas remittances inquiries to fund transfers, bills payment and cash management services, among others.

The features of its PeraAgad ATM card are likewise due for an upgrade. Very soon, its over 240,000 cardholder base will have access to the convenience of the Point of Sale (POS) Debit Card technology through ONB's POS terminals.

All these technological breakthroughs should not come as a surprise since the deployment of state-of-the-art Big Bank technologies is an ongoing, penetrative strategy of ONB that will surely put more high-tech banking amenities in the hands of clients in countryside Mindanao.

ONB PeraAgad ATM Gaisano Mall, Cagayan de Oro City



ONB is an equity member of the Megalink consortium where 21 of its 96 PeraAgad ATMs were among the Top 50 onsite and offsite ATMs of the Megalink Network in 2009. PeraAgad ATMs operate as payroll servicing channels in underbanked areas such as Puerto, Maragusan and Calinan; and serve a sizeable volume of on-us and acquirer transactions in Maranding and the Gaisano Malls in Butuan City and Cagayan de Oro City.

Mid-Year Budget Review

Compliance was likewise the premise for ONB's 2009 Midyear Branch Performance Review given its theme of "Excellence in Compliance without Sacrificing Quality of Service." The conference assembled ONB's top management, group heads, cluster heads, branch managers and head office managers for the presentation of respective branch operating results for the first semester of the year and plans to improve operating performance for the remaining months.

Bank president Alex V. Buenaventura rallied the delegates towards improving quality of services that can be achieved through the faithful compliance to standards and bank policies. Highlights of the 3-day conference include the introduction of more stringent Audit Proficiency Rating (APR) Standards and the inter-dialogue between head office and branch managers which allowed for a systematic exchange of feedback and consequent resolution.



The Compliance Department

ONB's over 9 billion resource base and rapidly expanding scope of banking operations require the services of a dedicated compliance body that would help oversee the implementation of the Bank's compliance system. Thus in 2009, a board resolution was passed separating compliance with internal audit functions to create the Compliance Department and install a full time Compliance Officer as well.

Reporting directly to the Corporate Governance Committee, the Compliance Department assists the Board of Directors in the oversight of bankwide compliance to government laws, rules and regulations as mandated by regulatory bodies like BSP, PDIC and the AMLC; and in the management of compliance risks as well, in the overall intent of sustaining Bank operations with respect to the authority and privileges granted by the BSP.

Strong and Responsive Corporate Governance

ONB's commitment to good corporate governance practices is vital to the efficient control of bank operations and in enhancing shareholder value over time. The mandate of governance lies in its 7-member Board of Directors, the Council of Advisers and Executive Committee. Together, these governing bodies exercise oversight and directive functions implemented with the highest degree of integrity, accountability, disclosure and transparency, not only to serve the interests of ONB's shareholders but also that of its employees and various publics.

The Bank's capital size, along with its mature set of products and services utilizing various electronic banking platforms call for more intensive board supervision in the discharge of statutory and fiduciary duties, in monitoring compliance to government regulations as well as in the oversight of corporate risks and the Bank's functional units. Board level committees and operational committees assist the board of directors in fulfilling this mandate.

In 2009, the Board of Directors reinforced its role and involvement in the oversight of ONB's overall compliance programs through the setup of the Compliance Department. The Policy Development Committee and its support unit, the Systems Department, were also organized to enhance the policy formulation process in the operational level and to establish quality control in its products and services.

Much of ONB's accomplishments can be attributed to the implementation of high quality corporate governance practices and the development of an efficient framework for risk management and compliance. The Bank's latest CAMELS rating which can be described as "good" definitely exemplifies this assertion as the supervisory rating system reflects BSP's evaluation of overall financial condition and management performance.

ONB's strong fundamentals in corporate governance allow it to sustain its growth and profitability while realigning key performance indicators with the vision of leadership in the Philippine rural banking industry. Moreover, good corporate governance established a reputation of fairness, innovation and professionalism that received high marks in the scorecards of customers, stockholders, employees and its external shareholders. In the end, this makes ONB perhaps one of the most admired companies in the banking industry.

The Risk Management Committee



The Risk Management Committee is a board level committee that serves as an extension of the Board of Directors in the development of the Bank's corporate risk management policy and its oversight thereafter. By virtue of its charter, the 3-member committee composed of Alex V. Buenaventura, Antonio P. Avelino and its chairman Antonio R. Cabreira, Jr., is specifically mandated to provide a watchful oversight over the fulfillment of management accountability and governance expectations in relation to the management of risks that the Bank is exposed to and its causes. The committee's core responsibilities include the following: (1) risk exposure identification and assessment; (2) development of strategies relevant to the management and control of major bank risks; (3) implementation and communication of the risk management plan to concerned operating units within the Bank; and (4) conduct of periodic review and revisions of the corporate risk management plan, as needed.



Annual Stockholders' Meeting

Once again, ONB's top management was able to pull off another year of profitable operations and increased returns for its shareholders. During the Annual Stockholders' Meeting held in August, the Bank president reported the operating results for the year as well as the improvements and innovations implemented on several fronts. The meeting also served as venue for open forum and fellowship among stockholders.

The focal point of the affair was the Board approval and ratification of the Plan of Consolidation with the Rural Bank of New Corella. Consolidation is regarded as an effective integration strategy in line with the objectives of increasing resources and capital base as well as meeting paid-in capital requirement that allows the consolidated Bank to take advantage of economies of scale. ONB is a product of the consolidation of 3 Mindanao-based rural banks in 2004.



Annual Employees' Retreat

The Bank also puts premium on the aspect of spiritual growth by making available the necessary resources for the conduct of employee annual retreats. Group retreats foster spiritual renewal, personal growth, teamwork and likewise provide the opportunity to revisit ONB's set of core values.

In 2009, the Bank's over 1,000 employees attended 2 day retreats scheduled according to batches and held during the months of April and May. Retreats are packaged with 2 modules, the core values and spiritual modules. The first module allows the employee to recapitulate and imbibe ONB's core values of Maka-Diyos, Makamasa, Masigasig, Mapagkakatiwalaan, Marunong Mag-ipon, Maligaya, Maayos and Malusog. The second module comes with a spiritual dimension that feeds the soul with inner spiritual meditation and aspirations that will make way for a better personal and career disposition.

Boosting Shareholder Value and Investing in Employee Development

The Big Bank agenda is not only confined to branching, banking technologies and client services. Certainly, ONB has committed itself to sustain and boost the interests of its internal stakeholders – the Bank's stockholders and employees.

It was another excellent year for ONB as indicated by the solid operating results for 2009. Once again, the Bank was able to deliver robust returns from operations in an environment adverse to the rural banking industry when it achieved double digit growth rates in net income and equity. Good asset quality, sizeable interest earnings from lending operations and the bullish growth of its loan portfolios served as the main drivers to strong profit performance. This translated to a net income after tax of P291 million, return on equity of 29% or earnings of P0.29 per share of common stock (P1 in par value) which tops the banking industry's average.

ONB's sustained profitability and record of exemplary performance in the rural banking industry emanate from top management's commitment of generating sustained increases in shareholder value and growing the Bank's capital base year after year. By maintaining its policy of 100% plowback of earnings or declaring only stock dividends, ONB again leveraged its present day gains for sustained future growth.

The Bank also thinks BIG as far as the welfare of its employees is concerned. ONB's commitment of boosting its employee value proposition in the desire to cultivate a culture of performance and a deep sense of mission within a satisfying work environment definitely underscores this mindset.

Consequently, this agenda entails the realignment of the Bank's compensation structure and recruitment policies; as well as the bankwide implementation of human resources programs intended to advance the core competencies, careers, fitness and personal outlook of its employees that is in line with ONB's chosen set of core values.

Institutionalized Skills Training Programs. The Bank has taken the steps to standardize and integrate a hands-on component into its employee training programs. New hires are required to attend the Orientation of New Bank Employees (ONBE) and undergo skills training prior to deployment in respective branches. Refresher courses were also made available to branch tellers, branch accounting specialists and branch loans specialists. Moreover, Basic Supervisory Skills and Advanced Management Skills Training were conducted for head office managers and unit heads.

Career Development. In 2009, ONB produced another 25 new Branch Operations Officers through the Branch Operations Management Development Program (BOMDP), fulfilling the Bank's pledge of promoting from within the ranks employees with outstanding performance record. Furthermore, ONB also instituted a Merit Promotion Policy to recognize the outstanding performance of select employees. Now, vacancy is no longer the sole basis for promotion as the policy mandates a compensation adjustment and a step up of one rank higher without necessarily effecting a movement in position.

Expanded Fringe Benefits. Life insurance coverage for ONB officers and staff was expanded to P2 million and P1 million respectively. This is likely the biggest insurance benefit afforded to employees in Mindanao. The payout of employee relocation allowances has likewise been standardized.

Proactive Health Care Program. The full force of the Bank's health care programs were implemented in 2009 as mandatory compliance to its Weight Reduction Program imposed on overweight employees. Another health program made available to ONB employees is the Net Care's High Risk Program which focuses on achieving stability of the health condition of employees with problems such as hypertension, chronic hepatitis B infection, cardiovascular disorder and elevated cholesterol, uric acid and creatinine levels. The management believes that high risk cases can be minimized by keeping its workforce healthy and fit.

ONB's dedication to its over 1,000 employees brings the Bank closer to the coveted recognition of being an Employer of Choice in the industry.

Mandatory Weight Reduction Program



ONB is earnest in its mission of ensuring the wholistic development of its human resources and that includes the physical health of every employee.

In 2009, the Bank's fight against the flab took off. Employees diagnosed to be either overweight or obese based on BMI results were subjected to a Mandatory Weight Reduction Program. Diagnosed employees were required to attend a weight reduction seminar; subscribe to a recommended diet and exercise regimen, and likewise concur to meet a particular weight level by the end of the year by signing a commitment form.

This pioneering health care program is a complementary program to the Net Care High Risk Program of the Bank's Health Services Unit for employees diagnosed with cardiovascular and respiratory diseases. Both programs are mandatory and infused with penalties for non-compliance.

Board of Directors



Victor A. Consunji
Chairman



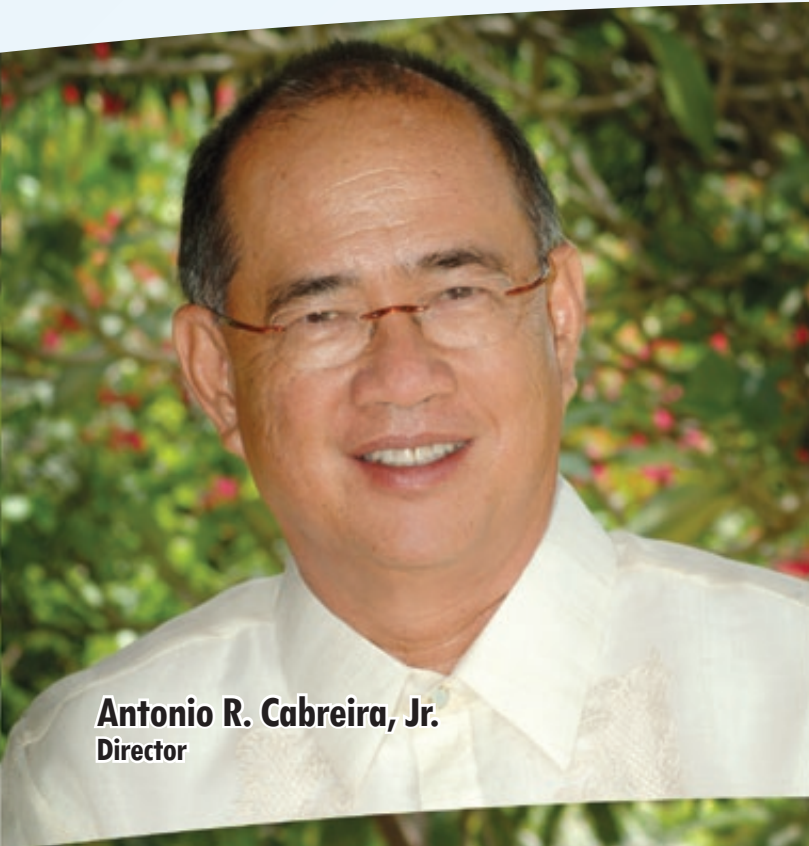
Alex V. Buenaventura
President



Antonio P. Avelino
Vice-Chairman



Luz Consuelo A. Consunji
Director



Antonio R. Cabreira, Jr.
Director



Rev. Fr. Agustin L. Nazareno
Independent Director



Evelyn T. Ang
Independent Director



Atty. Jose M. Balingit, Jr.
Corporate Secretary

Council of Advisers



Dr. Edgardo V. Buenaventura

Jose V. Buenaventura

Rev. Fr. Jessie S. Esparagoza

Edgardo S. Lagman

Executive Committee



Antonio R. Cabreira, Jr.

Antonio P. Avelino

Alex V. Buenaventura

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, 2009. The financial statements have been prepared in accordance 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. Management likewise discloses to the Bank'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 Bank.

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


Antonio P. Avelino
Vice Chairman


Alex V. Buenaventura
President


Dario S. Magnaye
Treasurer

Report of Independent Auditors

The Board of Directors and Stockholders 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 financial position as at December 31, 2009 and 2008, and the statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2009, 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, 2009 and 2008, and of its financial performance and its cash flows for each of the three years in the period ended December 31, 2009 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO


By: **Ramilito L. Nañola**
Partner
CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 2087618, January 4, 2010, Makati City
Partner's SEC Accreditation No. 0395-AR-1
BIR AN 08-002511-19-2009 (Sept. 16, 2009 to 2012)

Firm BOA/PRC Cert. of Reg. No. 0002
Firm SEC Accreditation No. 0002-FR-2

April 8, 2010

ONE NETWORK RURAL BANK, INC.
STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2009 AND 2008

(Amounts in Philippine Pesos)

RESOURCES	Notes*	2009	2008
CASH AND OTHER CASH ITEMS	6	P 533,916,934	P 645,938,455
DUE FROM BANGKO SENTRAL NG PILIPINAS	6,7	39,702,101	43,530,970
DUE FROM OTHER BANKS	6,8	1,451,782,320	572,643,895
HELD-TO-MATURITY INVESTMENTS	10	310,317,262	360,446,976
LOANS AND RECEIVABLES (NET)	9	6,159,059,500	6,345,293,860
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT (NET)	11	597,486,475	547,667,911
INVESTMENT PROPERTY (NET)	12	20,130,473	13,767,235
DEFERRED TAX ASSETS	22	86,733,483	80,037,301
OTHER RESOURCES (NET)	13	<u>87,414,302</u>	<u>102,919,678</u>
TOTAL RESOURCES		<u>P 9,286,542,850</u>	<u>P 8,712,246,281</u>
LIABILITIES AND EQUITY			
DEPOSIT LIABILITIES	15	P 6,886,551,602	P 6,010,573,872
BILLS PAYABLE	16	436,664,692	1,013,502,935
INCOME TAX PAYABLE		58,266,636	53,095,289
ACCRUED EXPENSES, DEFERRED CREDITS AND OTHER LIABILITIES	17	<u>243,914,223</u>	<u>265,166,757</u>
TOTAL LIABILITIES		7,625,397,153	7,342,338,853
EQUITY	18	<u>1,661,145,697</u>	<u>1,369,907,428</u>
TOTAL LIABILITIES AND EQUITY		<u>P 9,286,542,850</u>	<u>P 8,712,246,281</u>

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

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Amounts in Philippine Pesos)

	Notes*	2009	2008	2007
CAPITAL STOCK	18	<u>P 997,459,969</u>	<u>P 997,101,969</u>	<u>P 821,101,969</u>
PAID-IN SURPLUS	18	<u>21,684,502</u>	<u>22,225,966</u>	<u>21,493,524</u>
SURPLUS				
Balance at beginning of year		350,579,493	274,156,851	216,038,375
Net profit		291,421,733	252,437,554	231,207,948
Stock dividends	18	-	(176,000,000)	(173,000,000)
Cash dividends	18	-	(14,912)	(89,472)
Balance at end of year		<u>642,001,226</u>	<u>350,579,493</u>	<u>274,156,851</u>
TOTAL EQUITY		<u>P 1,661,145,697</u>	<u>P 1,369,907,428</u>	<u>P 1,116,752,344</u>

* See Notes to Financial Statements

ONE NETWORK RURAL BANK, INC.
STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
 (Amounts in Philippine Pesos)

	Notes*	2009	2008	2007
INTEREST INCOME ON				
Loans and receivables		P 1,132,512,201	P 930,792,957	P 727,057,020
Deposits with other banks		42,397,427	21,846,480	22,212,200
Investments		25,400,010	36,487,192	32,549,269
		<u>1,200,309,638</u>	<u>989,126,629</u>	<u>781,818,489</u>
INTEREST EXPENSE ON				
Deposit liabilities		153,897,893	135,198,996	126,558,481
Bills payable		60,103,991	49,978,037	11,039,599
		<u>214,001,884</u>	<u>185,177,033</u>	<u>137,598,080</u>
NET INTEREST PROFIT		986,307,754	803,949,596	644,220,409
IMPAIRMENT LOSSES	14	74,543,059	99,887,434	100,633,448
NET INTEREST PROFIT AFTER IMPAIRMENT LOSSES		911,764,695	704,062,162	543,586,961
OTHER INCOME				
Service charges, fees and commissions		216,656,560	299,933,895	294,722,077
Others	20	9,053,246	6,974,249	22,124,318
		<u>225,709,806</u>	<u>306,908,144</u>	<u>316,846,395</u>
OTHER EXPENSES				
Compensation and employee benefits	21	236,932,288	221,128,249	183,416,383
Occupancy and equipment related expenses	25	138,711,175	124,799,820	120,219,448
Taxes and licenses		77,552,122	24,665,281	16,601,692
Security, messengerial and janitorial services		58,340,260	53,455,895	42,514,767
Transportation and travel		53,642,290	44,745,717	33,423,973
Stationery and supplies		26,295,080	21,720,668	15,915,008
Communications, telephone and telegraph		22,012,687	19,797,958	15,075,806
Service charge		16,804,934	15,432,894	11,573,819
Fuel and lubricants		16,800,401	20,250,595	14,341,129
Insurance		15,081,211	11,208,855	9,353,133
Professional fees		6,232,030	6,798,665	4,727,609
Intranet		4,779,396	4,386,618	3,462,215
Amortization of deferred charges		4,400,505	3,728,621	4,531,152
Advertising and publicities		4,373,972	2,593,612	492,565
Banking fees		3,890,125	2,806,208	1,893,552
Recreation and entertainment		3,020,021	9,444,159	11,710,814
Membership dues and fees		2,315,745	1,512,098	489,226
Donations		1,460,743	3,215,370	4,718,553
Freight		979,052	1,295,803	1,245,210
Periodicals and magazines		564,611	527,782	452,428
Others		18,650,431	8,839,020	10,313,372
		<u>712,839,079</u>	<u>602,353,888</u>	<u>506,471,854</u>
PROFIT BEFORE TAX		424,635,422	408,616,418	353,961,502
TAX EXPENSE	22	133,213,689	156,178,864	122,753,554
NET PROFIT	23	291,421,733	252,437,554	231,207,948
OTHER COMPREHENSIVE INCOME		-	-	-
TOTAL COMPREHENSIVE INCOME		P 291,421,733	P 252,437,554	P 231,207,948
Earnings per Share:	23			
Basic		<u>P 0.292</u>	<u>P 0.253</u>	<u>P 0.282</u>
Diluted		<u>P 0.292</u>	<u>P 0.253</u>	<u>P 0.282</u>

* See Notes to Financial Statements

ONE NETWORK RURAL BANK, INC.
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Amounts in Philippine Pesos)

	Notes*	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 424,635,422	P 408,616,418	P353,961,502
Adjustments for:				
Impairment losses	14	74,543,059	99,887,434	100,633,448
Depreciation and amortization	11	69,097,720	63,942,560	51,547,636
Amortization of deferred charges		<u>4,400,505</u>	<u>3,728,621</u>	<u>4,531,152</u>
Operating profit before changes in resources and liabilities		572,676,706	576,175,033	510,673,738
Decrease (increase) in loans and receivables		112,142,637	(1,832,585,033)	(1,335,011,505)
Decrease (increase) in other resources		11,104,871	(7,140,153)	(12,237,974)
Increase in deposit liabilities		875,977,729	1,337,008,060	1,066,197,121
Increase (decrease) in accrued expenses, deferred credits and other liabilities		<u>(21,252,534)</u>	<u>87,771,334</u>	<u>(26,362,999)</u>
Cash generated from operations		1,550,649,409	161,229,241	203,258,381
Cash paid for taxes		<u>(134,738,523)</u>	<u>(144,584,017)</u>	<u>(111,192,395)</u>
Net Cash From (Used In) Operating Activities		<u>1,415,910,886</u>	<u>16,645,224</u>	<u>92,065,986</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net acquisitions in bank premises, furniture, fixtures and equipment	11	(118,916,284)	(119,036,187)	(169,141,225)
Decrease (increase) in held-to-maturity investments		50,129,714	4,891,942	(25,516,386)
Net decrease (increase) in investment property	12	(6,814,574)	2,343,710	1,871,401
Decrease in investment in an associate	11	-	-	1,255,248
Net Cash Used in Investing Activities		<u>(75,601,144)</u>	<u>(111,800,535)</u>	<u>(191,530,962)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase (decrease) in bills payable		(576,838,243)	530,118,948	22,835,220
Net increase (decrease) in paid-in surplus		(745,600)	717,530	-
Proceeds from issuance of capital stock		562,136	-	9,704
Dividends paid		-	-	<u>(89,472)</u>
Net Cash From (Used In) Financing Activities		<u>(577,021,707)</u>	<u>530,836,478</u>	<u>22,755,452</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		763,288,035	435,681,167	(76,709,524)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6	<u>1,262,113,320</u>	<u>826,432,153</u>	<u>903,141,677</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	<u>P 2,025,401,355</u>	<u>P 1,262,113,320</u>	<u>P 826,432,153</u>

Supplemental Information on Non-Cash Financing Activities

The Bank declared and distributed stock dividends to its stockholders amounting to P176,000,000 and P173,000,000 in 2008 and 2007, respectively (see Note 18).

* See Notes to Financial Statements



Pera ng Mindanao, Para sa Mindanao



ONE NETWORK BANK

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