



2010 ANNUAL REPORT

# Modern Banking in Countryside Mindanao



PCHC MICR Checks



Proposed 7-Storey ONB Center



Real-Time Cash Transactions  
To/From 80 ONB Branches



POS Debit Card Payments



24/7 ATM Cash Withdrawals



Proposed Internet Banking

# Our Vision

**One Network Bank will be the Philippines' widest banking network in progressive communities unserved or underserved by commercial banks, especially in rural areas, powered by values-driven professionals with a deep sense of mission to provide these communities easy access to modern quality banking services.**

# Our Mission

**One Network Bank will...**

- **Aggressively build-up capital in order to widen branch infrastructure and to provide the widest possible array of financial products and services;**
- **Accelerate and deepen presence in progressive communities unserved or underserved by commercial banks;**
- **Ensure holistic development of human resources guided by ONB core values;**
- **Provide access to innovative and quality lending programs to small farmers and small businessmen;**
- **Provide special banking services for rural banks, cooperatives and multi-branch institutions;**
- **Implement best practices in compliance, risk management and good governance; and**
- **Provide shareholders with rates of return on investment that are highest in the banking industry.**

## About the Cover

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The cover represents the six marks of modern banking that ONB is bringing to its countryside clients: (1) 24/7 PeraAgad ATMs, (2) Point of Sale (POS) Payment System, (3) PCHC clearing of ONB issued MICR Checks, (4) an online CASA system that links most of its 80 branches and allow online and immediate access to bankwide deposits and loan information, (5) the proposed 7-storey ONB Center, and (6) the forthcoming ONB internet banking facility.

These modern platforms for delivering innovative banking products and services respond to the emerging needs of its clients and provide effective solutions to businesses resulting to ease of operations, quick access, and cost effectiveness. All these form part of the Bank's commitment to link Mindanao's rural communities to financial networks long enjoyed exclusively by urban centers through commercial banks.

The 2010 Annual Report summarizes ONB's aggressive and strategic launching of modern banking services to the primary community the bank serves – the Mindanao countryside.

# Financial Highlights

2010 Year End Performance

## Operating Results (In Millions)

	2010	2009	2008
<b>Total Comprehensive Income After Tax</b>	<b>311</b>	291	252
<b>Resources</b>	<b>11,806</b>	9,286	8,712
<b>Loans</b>	<b>5,966</b>	5,799	5,826
<b>Deposit Liabilities</b>	<b>9,428</b>	6,886	6,011
<b>Stockholders' Equity</b>	<b>1,973</b>	1,661	1,370
<b>Number of Employees</b>	<b>1,092</b>	1,004	884
<b>Number of Branches</b>	<b>80</b>	75	72
<b>Number of ATMs</b>	<b>104</b>	92	76

## Selected Financial Ratios

	2010	2009	2008
<b>Return on Private Investment</b>	<b>28%</b>	29%	28%
<b>Return on Assets</b>	<b>3%</b>	3%	3%
<b>Risk-Based Capital Adequacy Ratio</b>	<b>25%</b>	27%	19%
<b>Intermediation Ratio</b>	<b>63%</b>	84%	97%
<b>Liquidity Ratio</b>	<b>39%</b>	29%	24%
<b>Expense to Gross Income Ratio</b>	<b>81%</b>	79%	81%
<b>Non-Performing Loans (NPL)</b>	<b>5%</b>	5%	3%
<b>Non-Performing Assets (NPA)</b>	<b>3%</b>	3%	2%

# President and Chairman's Message

## Turning Corners and Stepping Up

Let's take time to go over the corners we have turned as we journeyed as an organization. We have hurdled the 1,000th employee mark, which now makes ONB a major employer in Mindanao, if not the country as a whole. In the rural banking industry we belong to, this is not an ordinary achievement, especially as we manage to move along as well with 80 branches in our fold as when we were still starting out as 3 separate rural banks.

We have also turned the corner when we put up our 80th branch and installed our 100th ATM and continue to disperse our reach throughout the countryside through more branches and ATMs. In fact, in terms of ATMs, our reach has gone beyond our normal confines. We now have deployed ATMs and POS units in the remote island of Semirara. Semirara, politically part of the province of Antique but economically more tied up with the island of Mindoro, is between the Visayan and Luzon island groups. This is a small step outside Mindanao.

Actually, we have already branched outside the island of Mindanao itself when we opened our branch in the Island Garden City of Samal, off Davao City. This presages bigger corners to turn as we now look towards extending our branch network beyond Mindanao. We have already announced our intention to expand our network to the Visayas.

This poses a strong challenge to our slogan – "Pera ng Mindanao, Para sa Mindanao". But the essential spirit remains in our commitment – whatever funds we raise in one community, we commit, as much as possible, to invest in that community.

The step up will continue as we move along a steep plane towards modernization.

We look forward to bigger things. Internet Banking will make its bow as we turn into 2011. This will make ONB a borderless bank. Our clients' access to our services and their accounts will go beyond the limits of our brick-and-mortar facilities, though sadly away from the smiles of our frontliners.

We will turn another corner and head to Makati. Plans are being finalized to open a branch in Makati in order to improve our position to render financial services to clients requiring our physical presence in this financial capital. There has been a long-standing clamor for ONB to establish its presence in Metro Manila so that the financial highways already in place in Mindanao can have access to the main business hub of the country.

Looking further forward, we eagerly anticipate ONB's journey when we turn the corner to 2012. With our paid up capital already at Php 1.9B, we expect that, before the year 2012 ends, ONB will have reached the paid up capital of Php 2.4B, the minimum required for a commercial banking license. This raises very interesting possibilities for ONB. Definitely, a significant milestone but will we convert? This will demand a big change in our culture, in our essence as a financial services provider. This may be a corner we will find hard to turn.

But what is definite is that by the year 2012, ONB will have its modern head office building, the ONB Center. After years of uninterrupted growth, ONB Center will finally consolidate, in one multi-storey edifice, all the support units, a move that will definitely improve the organization's capacity to backstop the frontline offices as we position ONB as the most modern provider of banking services to underserved communities in the country.

So while ONB's "look and feel" increasingly turns more "commercial" than "rural", the soul remains the same. ONB will be big enough to matter, but small enough to care.

  
Victor A. Consunji  
Chairman

  
Alex V. Buenaventura  
President



**Victor A. Consunji**  
*Chairman*

**Alex V. Buenaventura**  
*President*

# Innovative Banking for Small Accounts

In 2010, the Bank has stayed faithful to its enduring relationship with small accounts, remaining a community bank committed to use the resources gained in Mindanao to support the delivery of financial services to the underserved clientele in the island. Much more, ONB has broken the traditional mold of rural banks by providing these clients with products and services previously available only from commercial banks.



## Small Account Friendly Loan Products - PeraSosyo

*"The bank has been very supportive and very responsive to our needs. I have never experienced any problems and hassles. The staff are all very approachable."*

*Mary Jean Brillos - Lebak, Sultan Kudarat*

Mary Jean, a fish vendor, together with her family has been in the fishing business for almost 20 years now. ONB, through the PeraSosyo Program, helped her and her husband grow and support the family's fishing business and the marketing of their produce in the palengke. They were able to acquire fishing boats, support their everyday needs and send their children to school with the help of the program.

Clients in previously underserved societies are now able to experience banking convenience through the following banking transactions:

- withdraw cash thru any 104 PeraAgad ATMs deployed all over Mindanao;
- transfer funds through interbranch facility in over 80 ONB branches;
- load and cash in the mobile-based electronic money (GCash);
- send and receive domestic and foreign remittances through PeraDala;
- exchange US dollars to Philippine Peso through ONB's PeraXchange money changing service;
- receive SSS pension payments; and
- pay bills and tuition fees over the counter through PeraBayad.

All these services provide the convenience of one-stop banking and make life easier for small accounts in the countryside.

Staying true to the small accounts culture that it advocates, ONB made sure that its ATM and other deposit products are made affordable to the small and micro depositors through minimum deposit requirements of only P100 for the regular Passbook Savings Account and the PeraAgad ATM Pinoy Savings Account, P1,000 for time deposit and P50 for the Young PeraSavers savings account.

ONB's average deposit and loan size remains small accounts friendly. This is something that the Bank is proud about and hopes to maintain. With the Bank's consolidated loan portfolio of almost P6 billion in 2010, the average loan account size is P 72,000 with 82,500 borrowers. At a total deposit of P9.5 billion, the bank's average deposit size stood at P18,000 with 514,800 depositors.

Efforts were also made in making its loan products friendly to the small accounts through granting of loan amounts between P10,000 and P150,000 at competitively low interest rates and minimal document requirements for its PeraSosyo Program, a loan product customized for micro entrepreneurs. The Salary Loan Program is another loan product that for several years provided the employed sector a means to improve their lives through borrowing money ranging from P10,000 to P250,000 against salary for educational needs, livelihood projects, emergencies and other personal needs.

With a clearer view of its role of developing countryside Mindanao, ONB will continue extending the benefits of modern banking technologies, reaching even the farthest corners of Mindanao and will give equal financial opportunity for small clients in underserved communities to improve their lives. Even as it pursues bolder business paths, ONB will not wander away from its core business, where its heart faithfully lies - the small accounts.

## Young PeraSavers

*"Children like us should start saving. This is our way of helping our parents by saving and spending our own money for the things that we need now or in the future."*

*Ivan James Langomez and Jed Tudayan • Glan, Sarangani*

Both 10 years old, cousins Ivan and Jed were encouraged to save by their parents at an early age and started opening a savings account with ONB together with other siblings when they were still 6 years old. They set aside about P5-10 pesos of their everyday "baon" to school for their Young PeraSavers Account. ONB, through the Young PeraSavers, is working with the parents and local schools in helping children learn the value of money and in developing a good habit of saving.



## Small Account Friendly Loan Products – Mini Business Loan

*"ONB is truly a blessing to our family and our business. We could not make it this far without the Bank's trust and confidence in us."*

*Josie Gabutin • Maramag, Bukidnon*

Josie and her husband Rico started with barely enough capital necessary to put up their own business. All they had was a small space and started by trading items supplied by a relative's hardware business. They decided to try ONB's Mini Business Loan and they were able to buy an Isuzu Forward truck for the business, purchase land for their own warehouse and put up their sand and gravel business. Since then, they acquired additional land, constructed a new building and recently expanded their hardware and glass supply business by putting up a branch in Valencia.



# Modern Banking Solutions for Countryside Businesses

In today's world of breakneck-speed communication channels and borderless economy, "Pera ng Mindanao, Para sa Mindanao" continues to be One Network Bank's mantra as it strives to improve its reach in servicing the business community of Mindanao, bringing banking convenience closer than ever.

Nowadays, top-quality and the latest banking products and services necessary for expansion and ease of doing business are no longer exclusive to the urban centers of Mindanao.



## OSBS for the Dioceses

The launching of ONB's One Special Banking Services (OSBS), the Bank's cash management services package in 2010 forged partnerships with three of Mindanao's biggest religious institutions namely: the Diocese of Kidapawan Inc., the Archdiocese of Davao and the Archdiocese of Zamboanga. Under this agreement, the three Dioceses and their affiliate parishes, pastoral centers, religious orders and educational institutions avail of selected ADB-Based, No Fee Services and special interest rates on deposit and loan products.





ONB has made banking services such as the Automatic Transfer Accounts (ATA), cash pick-up services, Special Deposit Arrangements (SDA), PeraSweldo via ATM, PeraDala Online Fund Transfer Facility and the PeraBayad Bills Payment Facility available to rural communities providing customized and differentiated banking solutions necessary to run business operations. The 1-day PCHC clearing of ONB issued MICR Checks has helped establish wider acceptance among suppliers and multinationals even those with strict check acceptance policies.

ONB's special banking products also recently introduced its cash management services called the One Special Banking Services (OSBS), a package of ONB products and services specifically customized or modified to meet the requirements of business clients or client groups to help in their management of business funds, liquidity, collections, and disbursements. OSBS include disbursement solutions such as the payroll servicing product called PeraSweldo and installation of On-site PeraAgad ATM and POS; payments solutions such as collection of bills through Perabayad and collection of sales through PeraDala fund transfers; and other products and services such as Cash/Deposit Pick-up and Delivery, Checking Account and/or Manager's Checks with special features, waiver on service fees and special interest rates on deposits and loans.

For business financing facilities, ONB came up with more flexible loan products tailored fit to the requirement of the countryside businesses. With its Single Borrower's Limit (SBL) of P480 Million, ONB has elevated itself in a position to deploy a wide range of credit facilities through its One Business Loan (OBL) product at rates and terms competitive with commercial banks. A total of P1.14 Billion was extended to the countryside business sector in 2010, a 34% increase from previous year, proving that the bank is a major business financier of Mindanao entrepreneurs.

This wide array of customized bank products and services is further supported by ONB's wide 80-branch and 104-ATM network as well as a six-day banking week (Monday to Saturday) with extended banking hours adding ease in access, a service the countryside businessmen depend on.

Over the years, ONB's relationship with its Mindanao business clients transcended the conventional business relationship model to a very personal and proactive level, a symbiotic relationship that ONB branches consciously cultivate; giving clients the appropriate financing and cash management solutions that make business operations bigger and more efficient.



## OSBS for Seventh-Day Adventist

*"We are so grateful to know that the Bank trusts us enough, evidenced by its consent to set-up an ATM in our campus among the other services it is providing. We are also thankful for the personal attention and warm reception that we are always getting from the Bank especially from the Branch Manager."*

*Dr. Daniel D. Dial - President, Mountain View College (MVC), Valencia City, Bukidnon*

Under the umbrella of the South Philippines Union Conference (SPUC), the chief partaker of the OSBS, Mountain View College, a Seventh-Day Adventist educational institution located in Mt. Nebo, Bukidnon Province is able to avail of ONB's cash management services such as Pick-Up of Deposit from the campus which according to them eliminates many risks that the college faces such as loss of cash and robbery. Aside from the putting up of the PeraAgad ATM inside the campus to service the students and the payroll for its employees, ONB also collects tuition fees from parents all over Mindanao for their children studying in MVC.

## One Business Loans

*"I hope that the happy and active branch manager and staff of ONB will continue and maintain the prompt and very good service that they are to giving us. They are very proactive and attentive to our needs."*

*Jocelyn Malack-Tan - Maramag, Bukidnon*

Jocelyn's family has been in the sugar trading business for decades in the Bukidnon region and the business now covers most parts of Mindanao and some in Visayas and Luzon. Recent business expansion includes corn buying, bakery, farming, grocery and petroleum retailing. ONB's One Business Loan provided them the needed working capital for sugar stocking procurement. The family business also enjoys the Bank's cost-effective and convenient services suited for their business such as the Bills Purchase (BP) line facilities, cash pick-up services and inter-branch fund transfers.



# Modernizing Agriculture in Mindanao

ONB's commitment to its mandate has been strengthened through years of pursuing its mission of strengthening the foundations of economic development by investing in the countryside. ONB has already extended over P713 million worth of financial assistance through the One Banana Program (OBP), ONB's agri-lending program for cavendish banana growers, since it started in 2005. This reflects the Bank's efforts of maintaining the flow of more resources to the rural communities it serves.



## Improved Living

*"Our life has improved a lot since we shifted to banana farming. I am very grateful for the help and support that ONB extended to us farmers through the program. ONB's Agri-technicians have also been a big help to us in managing our banana farms."*

*Miguel Bazarte • Tubod, Carmen, Davao del Norte*

Life has been very hard and challenging for former rice farmers like Tatay Miguel. He and his family have endured difficulties in rice farming over the years such as seasons of low productivity, pawned land and mounting debts. He finally decided to convert his rice land into Cavendish Banana farm with the help of ONB's One Banana Program (OBP). This, according to him, is when he finally experienced a major turnaround in his life. With him personally working in the farm and following the prescribed banana farming practices, he was able to meet the program's production standard of 4,000 Class A boxes per year even increasing it by 34% over the target for 2010. These breakthroughs enabled him to fully support the needs of his family and pay off his debts.

A comprehensive credit facility, OBP, is a unique paradigm ONB discovered in years of searching for ways towards profitable farming grounded in the belief that it takes more than just financial assistance to help people succeed in the business of farming. This paradigm involves not only the provision of development and working capital but also the careful application of a set of tested production technologies combined with thorough farm supervision and availability of links to established buyers engaged in strategic alliances with markets worldwide.

All parties involved in the program, the farmer, the buyer and ONB, maintain a strict observance of the "Tri-Partite Agreement" for Farmer to deliver all production to buyer, for buyer to pay farmer through the Bank, and for Bank to debit Farmer's Savings Account for loan payment. Next to granting loans and technical assistance, ONB also provides land titling assistance and freedom from debt loan, a loan to free farmers from pre-existing debt at usurious rates, of up to P100,000 per farmer borrower.

Prior control is implemented through a pre-loan technical evaluation of sites by its pool of well-trained Agri-Production Technicians (APTs). Through the APTs, the program educates farmers on the appropriate application of modern farming and production techniques, and effective farm management to meet the production standard of 4,000 Class A boxes per year and sustain high-quality yield. These APTs also supervise farmers and serve as monitors against pole vaulting or non/short-delivery to contract buyers.

Through OBP, ONB extends big loans to small farmers of as much as P590,000 per hectare. The biggest exposure to a single farmer borrower to date is at P2.2 million covering a maximum financed area of 3 hectares. Under this program, the farmers of Mindanao have started to generate decent income from farm production, and the bank is now able to support and finance a growing number of 561 farmers with a total of 1,213 hectares in North Davao and South Cotabato, from just 126 farmers with 374 hectares when the program started in 2005.

This formula which ONB applied to OBP led to more stable household incomes for farmer borrowers, a better way of living, redemption from usury, acquisition of modern farming methods and generation of additional jobs in the farm. These successes also create a positive outlook for the Bank to finance other high-valued crops in the future such as rubber and oil palm, among others.

Through the continuous development and expansion of this flagship program in agri-lending, ONB remains true to its commitment of reinvesting resources gained back to rural communities where it was generated from and continue offering a promise of a more progressive and sustainable countryside Mindanao.

## Enhanced Profitability through Productivity

*"Rice farming was very hard before. It felt like we are always starting from scratch each planting season. When I shifted to banana farming with the help of the OBP, I can say that the quality of our living has hugely improved."*

*Emeterio Malagayo • Doña Andrea, Asuncion, Davao Del Norte*

Emeterio, a 72 year old farmer from Pangasinan, went into Cavendish Banana farming in 2008 and now personally works in the farm together with his sons. A very obedient and abiding farmer, Emeterio gives high regard and commitment to the supervision of ONB's Agri-Production Technicians because to him, these are well-tested and established practices that will only lead to good yields in his farm. With an average annual production of 4,822 boxes of Class A Cavendish Bananas per hectare, income earned in his farm proved to be more than enough to support the full settlement of debts and to employ his sons in the farm and generate a decent income and living for them.



## Establishing Oil Palm Farming

*"I am very grateful because my desires and dream to put up an oil palm farm was made possible by ONB through this program. It is through this farm that I was able to send my children to college."*

*Ernesto Catbagan • President Quirino, Sultan Kudarat*

A government employee for almost 32 years, Erning wanted to put up an oil palm plantation in the land he inherited from his parents. He decided to apply in ONB's One Oil Palm Program (OOPP) and became one of the first farmers to avail of the program in May 2008. Today, he is among model farmers of the program in terms of farm condition, compliance to farm management systems and production. Impressive production results in his 6-hectare land are largely attributed to his very good farming attitude and eager implementation of recommendations coming from ONB's Agri-technicians and supervisors.

# Modern Banking Technologies for Countryside Clients

**W**ith the expansion of its reach all over Mindanao, ONB believes that preserving its competitive advantage calls for the continuous search and investment in major information technology projects to provide its clients with modern banking products and services. Through the launching of new alternative banking channels and upgrading of bank systems, ONB assures its countryside clients of the increased banking convenience they deserve.



PeraAgad ATMs in Semirara Island, Antique



ONB Maragusan Branch and PeraAgad ATM, Compostela Valley

## PeraAgad ATMs: From Highlands to Islands

ONB continues to fulfill its mission of providing quality services to its countryside clients with the aggressive set-up of its PeraAgad ATMs. As of end 2010, ONB already has 104 Onsite and Offsite ATMs that are located in various areas of Mindanao and part of Visayas.

ONB believes that in developing electronic and cashless communities it will be able to expand its cardholder base, spread out its ATM and POS network, increase transaction levels and allow the bank to extend its reach to areas with increasing need for electronic banking services.



The conversion of the Bank's system and the transfer of the PeraAgad ATM transaction authorization to the OneBanker System, an online Current Account, Savings Account (CASA) system that links most of its 80 branches and allows online and immediate access to bank wide deposits and loan information, allowed the Bank to quickly expand its PeraAgad ATM network to 104 ATMs thus serving clients better and giving access even to remotest areas. Running on a secure Triple Data Encryption Standard (3DES), the ONB PeraAgad ATM kept its rank among the most strategically located ATMs in the MegaLink Network. Its aggressive ATM deployment reached even the farthest areas, from the highlands of Maragusan, Compostela Valley and Mt. Nebo, Bukidnon to the islands of Samal (IGACOS) and Semirara, Antique. The Bank's base of PeraAgad ATM cardholders has expanded significantly by 22% percent from 230,000 in 2009 to 280,000 as of end 2010.

This year also marked the launching of the ONB PeraAgad CashPoint or the Bank's Point-of-Sale (POS) Payment System through POS terminals installed in various merchants and branches of the Bank that enables PeraAgad cardholders to pay bills, transfer funds, inquire about their account balances and change their PINs. With the POS Purchase Payment Service, customers of ONB-affiliated merchants need only to pay for the goods and services using their PeraAgad ATM cards. This same card terminal has the capability to honor 280,000 ONB cards all over Mindanao and, soon, the rest of the 11 million cardholders of MegaLink.

Among the pilot projects that ONB started in 2010 is the Client Quality Service (CQS). CQS is envisioned to "move most transactions away from counter tellers into ATMs/POS". Among its major tangible components is the development of a so called "Agila Lounge" for high net worth clients to be personally served by an Account Relations Officer and a "Self-Service Kiosk" where the Bank's regular over-the-counter clients who are pressed for time could do POS card-based transactions such as balance inquiry/bills payments/fund transfers.

Another innovation in pilot phase is the ONB Help Line, the Bank's customer service facility backed up by a full implementation of the bankwide IP Telephone Solution (VOIP) that allows toll free, inter-branch, and branch to Head Office connectivity. ONB's Customer Service Associates (CSAs) are available at servicing the calls of inquiries and complaints from clients of Davao City branches - 12 hours a day, 6 days a week through numbers (082) 233-7777. By 2011, the Bank shall have finished refining the support systems of the ONB Help Line and make this customer service facility available 24/7 for all clients in Mindanao.

Also on its final course of development is another e-banking innovation called the ONB Online Banking, ONB's internet banking facility, which is expected to be completed before end of 2011. This facility will initially provide banking services for business clients allowing them to avail of the Bank's products and services through internet access and do selected transactions without having to go to the Bank.

For ONB, these technological breakthroughs are not just penetrative strategies to be constantly ahead of its peers, but more importantly these spell countless possibilities for its priority sector, the clients of countryside Mindanao, giving them quick, convenient and complete banking service that are at par with the rest of the world.



## ONB Help Line

The ONB Help Line, on pilot phase serving Davao City Branches, provides clients with an alternative communication channel to ONB. Clients and non-clients may now inquire about the Bank's various products and services, request assistance and other concerns with the help of ONB's Customer Service Associates. This new feature complements the branch frontline services and the upcoming launch of ONB Online Banking, the Bank's internet banking facility.

# Widest Banking Network in Mindanao

**M**ost of the banks today crowd together in the urban centers where business activity is perceived to be highest. However, the services of these banks in these urban centers have in most part become redundant while there remains a vast part of the countryside where banking services are needed more. Going against the grain of conventional wisdom in branching, One Network Bank has gone to places where other banks would not dare go while consistently expanding its footprint - moving from highlands to islands!



## Babak Branch, Island Garden City of Samal

ONB opened its Babak branch last September 18, 2010. This is said to be ONB's first branch and first PeraAgad ATM situated outside the big island of Mindanao.



By end of 2010, ONB has the most extensive branch banking network in all of Mindanao, with branches in far-flung localities such as Maragusan in Compostela Valley, Babak in Island Garden City of Samal and Lebak in Sultan Kudarat, areas which are considered to be unbanked or underbanked.

Now with 80 branches all over Mindanao, total resources of P11.8 Billion and income of P311 Million as of end 2010, ONB remains to be the primary provider of modern, affordable and easily accessible banking services in areas unserved or underserved by commercial banks and staying true to its promise of "Pera ng Mindanao, Para sa Mindanao".

Along with these branching milestones, ONB also prides itself at being able to establish a permanent presence in the communities it serves through the conversion of previously leased bank premises into bank owned sites and putting a premium in owning branch sites in its expansion in the business centers of Mindanao. This sends a clear message to the communities it serves: ONB is here to stay.

Aside from its extensive branch network, ONB's footprint in Mindanao is also felt in its ATM network. A MegaLink awardee, Peragad ATM, one of ONB's pioneering technological advancement continues to perform at its best and ended 2010 with a total of 104 Onsite and Offsite ATMs deployed all over Mindanao with a total volume of withdrawal transactions reaching up to P14.2 Billion, up by 18% over the previous year.

The deployment of PeraAgad ATMs in remote locations such as in Mountain View College, a Seventh Day Adventist educational institution in the uplands of Bukidnon Province and in Babak, Island Garden City of Samal are also among the Bank's major breakthroughs. Its emergent technological edge and proactive branching scheme resulted to the growth of its active cardholder base from 230,000 in 2009 to 280,000 at end 2010.

Certainly, the Bank has accomplished much for countryside Mindanao since it started. But for ONB, this is just the beginning. As the need for better banking in countryside grows, so will its mission to widen its branch infrastructure and to provide the finest products and services to its clients. The future also looks upbeat for ONB as it eyes going to underserved communities outside Mindanao to complement its already extensive Mindanao footprint.

## Molave Branch, Zamboanga del Sur



## Oroquieta Branch, Misamis Occidental



## Ayala Branch, Zamboanga City



## Matina Branch, Davao City



# The Widest Banking Network in Mindanao

**80 Branches**  
**106 ATMs**

as of May 2011

**ONB**  
**ONE NETWORK BANK**  
A Rural Bank



*Pera ng Mindanao,  
Para sa Mindanao*

<sup>1</sup> Davao City  
<sup>2</sup> Panabo City  
<sup>3</sup> Cagayan de Oro City  
<sup>4</sup> Zamboanga City  
<sup>5</sup> Gen. Santos City





# Wider Network of Remittance Partners

## *PeraDala* Foreign Remittance

For several years, hard-earned money sent home from abroad has become a fundamental source of revenue for the Philippine economy. With Mindanao's share of the foreign remittance market in mind, ONB continues to prioritize the reinforcement of its PeraDala Foreign Remittance facility through intensifying remittance partnerships abroad and provide OFWs and beneficiaries hailing from Mindanao a wider choice of remittance services to choose from.

ONB's 80-branch network, the widest in Mindanao, supported by its quick PeraDala Online System and now with a direct credit to account feature, serve as one of the most trusted and primary payout centers for international money transfer companies and commercial banks that have no access to the remote areas in Mindanao.

The recent expansion of ONB's roster of remittance partnerships aimed at increasing the geographical coverage particularly in the Middle East, Southeast Asia and the United States resulted to a high volume of transaction that reached over P260 million in 2010. The Bank's combined foreign remittance force is now made up of 14 accredited remittance banks and non-bank international remittance companies namely: BDO, PNB, RCBC, DBP, AUB, MoneyGram, UniTeller, iRemit, Gcash Remit, XOOM and BPI plus the latest additional tie-ups soon to be launched – Metrobank, ABS-CBN's e-MoneyPlus, and Xpress Money.

OFW beneficiaries across Mindanao now more than ever enjoy a faster, risk-free, more efficient and timely collection of their remittance from loved ones abroad. ONB expects to deliver impressive results in the succeeding years and continues to look for better ways of increasing the array of products and services offered to its clients.

## Receiving Foreign Remittances Through ONB

*"We never experienced any problem or got any complaints from our relatives abroad. Our money is very safe with ONB."*

*Diosdado Garcia • Baguio District, Calinan, Davao City*

Diosdado and his family tried different remittance facilities of other banks and non-banks in getting their money from loved ones abroad but was constantly disappointed with the poor, slow and unsecured service that they were getting. With ONB's PeraDala Foreign Remittance, they now say it is the easiest, fastest and safest remittance facility that they have ever tried and vowed not to switch again. For 10 years now, they are receiving money used to support the family and their farming business from their mother and 6 siblings in the US through Uniteller directly credited to their account in ONB Calinan Branch.



## PeraDala Interbranch and Domestic Remittance

In the past, fund transfers were both costly and risky for people residing in countryside Mindanao. Sending and receiving money to and from other parts of Mindanao as well as the country meant a definite security risk aside from involving high costs when travelling long distances to the nearest pickup point in the city. ONB and its 80-branch network has radically altered this situation with its PeraDala Remittance Products that helped pave the way for transferring money conveniently, instantly and on a practically risk-free basis.

In 2010, funds moved through the PeraDala Interbranch service reached a volume of P18 billion, representing a 36% growth from previous year. Most of the increase was contributed by the Bank's recent swing to a centralized banking system called the OneBanker which refined the process of Interbranch deposits, withdrawals and check encashment.

ONB's partnership with Security Bank gave birth to its domestic remittance tie-up known as the RemitAgad Domestic Remittance Service. This facility, supported by ONB's wide network of 80 branches all over Mindanao, provides Mindanaoans the safest and quickest channel for sending and receiving money to and from Luzon and Visayas. Since its launching in 2008, the tie-up with Security Bank has accumulated a total amount of 153 Million worth of transactions. Another channel for domestic remittances is the GCash arrangement with G-Xchange, Inc. (GXI) which allows Globe and Touch Mobile phone subscribers to easily and conveniently send and receive cash electronically via mobile phones. Soon to be launched under this program is ONB's partnership with Palawan Pawnshop's Express Pera Padala.

Truly, ONB flattened the financial boundaries previously separating Mindanao communities. ONB provided the practical banking solution that countryside businessmen, companies, and private individuals needed for convenient, inexpensive, safe and quick fund transfers and other commercial transactions necessary to improve their day to day operations.

### Interbranch Fund Transfer

*"ONB's online cash transfer system eliminates my risk of being exposed to bad elements in traveling. It works so fast it gives me a lot of convenience and helps me carry out business smoothly."*

*Antonio B. Lapuz • Compostela, Compostela Valley*

After many years of working as a private employee, Tony ventured into coconut farming and copra buying upon retirement. He regularly delivers copra to Legaspi Oil, a milling company based in Davao City. ONB provides him the convenient and more secured system as compared to other banks in rural areas in depositing the payments from Legazpi Oil for his copra directly to his ONB Compostela account.



### Domestic Remittances through RemitAgad

*"Banking with ONB is very convenient. May the Bank's very good and welcoming service to its clients remain."*

*Carmelita M. Estanio • San Francisco, Agusan del Sur*

This former OFW with a life-long dream of generating jobs and providing better opportunities for the residents of her hometown is now a businesswoman and a part owner of a budding fishing company in Barobo Surigao del Sur, the 21 Century Smoked Fish. Carmelita is very thankful to ONB because through its RemitAgad facility, receiving funds from her business partners from Luzon and abroad to finance the business has been a lot easier, safe and very convenient. She also commends the Bank's friendly people who never fail to bring her the excellent and fast banking services that she needs in her business.

# Improving Stakeholder Value

Over the past years, ONB ably grew its capital base and became one of the most successful and profitable banks in the country. This accomplishment is highly attributed to the active participation of its internal stakeholders - the Bank's stockholders and employees - who continue to trust and believe in the business philosophy that it upholds.

Top management's pledge of improving shareholder value and growing the Bank's equity base year after year are also among the key ingredients in consistently increasing its financial capacity.



## 2010 Stockholders Meeting

One Network Bank once again pulled off a very successful and well attended Stockholders' congregation last July 10, 2010 at the Grand Men Seng Hotel Davao City. President Alex V. Buenaventura reported the operating results together with the latest bank developments that have transpired over the year. This yearly gathering conducts an open forum to address various concerns from the Stockholders and also provides an avenue for fellowship. In addition, the Election of the members of the Board of Directors took place.



By maintaining its policy of declaring only stock dividends or 100% plowback of earnings, the Bank has continuously reinvested profits, ensuring the continued, and perhaps industry-leading, growth of its capital base.

The conduct of the ONB Annual Stockholders' Meeting becomes a significant avenue of transparency for the Bank to effectively communicate to its stockholders accurate and timely financial reports, plans and even celebrate the Bank's successes.

A motivated, committed and productive workforce is the foundation on which ONB is built. That is why ONB is committed to attract and retain the best employees, create an environment for professional career development and allow employees to share in the Bank's success. In 2010, ONB invested a total of P4.9 million on formal training programs for its 1,092 employees to improve not only the workforce skills and competencies but the complete well-being of each and every employee.

Training and Development Programs such as the Branch Operations Management Development Program (BOMDP), a comprehensive training program that develops and trains new Branch Operation Officers and the Skills Training in Loan Packaging, Accounting, and Telling seek to heighten employee motivation and increase their capacity to work productively and gain self-esteem. The bank-wide employee activities such as Annual Retreat, monthly sports activities, 5S Operation Linis, Annual Employees Assembly and Blood Letting Program support the promotion of teamwork and camaraderie among employees as well as the entire set of core values that the Bank advocates. The Bank's campaign for health in the workplace was also intensified through ONB's proactive Health Care Program which includes a mandatory Weight Reduction Program imposed on overweight employees and the Net Care's High Risk Program which is focused on minimizing high risk cases among its workforce and keeping them healthy and fit.

ONB believes in the culture of integrity in the workplace and continues to instill in its employees the Bank's core values namely: **Maka-Diyos, Makamasa, Masigasig, Mapagkakatiwalaan, Marunong Mag-ipon, Maayos, Malusog** and **Maligaya**. It is this set of core values that drive the enthusiasm and dedication of ONB's workforce in dealing with its diverse clientele.

One Network Bank endeavors to be Mindanao's employer of choice, providing its workforce the best compensation package, employee benefits and countless opportunities for individual development and professional growth. The Bank's strong growth record provides employees with ample opportunities for career growth, especially with its stated policy of promoting employees from within instead of recruiting from outside.



## 2010 Annual Employees Assembly

A celebration of the year's milestones, the ONB Annual Employees Assembly exemplifies the true meaning of unity and success for the ONB workforce. It is a gathering of fun and recognition of the hard work and commitment of all its employees. In 2010, the 1-day activity kicked off with a fellowship program and dinner held at the Waterfront Insular Hotel Davao. Selected ONB employees from the different Clusters and the Head Office performed in a variety talent contest called "ONB's Got Talent". The giving of awards and recognition for the outstanding branches as a tradition highlighted the event.

## Employees Annual Retreat 2010

The ONB Annual Retreat gives employees the chance to stand back from the daily work challenges and see the bigger picture in the spirit of building and restoring relationships and fostering spiritual growth. This year, ONB's Annual Retreat consisted of a 2-day activity for the multiple batches of its more than 1,000 employees all over Mindanao.



# Adopting Best Practices in Compliance, Risk Management and Good Governance

In a move to further cultivate excellence, One Network Bank continues to raise the bar in applying the highest possible standard of corporate governance in its operations, recognizing the importance of preserving the trust of its countryside clients and internal stakeholders.

The Board of Directors, together with the Council of Advisers and the Executive Committee, lead continuing efforts to ensure that the Bank stays on course in achieving its vision and mission. Consequently, they carry out effective oversight function, establish strategic objectives and procedures that guide and direct activities of the bank, make policy decisions, provide the mechanisms for monitoring performance, compliance of laws and regulations, and promote utmost organizational transparency and ethical conduct within the institution.

Compliance with regulatory policies and regulations is the cornerstone of the Bank's corporate governance thrust. That is why the Board of Directors, through the creation of a Compliance Department, reinforced its role and involvement in the Bank's compliance programs. This step resulted to a more enhanced employee awareness of existing regulations and issues coming from the different regulatory bodies such as the BSP, PDIC and BIR, among others.



## The Corporate Governance Committee

Rev. Fr. Agustin L. Nazareno, Evelyn T. Ang, Antonio P. Avelino

The Audit committee is among the most important committees of ONB's Corporate Governance structure. Its main function is to assist the Board in oversight functions and adopts a more proactive role of ensuring accountability on the part of the management as well as of the internal and external auditors. The committee monitors the internal control over financial reporting of ONB and the audits of its financial statements, substantiates the performance of the company's internal audit, verifies the independent auditor's qualifications and independence thus safeguarding the overall objectivity of the financial reporting and internal controls processes and confirms the compliance of the Bank with legal and regulatory requirements.

ONB's ability to manage risk effectively is also vital to sustaining its growth and profitability and in creating value for its shareholders. Realizing this, ONB has adopted an integrated risk management approach led by its Risk Management Committee to ensure that it is able to identify, measure, monitor and mitigate the Bank's exposure across different types of risks. Information Security Policies and Standards from the Risk Management Department serve as a reference in formulating the detailed policies and procedures to ensure that the Bank's information assets are appropriately protected when authorizing access to networked information, assets and systems.

Information and Communication Technology risks are managed and directed through the ICT Committee, the key function of which is to identify and provide solutions to emerging technology issues and trends that may affect the Bank, its business, and strategic direction. This committee also formulates strategic approaches to technical innovation and spearheads the Bank's technology and product innovation planning, among others.

The adoption of cost-effective Business Continuity Plans (BCP) is also upheld in the organization to ensure the continuity of business and computer system operations in the event of major disruptions. To support this, each Operating Unit of the Bank designates an employee who will act as the BCP Coordinator within his/her Operating Unit and who shall be responsible for coordinating with the Business Continuity Management Team, the group in charge of the Bank's business continuity planning, testing and implementation, when necessary.

Joining these elements is the Policy Development Committee (PDC), a non-formal committee that convenes once a week to deliberate on proposed Bank policies supported by the Systems Department which acts as a complementary arm enhancing the Bank's policy review and dissemination process towards establishing quality control in its products and services.

Indeed, ONB takes pride in the achievements it has gained in service of countryside Mindanao over the years as they clearly affirm and reflect the Bank's unwavering commitment to strong and responsive corporate governance.

## The Audit Committee

Luz Consuelo A. Consunji  
Rev. Fr. Agustin L. Nazareno  
Evelyn T. Ang



## The Executive and Risk Management Committee

Antonio P. Avelino  
Alex V. Buenaventura  
Antonio R. Cabreira, Jr.





## Board of Directors

*Standing, left to right:*

Atty. Jose M. Balingit, Jr. (Corporate Secretary)  
Antonio P. Avelino (Vice-Chairman)  
Victor A. Consunji (Chairman)  
Alex V. Buenaventura (President)  
Rev. Fr. Agustin L. Nazareno (Independent Director)  
Antonio R. Cabreira, Jr. (Director)

*Seated, left to right:*

Luz Consuelo A. Consunji (Director)  
Evelyn T. Ang (Independent Director)

# Council of Advisers



Left to right: Edgardo S. Lagman, Dr. Edgardo V. Buenaventura, Jose V. Buenaventura, Rev. Fr. Jessie S. Esparagoza

# Group Heads



Left to right: Dario S. Magnaye (Treasury Group), Nelson L. Billena (Branch Banking Group), Romulo C. Guerrero (Support Group)



# 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, 2010. 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 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**  
**One Network Rural Bank, Inc.**  
Km. 9, Sasa, Davao City

### **Report on the Financial Statements**

We have audited the accompanying financial statements of One Network Rural Bank, Inc., which comprise the statements of financial position as at December 31, 2010 and 2009, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended, and a summary of significant accounting policies and other explanatory information.

### **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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **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 about 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 at December 31, 2010 and 2009, and of its financial performance and its cash flows for each of the three years in the period ended in accordance with Philippine Financial Reporting Standards.

### **Report on Other Legal and Regulatory Requirements**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2010 required by the Bureau of Internal Revenue on taxes, duties and license fees disclosed in Note 27 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### **PUNONGBAYAN & ARAULLO**



**By: Ramillito L. Nañola**  
Partner  
CPA Reg. No. 0090741  
TIN 109-228-427  
PTR No. 2641865, January 3, 2011, Makati City  
Partner's SEC Accreditation No. 0395-AR-1 (Until Jan. 6, 2013)  
BIR AN 08-002511-19-2009 (Until Sept. 15, 2012)

Firm BOA/PRC Cert. of Reg. No. 0001 (Until Dec. 31, 2012)  
Firm SEC Accreditation No. 0002-FR-2 (Until Feb. 1, 2012)  
March 29, 2011

**ONE NETWORK RURAL BANK, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009  
*(Amounts in Philippine Pesos)*

RESOURCES	Notes*	2010	2009
Cash and Other Cash Items	6	<b>P 682,981,683</b>	P 533,916,934
Due From Bangko Sentral ng Pilipinas	6,7	<b>185,795,392</b>	39,702,101
Due From Other Banks	6,8	<b>2,820,715,791</b>	1,451,782,320
Held-To-Maturity Investments	10	<b>100,681,187</b>	310,317,262
Available-For-Sale Investments	11	<b>797,114,510</b>	6,448,462
Loans and Receivables (Net)	9	<b>6,279,106,680</b>	6,159,059,500
Bank Premises, Furniture, Fixtures and Equipment (Net)	12	<b>714,862,391</b>	597,486,475
Investment Property (Net)	13	<b>20,536,103</b>	20,130,473
Deferred Tax Assets	23	<b>88,049,732</b>	86,733,483
Other Resources (Net)	14	<b>116,466,649</b>	80,965,841
Total Resources		<b>P <u>11,806,310,118</u></b>	P <u>9,286,542,850</u>
<b>LIABILITIES AND EQUITY</b>			
Deposit Liabilities	16	<b>P 9,427,657,153</b>	P 6,886,551,602
Bills Payable	17	<b>90,000,000</b>	436,664,692
Income Tax Payable		<b>24,253,812</b>	58,266,636
Accrued Expenses, Deferred Credits and Other Liabilities	18	<b>291,697,354</b>	243,914,223
Total Liabilities		<b>9,833,608,319</b>	7,625,397,153
Equity	19	<b>1,972,701,798</b>	1,661,145,697
Total Liabilities and Equity		<b>P <u>11,806,310,118</u></b>	P <u>9,286,542,850</u>

**ONE NETWORK RURAL BANK, INC.**  
**STATEMENTS OF CHANGES IN EQUITY**  
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008  
*(Amounts in Philippine Pesos)*

	Notes*	Capital Stock	Paid-in Surplus	Revaluation Reserve	Surplus	Total
Balance at January 1, 2010		<b>P 997,459,969</b>	<b>P 21,684,502</b>	P -	<b>P 642,001,226</b>	<b>P 1,661,145,697</b>
Total comprehensive income for the year		<u>-</u>	<u>-</u>	<u>27,968,321</u>	<u>283,587,781</u>	<u>311,556,101</u>
Balance at December 31, 2010		<b>P <u>997,459,969</u></b>	<b>P <u>21,684,502</u></b>	<b>P <u>27,968,321</u></b>	<b>P <u>925,589,007</u></b>	<b>P <u>1,972,701,798</u></b>
Balance at January 1, 2009		P 997,101,969	P 22,225,966	P -	P 350,579,493	P 1,369,907,428
Issuance of shares during the year	19	358,000	204,136	-	-	562,136
Conversion of preferred shares	19	-	( 745,600 )	-	-	( 745,600 )
Net profit for the year		<u>-</u>	<u>-</u>	<u>-</u>	<u>291,421,733</u>	<u>291,421,733</u>
Balance at December 31, 2009		<b>P <u>997,459,969</u></b>	<b>P <u>21,684,502</u></b>	<b>P <u>-</u></b>	<b>P <u>642,001,226</u></b>	<b>P <u>1,661,145,697</u></b>
Balance at January 1, 2008		P 821,101,969	P 21,493,524	P -	P 274,156,851	P 1,116,752,344
Stock dividends	19	176,000,000	732,442	-	( 176,000,000 )	732,442
Cash dividends	19	-	-	-	( 14,912 )	( 14,912 )
Net profit for the year		<u>-</u>	<u>-</u>	<u>-</u>	<u>252,437,554</u>	<u>252,437,554</u>
Balance at December 31, 2008		<b>P <u>997,101,969</u></b>	<b>P <u>22,225,966</u></b>	<b>P <u>-</u></b>	<b>P <u>350,579,493</u></b>	<b>P <u>1,369,907,428</u></b>

**ONE NETWORK RURAL BANK, INC.**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008  
*(Amounts in Philippine Pesos)*

	Notes*	2010	2009	2008
<b>INTEREST INCOME ON</b>				
Loans and receivables		P <b>979,479,019</b>	P 1,132,512,201	P 930,792,957
Deposits with other banks		<b>82,318,852</b>	42,397,427	21,846,480
Investments		<b>45,519,350</b>	25,400,010	36,487,192
		<u><b>1,107,317,221</b></u>	<u>1,200,309,638</u>	<u>989,126,629</u>
<b>INTEREST EXPENSE ON</b>				
Deposit liabilities		<b>204,941,703</b>	153,897,893	135,198,996
Bills payable		<b>2,522,588</b>	60,103,991	49,978,037
		<u><b>207,464,291</b></u>	<u>214,001,884</u>	<u>185,177,033</u>
<b>NET INTEREST PROFIT</b>		<b>899,852,930</b>	986,307,754	803,949,596
<b>IMPAIRMENT LOSSES</b>	15	<u><b>61,863,445</b></u>	<u>74,543,059</u>	<u>99,887,434</u>
<b>NET INTEREST PROFIT AFTER IMPAIRMENT LOSSES</b>		<u><b>837,989,485</b></u>	<u>911,764,695</u>	<u>704,062,162</u>
<b>OTHER INCOME</b>				
Service charges, fees and commissions		<b>357,677,684</b>	216,656,560	299,933,895
Others	21	<u><b>19,791,198</b></u>	<u>9,053,246</u>	<u>6,974,249</u>
		<u><b>377,468,882</b></u>	<u>225,709,806</u>	<u>306,908,144</u>
<b>OTHER EXPENSES</b>				
Compensation and employee benefits	22	<b>295,476,732</b>	236,932,288	221,128,249
Occupancy and equipment related expenses	26	<b>150,085,882</b>	138,711,175	124,799,820
Taxes and licenses	27	<b>88,061,471</b>	77,552,122	24,665,281
Security, messengerial and janitorial services		<b>59,441,387</b>	58,340,260	53,455,895
Transportation and travel		<b>55,797,537</b>	53,642,290	44,745,717
Stationery and supplies		<b>26,230,418</b>	26,295,080	21,720,668
Fuel and lubricants		<b>23,577,727</b>	16,800,401	20,250,595
Communications, telephone and telegraph		<b>21,768,960</b>	22,012,687	19,797,958
Service charge		<b>18,386,831</b>	16,804,934	15,432,894
Insurance		<b>15,426,788</b>	15,081,211	11,208,855
Intranet		<b>5,490,253</b>	4,779,396	4,386,618
Professional fees		<b>5,426,410</b>	6,232,030	6,798,665
Amortization of deferred charges		<b>4,143,780</b>	4,400,505	3,728,621
Banking fees		<b>3,767,391</b>	3,890,125	2,806,208
Donations		<b>3,269,140</b>	1,460,743	3,215,370
Advertising and publicities		<b>3,106,065</b>	4,373,972	2,593,612
Membership dues and fees		<b>2,868,713</b>	2,315,745	1,512,098
Recreation and entertainment		<b>2,616,039</b>	3,020,021	9,444,159
Freight		<b>1,176,014</b>	979,052	1,295,803
Periodicals and magazines		<b>636,563</b>	564,611	527,782
Others		<u><b>23,753,329</b></u>	<u>18,650,431</u>	<u>8,839,020</u>
		<u><b>810,507,430</b></u>	<u>712,839,079</u>	<u>602,353,888</u>
<b>PROFIT BEFORE TAX</b>		<b>404,950,937</b>	424,635,422	408,616,418
<b>TAX EXPENSE</b>	23	<u><b>121,363,156</b></u>	<u>133,213,689</u>	<u>156,178,864</u>
<b>NET PROFIT</b>	24	<u><b>283,587,781</b></u>	<u>291,421,733</u>	<u>252,437,554</u>
<b>OTHER COMPREHENSIVE INCOME</b>				
Fair value gain	11	<b>39,954,744</b>	-	-
Tax expense on fair value gain	23	<u><b>( 11,986,423 )</b></u>	-	-
		<u><b>27,968,321</b></u>	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<u><b>P 311,556,102</b></u>	<u>P 291,421,733</u>	<u>P 252,437,554</u>
<b>Earnings Per Share:</b>	24			
<b>Basic</b>		<u><b>P 0.284</b></u>	<u>P 0.292</u>	<u>P 0.253</u>
<b>Diluted</b>		<u><b>P 0.284</b></u>	<u>P 0.292</u>	<u>P 0.253</u>

\*See Notes to Financial Statements

**ONE NETWORK RURAL BANK, INC.**  
**STATEMENTS OF CASH FLOWS**

FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008  
(Amounts in Philippine Pesos)

	Notes*	2010	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax		P 404,950,937	P 424,635,422	P 408,616,418
Adjustments for:				
Depreciation and amortization	12	72,058,432	69,097,720	63,942,560
Impairment losses	15	61,863,445	74,543,059	99,887,434
Amortization of deferred charges		4,143,780	4,400,505	3,728,621
Operating profit before changes in resources and liabilities		<u>543,016,594</u>	<u>572,676,706</u>	<u>576,175,033</u>
Decrease (increase) in loans and receivables		( 181,910,625 )	112,142,637	( 1,832,585,033 )
Decrease (increase) in other resources		( 149,885,281 )	11,104,871	( 7,140,153 )
Increase in deposit liabilities		2,541,105,551	875,977,729	1,337,008,060
Increase (decrease) in accrued expenses, deferred credits and other liabilities		47,783,131	( 21,252,534 )	87,771,334
Cash generated from operations		<u>2,800,109,370</u>	<u>1,550,649,409</u>	<u>161,229,241</u>
Cash paid for taxes		( 58,437,961 )	( 134,738,523 )	( 144,584,017 )
Net Cash From Operating Activities		<u>2,741,671,409</u>	<u>1,415,910,886</u>	<u>16,645,224</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of available-for-sale financial assets		( 750,711,304 )	-	-
Decrease in held-to-maturity investments		209,636,075	50,129,714	4,891,942
Additions in bank premises, furnitures, fixtures and equipment	12	( 185,270,130 )	( 112,591,211 )	( 119,036,187 )
Net adjustments on bank premises, furnitures, fixtures and equipment		( 4,164,217 )	( 6,325,073 )	-
Net decrease (increase) in investment property	13	( 405,630 )	( 6,814,574 )	2,343,710
Net Cash Used in Investing Activities		<u>( 730,915,206 )</u>	<u>( 75,601,144 )</u>	<u>( 111,800,535 )</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net increase (decrease) in bills payable		( 346,664,692 )	( 576,838,243 )	530,118,948
Net increase (decrease) in paid-in surplus		-	( 745,600 )	717,530
Proceeds from issuance of capital stock		-	562,136	-
Net Cash From (Used in) Financing Activities		<u>( 346,664,692 )</u>	<u>( 577,021,707 )</u>	<u>530,836,478</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>1,664,091,511</u>	<u>763,288,035</u>	<u>435,681,167</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
Cash and other cash items		533,916,934	645,938,455	380,820,798
Due from Bangko Sentral ng Pilipinas	7	39,702,101	43,530,970	74,683,145
Due from other banks	8	1,451,782,320	572,643,895	370,928,210
	6	<u>2,025,401,355</u>	<u>1,262,113,320</u>	<u>826,432,153</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
Cash and other cash items		682,981,683	533,916,934	645,938,455
Due from Bangko Sentral ng Pilipinas	7	185,795,392	39,702,101	43,530,970
Due from other banks	8	2,820,715,791	1,451,782,320	572,643,895
	6	<u>P 3,689,492,866</u>	<u>P 2,025,401,355</u>	<u>P 1,262,113,320</u>

**Supplemental Information on Non-Cash Financing Activities**

The Bank declared and distributed stock dividends to its stockholders amounting to P176,000,000 in 2008 (see Note 19).



*Pera ng Mindanao, Para sa Mindanao*



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