



*POS Debit Card for
wireless, cashless payments
in countryside Mindanao*

Modernizing Countryside Banking

2011 Annual Report



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.

One Network Bank will...

Our Mission

- 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;
- Provide shareholders with rates of return on investment that are highest in the banking industry.

About the Cover

Strengthening its leadership in the rural banking industry, ONB presents another advance banking platform that enable clients to keep pace with the modern times: the POS debit card for wireless, cashless payments in countryside Mindanao.

ONB modernizes banking experience in the countryside as it allows cardholders to enjoy more applications for their PeraAgad ATM cards not only on ATMs but also on a small device called POS terminal. The PeraAgad ATM card is now activated as a debit card which cardholders can swipe in PeraAgad CashPoint - ONB's POS terminal which is an ideal solution for wireless, cashless payments in the countryside or in any POS terminal in the country. This marks the beginning of ONB's drive towards implementing more electronic channels to serve clients at every turn.

The 2011 Annual Report paints a picture of ONB's continued success in modernizing banking in countryside Mindanao. Through its range of innovative products and services, ONB indulges more clients with seamless banking experience made possible by modern technology.

Financial Highlights (2011 Year End Performance)

OPERATING RESULTS (IN MILLIONS) **2011** **2010** **2009**

Total Comprehensive Income After Tax	521	316	291
Resources	15,614	11,832	9,286
Loans	10,301	5,982	5,799
Deposit Liabilities	10,508	9,464	6,886
Stockholders' Equity	2,467	1,959	1,661

SELECTED FINANCIAL RATIOS

Return on Private Investment	26%	28%	29%
Return on Assets	2%	3%	3%
Risk-Based Capital Adequacy Ratio	19%	19%	27%
Intermediation Ratio	98%	63%	84%
Liquidity Ratio	38%	48%	29%
Expense to Gross Income Ratio	83%	81%	79%
Non-Performing Loans (NPL)	3%	5%	5%
Non-Performing Assets (NPA)	2%	3%	3%

Number of Employees	1,206	1,092	1,004
Number of Branches	82	81	75
Number of ATMs	114	104	92

President and Chairman's Message

ONB's magical ride continued into 2011.

We started the year with a visioning exercise as part of the strategic planning process we go through every five years or so. More specifically, we tweaked our vision in order to give the ONB organization a more purposeful guide in defining the common future of our stakeholders. While we retained the aspiration to have an increasingly nationwide presence, we also defined in clearer terms how this presence should address progressive communities needing access to modern banking services. As we grew our branch network we realized that even in large urban centers, there remained such communities that are either unserved or underserved by commercial banks. ONB has taken on the job of addressing the needs of these communities.

Faithful to this vision, we entered into a consolidation, approved by the Bangko Sentral ng Pilipinas (BSP) in August 2011, with Rural Bank of New Corella, the 11th rural bank license subsumed by the amalgamation that is ONB. This was one of the three growth centers ONB entered in 2011. Further to this, we also modernized our branch facilities in six communities.

All these events unfolded even as we experienced magical improvements in our performance metrics in 2011:

- Deposit increase proceeded with 11% growth.
- Our loan portfolio, more than making up for the slow expansion in 2010, remarkably grew 72%.
- Total comprehensive net income rose 65% from P316 million in 2010 to P521 million.
- Resources expanded 32% to P15.6 billion.
- ONB again lived up to its vital role in the financial infrastructure of countryside Mindanao when its counters moved P27.5 billion in terms of cash transfers and its ATMs dispensed an additional P17.67 billion. ONB grew its ATM network by 24% in terms of cardholders and 23% in terms of withdrawals. By adding 10 more ATMs, our ATM count reached 114 by yearend.

Having sustained growth since its first consolidation in 2004, ONB had to meet the parallel demand for more backroom support. Last May 11, 2011, ground was broken for ONB Center, a building complex providing almost 10,000 square meters of office space for present and future needs. Barely five months later, the 7-storey building in Sasa, Davao City was topped off, paving the way for hosting ONB's head office in 2012.

Perhaps our most magical moment in 2011 was the buildup of our equity by 26%



to P2.47 billion, a level that would qualify ONB to apply for conversion into a commercial bank if it so wishes. But even before we reached the capital base needed for conversion into a commercial bank, we already recognized in our strategic planning exercise that ONB's strength remained in its provision of modern banking services to unbanked and underbanked communities and not in the urban centers traditionally favored by commercial banks. This awareness led to a quick resolution of where ONB would head as a financial institution, regardless of its capital base.

Some people may call this "fringe banking" or "inclusive banking" but there is a real social need for the provision of financial services in these communities in order to allow them to participate in the economic mainstream. It gives us great satisfaction to put ourselves in a position to serve where we are needed most. This has been and continues to be our second bottom line and this makes the ride so much better.


Victor A. Consunji
Chairman


Alex V. Buenaventura
President



Introducing e-Banking to the Countryside

In this contemporary age powered by trends of information and communication technology, ONB successfully unites two seemingly contrasting concepts – ‘countryside’ and ‘modern’ – and gravitates towards this direction in its delivery of innovative banking facilities such as PeraAgad ATMs, PeraAgad CashPoint units (ONB’s POS terminals), ONB Internet Banking and PeraSweldo (Payroll Servicing).

ONB derives a distinct sense of accomplishment from cultivating a business model of focusing on the unbanked and underbanked communities. Serving Mindanao for more than five decades, ONB has mastered the art and science of responding to the emerging needs of its countryside clients. The year 2011 manifested a warmer reception and

unrelenting show of trust by clients. With an average deposit size of P19,000 from a pool of around 565,000 depositors, ONB substantially remains small accounts friendly.

At the same time, ONB recognizes the increasing desire of clients to experience more advance channels of accessing and utilizing their accounts, thereby deeming it essential to bring the efficiency of electronic banking to the countryside and indulge rural clients with the capacity to engage in more convenient, cost-efficient and hassle-free banking. Clients are now able to keep up with the world as ONB delivers some of the most exciting technological developments in financial services to Mindanao.



ONB ATMs



ONB POS Terminals



ONB Offsite ATMs in Semirara, Antique



ONB Internet Banking

ONB brings the efficiency of electronic banking to the countryside, indulging rural clients with the capacity to engage in more convenient, cost-efficient and hassle-free banking.

Countryside banking
made more
convenient.



PeraAgad ATM Products

The year witnessed another aggressive deployment of the ONB PeraAgad ATMs in countryside Mindanao. In addition to the seven units installed in ONB branches in New Corella, Malita, Matalam, San Isidro, Carmen, Esperanza and Tulunan, three off-site ATMs were installed in Holy Cross Press in Davao City, Ace Centerpoint in Koronadal City, and along the National Highway of Balingasag, Misamis Oriental. By the end of 2011, ONB already has a fleet of 114 onsite and offsite PeraAgad ATMs across Mindanao and a few in the Visayas.

The efforts towards giving more countryside areas access to modern banking paid off as the ONB PeraAgad ATM was accorded a Megalink Award for Top Onsite and Top Offsite ATM. The PeraAgad ATM leverages on the Millennium Hub ATM System and the ONeBanker System, ONB's core banking system which connects its 82 branches and enables faster transaction authorization. By end 2011, ONB's PeraAgad ATMs served a total of around 350,000 PeraAgad ATM cardholders which is a 19% increase from the same period last year, with an average monthly withdrawal transaction of P1.47 billion pesos.

Moreover, ONB continues to make banking more affordable by introducing a variety of ATM savings accounts that caters to the diversified needs of the countryside.

The **PeraAgad ATM Pinoy** is a savings account created for the quintessential countryside client.

Popular for its minimum deposit balance requirement of only P100, PeraAgad Pinoy fits into the budget of small account holders who cannot afford the opening deposit of commercial banks. Over the years, cardholder base of Pinoy ATM Savings grew to include small store owners who purchase goods in the city without bringing cash, micro businessmen such as market and street vendors who safekeep their sales in ONB with an easy access for withdrawal, and parents who want to avoid the risks involved in sending cash for tuition and allowance to their children studying in the city.

For individuals who have bigger savings capacity, **PeraAgad ATM Primo** is the perfect ATM account at an affordable opening and maintaining deposit of only P3,000 and without any transaction fee.

In addition, all checking accounts come with a free **PeraAgad ATM Tseke** card which is linked to the client's checking account to provide an alternative to writing checks when the immediate need for cash arises. With no on-us transaction fee at any ONB PeraAgad ATM, this ATM card enables current account holders to quickly access their funds without being confined to conventional banking hours.

PeraAgad ATM Pinoy Savings

Introduced only nine years ago through the catchphrase "Sa halagang P100, may ATM card ka na", ONB's PeraAgad ATM Pinoy Savings Account evolved to become an e-wallet essential to many clients in the countryside. The small account-friendly ATM card enables Danie Liza Nuñez, a college student of the Notre Dame of Kidapawan, to access her allowance at her most convenient time. In cases of emergency, she can immediately withdraw funds sent by her parents residing in Midsayap through ONB or at any Megalink ATM, thus relieving her from the burden of shelling out the P200 fare needed for a bus ride home and enduring queues in pay out centers. The PeraAgad ATM account gives Danie more time to concentrate on school activities the same way it gives her parents in Midsayap the best means of sending money to all their children.

And because the PeraAgad ATM card also functions as a debit card, Danie can join field trips to urban centers without being exposed to the risk of bringing cash as she can just swipe her card at any wireless POS to make payments and purchases.

"Before heading off to college, I decided to open my own PeraAgad ATM account. This is by far the best and the most affordable means of accessing my allowance anytime, anywhere."

Danie Liza Nuñez – Kidapawan, North Cotabato



ONB Online Banking

ONB fortifies its identity as the modern bank in countryside Mindanao by introducing its internet banking facility called ONB Online Banking. With approval from the Bangko Sentral ng Pilipinas to launch Internet Banking Solutions to business clients after a successful pilot test, the Business Online Banking (BOB) is ready to fully take off in 2012 for the benefit of business entities, both corporate and individual.

As ONB's internet banking facility for businesses, BOB addresses the need for a relatively faster and more convenient system that enables client to keep an eye on deposit balances and remotely perform banking transactions such as fund transfers and bills payments. BOB gives business clients the infinite power to manage the cash flow of the business by making online transactions such as paying suppliers, uploading payroll, collecting payments, examining details and status of transactions and reconciling transactions – without the hassle of visiting ONB branches physically.

ONB aims to make internet banking available as well to private individuals through MegaLink's internet banking facility thus providing more innovative, timely and convenient e-banking services to ONB's ATM cardholders.



PeraAgad CashPoint POS Debit

Impressed with how point-of-sale (POS) systems revolutionized the retail, food and hospitality industries, ONB, with approval from BSP, introduced POS technology in its e-banking operations. A typical POS terminal is a gadget that makes it convenient for cardholders to pay for purchases without having to keep cash on hand and to inquire account balances.

In 2011, ONB introduced its own POS terminal called PeraAgad CashPoint and revolutionized its own POS services that not only accepts payment for purchases but also accepts bills payments and fund transfers. Twenty-three (23) user-friendly PeraAgad CashPoint units (ONB's POS terminals) were successfully installed in select branches and in the island of Semirara, Antique. In ONB branches, the POS Debit Card Service is an innovative self-service medium for all ONB PeraAgad ATM cardholders who intend to transfer funds, make deposits, pay bills or simply inquire account balance. Its introduction has noticeably reduced queuing time

and trimmed teller transaction time to a minimum. Off-site terminals, on the other hand, such as those installed in the commissary of Semirara Mining Corporation in Semirara, Antique allowed cardholders of PeraAgad ATM to pay for goods and services within a cash-less environment.

Furthermore, ONB embarks on taking full advantage of the facility's potential to enable wireless and cashless payments for countryside clients with ATM cards from any bank, made possible through the MegaLink network. Before end of 2012, ONB aims to deploy 2,000 PeraAgad CashPoint units in merchants, schools, utility companies, transportation companies, credit cooperatives, pawnshops and even sari-sari stores. In these modern times, this is an ideal solution for cardholders to make payments and for establishments to accept payments securely.

This shift from the old cash register to a more modern computerized point-of-sale system represents one of ONB's modern platforms for delivering innovative products and services to countryside Mindanao.

PeraSweldo ATM Payroll Servicing

Salary disbursement in the countryside is now rendered in a modern and efficient system through ONB's PeraSweldo Payroll Servicing. As ONB's payroll facility, PeraSweldo seamlessly integrates all salary disbursement processes into a single transaction, providing client companies with concrete solutions for a faster and safer allocation and disbursement of payroll funds. In addition, allowances, cash advances, reimbursements, bonuses and other dues can now be easily uploaded via Business Online Banking, auto-credited to individual payroll accounts and immediately made available for access by employees through PeraAgad ATMs and other ATMs nationwide.

More than reducing the cost of payroll processing for employers, PeraSweldo eliminates the burden of manual processes thru a cashier as well as the risk involved in the handling of funds. ONB recognizes that large employers in the underbanked areas of Mindanao will continue to struggle with problems related to the availability of a channel for employees to access their payroll account. Hence, ONB has introduced an integrated payroll servicing solution that provide employers with access to quick and convenient uploading of payroll list and automatic debit of funds from company account through internet banking and the installation of PeraAgad ATMs in worksites for employees to easily access their payroll .

The **PeraAgad ATM Sweldo** account which the employees will be required to open for a minimum opening and maintaining deposit amount of only P100 provides a quicker and convenient way for employees to claim their salaries and wages.

All PeraAgad ATM cards double as a debit card therefore allowing the employees to swipe in PeraAgad CashPoints or at any POS terminals to pay for purchases. This, in addition to enabling all cardholders to withdraw cash thru any of the 114 ATMs deployed all over Mindanao, makes the PeraAgad ATM Sweldo card the ultimate tool of banking convenience for everyone in countryside Mindanao.



PeraSweldo provides an integrated payroll servicing solution for a faster and safer salary disbursement in the countryside.



PeraSweldo – Small Business

Marilou owns one of the many companies in Mindanao who availed of ONB's offer to service the payroll of their employees. As an employer, ONB's Payroll Servicing relieved her from the stress and the security risk of personally paying out wages to the 300 employees under her manpower agency. From a whole day task of handing out envelopes one by one, it now takes only a few minutes to accomplish salary disbursement through ONB without necessarily adding more people and equipment to keep funds safe and secure. Her employees can collect their wages with their PeraAgad ATM Sweldo cards even after banking hours through ONB's PeraAgad onsite ATM and offsite ATMs in Butuan City.

"I found the safest means to disburse salary and the easiest and most modern way for my employees to claim their payments in ONB's PeraSweldo. The availability of this facility in the rural area saves us employers from the plight of distributing wages mano-mano style."

Marilou Discipulo – Butuan City, Agusan del Norte



ONB has been simplifying Semirara Mining Corporation's payroll management for more than 3,000 employees since September 2009. Semirara Mining Corporation (SMC) is a Silver Awardee in SEC's 2010 Corporate Governance Scorecard for Publicly-Listed Companies. The Company has been accorded the same due recognition for its compliance on corporate governance rules and regulations as well as globally accepted best practices in 2007.

PeraSweldo – Corporate

Semirara Mining Corporation (SMC) is one of the many companies operating in the countryside that worked closely with ONB to achieve an efficient salary disbursement for over 3,000 employees.

SMC is engaged in surface open cut mining of thermal coal from Semirara Island in Antique Province and is the dominant coal producer in the Philippines. The operation of SMC is confined within the island of Semirara. Before ONB came into the picture, the company forwarded salaries to ATM accounts maintained with a commercial bank but this did not help due to the absence of ATMs in the island.

Through a range of service initiatives carried out by ONB, Semirara Mining Corporation was spared of these administrative and operational hurdles. More than just providing the means to shift to a streamlined payroll disbursement, ONB introduced e-banking facilities that simplified the daily transactions of employee-cardholders.

The installation of three PeraAgad ATMs in Semirara Island meets the cash requirements of SMC employees who no longer need to endure a two-hour boat ride to Mindoro to withdraw money personally or to pay P100 when requesting somebody else to do it for them. Accessing accounts is now redefined as secure, timely and above all, more personal as possible for every PeraAgad ATM Sweldo cardholder in Semirara.

The deployment of seven PeraAgad CashPoint POS terminals in accessible locations also provided SMC employees a convenient means for fund transfer and purchase payments.

Three (3) of these POS terminals are self service facilities programmed for balance inquiry and fund transfer, allowing cardholders to perform such transactions without having to travel far. It is a much cheaper option for sending money to families and relatives, with a charge of only P10 for transfers worth P10,000 and up, compared to the alternative arrangement of sending cash through remittance companies that charge both the sender and the receiver.

For purchase payments, four (4) POS terminals were installed at the public market area and at the company's main commissary. Employees can purchase basic goods such as groceries, food and toiletries from merchants by swiping their PeraAgad ATM Sweldo cards in CashPoint terminals. The presence of POS in these areas entirely replaced the vale and salary deduction system, hence removing the administrative load on SMC's accounting.

ONB takes pride in delivering success narratives such as the partnership between ONB and SMC. As such, ONB continues to enhance PeraSweldo to arm more client companies and their employees with a modern, secure and efficient payroll disbursement system that addresses common challenges in countryside operations.

Financing Countryside Development

ONB perpetuates its distinction as the largest and most modern rural bank in countryside Mindanao as it delivers more product choices and ultimate convenience to entrepreneurs big and small, from islands to highlands.

Year after year, ONB takes more farmers and rural entrepreneurs one step closer to their goals, whether it be increasing farm production or thriving in business endeavors. This productive partnership is anchored on a strong tradition of revolutionizing financial products and services to cater to countryside demands. By providing innovative and quality lending programs to improve the lives of rural communities, ONB seamlessly weaves its operations into Mindanao's larger economic pursuit.

Along with extending multi-million credit lines and providing a suite of cash management solutions customized to the diverse preferences of big companies, ONB supports farmers, crop traders, product retailers and fixed income earners in their

ventures and priorities. In particular, the year 2011 reflected a consolidated loan portfolio of P10.3 billion. This substantial 72% increase from the previous year's portfolio of P6 billion manifests ONB's capacity to finance a variety of industries such as agri-production, retail, distribution and trading and service institutions like schools and hospitals. With almost 60,000 borrowers and an average loan account size of P172,000, ONB easily makes its mark as an active participant in shaping the economic development of Mindanao.

For ONB, the desire and commitment to develop, modify and reinvent credit facilities and business banking solutions according to the needs of the rural entrepreneurs and countryside institutions will always prevail, because transforming economic aspirations into reality is as equally important as translating ONB's corporate ethos into practice.



The consolidated loan portfolio of P10.3 billion in 2011, a 72% increase from the previous year, manifests ONB's capacity to finance a variety of industries and service institutions.





Business Loans

In designing the financial package for a rural entrepreneur, ONB adheres to the idea of understanding the client's milieu – his business goals, the customers he caters to and the challenges he encounters. It is through this paradigm that ONB designed a flexible range of loan products which prioritizes cash flow-based processes more than assets.

As the demand for loans nationwide is steadily increasing since 2011, ONB is perfectly in position to gain momentum in the delivery of credit facilities to the business sector of Mindanao. Certainly, ONB's lending support in 2011 to its SME clients as well as small rural entrepreneurs amounting to almost P1.6 billion demonstrates a significant increase of 44% from 2010, which is double the growth rate in loans for the banking industry as a whole. Soon, countryside businesses in Mindanao will be benefiting, if not already, from the same opportunities and competitive edge that their counterparts in the big cities enjoy, because ONB is capable and committed to provide what commercial banks are offering and more.

ONB also became more responsive to the evolving needs of entrepreneurs and industries. A growing number of business clients and client groups are now enjoying not only capital adequacy through credit facilities but also operational efficiencies through One Special Banking Services (OSBS), a total cash management solution package that can be customized according to the business fund, liquidity, payment, collection and disbursement requirements. The convenience brought by services such as Automatic Transfer Accounts (ATA), 1-day PCHC clearing of ONB MICR Checks, Cash/Deposit Pick-up and Delivery, Special Deposit Arrangements (SDA), PeraDala Fund Transfers, PeraBayad Bills Payment and Payroll Servicing resolves common hassles impeding business procedures.

Above all, it is the nurturing of strong relationships with clients that ONB is proud of. In its efforts to complement the hard work and diligence of all its clients, ONB ascertains that its service oriented approach and the attitude of going the extra mile to ensure customer satisfaction are embodied by all its branches.



PeraSosyo Micro Business Loans

ONB's PeraSosyo Program served its purpose for Victoria Radaza, an entrepreneur known all over Bayugan for her knack for cooking. As a loan grant conceptualized with the aspiring businessman in mind, PeraSosyo is the perfect financial partner that supported Victoria with a working capital for her restaurant and catering business. She was able to invest in good kitchenware, appliances and a service vehicle – all of which were instrumental in the gradual expansion of her market reach. With PeraSosyo, Victoria continues to satisfy more people with her signature dishes, making her the unparalleled restaurateur of her town.

"No other bank has given me so much support. I will always be grateful to ONB and PeraSosyo for helping me achieve my life-long dream of turning my passion for cooking into a productive business."

Victoria Radaza – Bayugan, Agusan del Sur

Mini Business Loans

It was Anita Dagunsa's pressing need for additional capital that was primarily addressed by Mini Business Loan. The credit line complemented the hard work of this businesswoman by providing sufficient financial aid in putting up a gasoline station, acquiring more areas for coconut farming and expanding her hardware and minimart. But more than the grant, she is able to successfully deal with the setbacks involved in managing these ventures altogether. This is through ONB's modern, flexible and prompt response towards her checking account, bills payments and interbranch transactions. Hence, despite being inundated with loan offers from other companies, Anita fully entrusts her finances with ONB – the institution that empowers rural entrepreneurs like her to flourish.

"ONB was the first bank to arm me with the confidence and power to explore new business opportunities. I am always impressed with the warm reception and efficient service of the branch personnel. Needless to say, my loyalty and trust will always be with ONB."

Anita Dagunsa – San Isidro, Davao Oriental



One Business Loans

Having been exposed to the intricacies of business ever since she was young, Rhodale Gloriani knows that a bigger capital gives any entrepreneur a competitive edge. ONB provided the biggest break for her business through One Business Loans. The capacity of the program to finance greater entrepreneurial goals enabled her to establish and maintain several gasoline stations. Entrusting most of her bank accounts with ONB resulted to a noticeable improvement in the operational efficiency of her businesses. She credits the modern banking solutions as well as the prompt accommodation of the branch for the systematized and smooth flow of her finances. Rhodale believes she will continue to bank with ONB, where she feels most secure and satisfied.

"One Business Loans Program was my one big chance. It helped me navigate towards successful ventures. The cash management solutions offered by ONB also smoothed out creases in the cash flow. More than the perfect business partner, ONB is a huge blessing in my life."

Rhodale Gloriani – Kidapawan, North Cotabato

Agri Development Loans

Greater strides were made in reinforcing a sustainable agricultural lending program in Mindanao. Developing a farmer-centric agri-lending scheme is one of ONB's concrete means of reinvesting resources gained in Mindanao back to its heart, the countryside communities. With a myriad of success narratives underscoring the instrumentality of the program, Agri Development Loans stand as the flagship project of ONB.


From 55 farmers with 111 hectares at the onset of the program in 2005, ONB has now supported a total number of 561 farmers. ONB has financed a total of 1,213 hectares of banana farms and 253 hectares of oil palm farms in North Davao and South Cotabato. Through One Banana and One Oil Palm Programs, more farmers and their families have achieved financial stability, experienced better living conditions and recovered from unreasonable usury.



These achievements are attributed to an operative framework of modernizing agriculture. By going beyond the financial assistance extended to farmers, ONB also facilitates appropriation of tested production technologies, dissemination of knowledge on modern farming methods and intensive collaboration among the farmer-borrowers in order to guarantee a sustained farm output. A significant factor for its success is the deployment of Agri Production Technicians (APTs) who go the extra mile to train farmers and their assistants in effective farm management to meet production standard and maintain high quality yield.

More importantly, the Agri Development Loans program addresses the uncertainty of profit by providing farmers with a strong linkage to established buyers in the world market. This link is institutionalized in the Tripartite Agreement duly signed by the farmer, ONB and the buyer (**Dole** or **Sumifru**), ensuring a smooth process for farmer to deliver produce to buyer, for buyer to pay farmer through ONB, and for ONB to debit Farmer's Savings Account for loan payment.

With its thrust in comprehensive research, ONB develops and enhances more feasible agri-lending programs designed to contribute to the upgrading of Mindanao's agricultural industry and significantly transform the lives of more farmers and their families.



Salary Loans

ONB's Salary Loan Program for all qualified government and private employees, ending 2011 with a loan portfolio of P8 billion, is successful in its objective to provide fixed income earners with the ability and flexibility to satisfy their financial requirements like buying or improving a home, expanding or starting a business, taking a vacation, paying for educational fees and even for consolidating debts.

ONB increased its support for teachers who comprise the biggest and the most widely dispersed group of government employees by enhancing its One DepEd Salary Loan Program which is accredited by the Department of Education under Auto Payroll Deduction Scheme (APDS) MOA. The Program is made available to more educators, even those serving the farthest corners and interiors of Mindanao, through ONB's extensive branch network. The growing loan portfolio of P6.77 billion since the program's onset in 2003 can be attributed to the low interest rate, longer payment term and bigger loan amounts that address the clamor of teachers for maximum benefit and flexibility.

To make life easier, an automatic text advisory will soon prompt borrowers upon credit of funds to their PeraAgad ATM account without having to go to the branch to wait for a loan release. Using a PeraAgad ATM card that comes free with the Program, teachers are provided with more access to withdraw their loan proceeds at their most convenient time from any of the 114 PeraAgad ATMs all over Mindanao or from any ATM in the country for that matter.

One Banana Program

Leonardo Sabud has engaged in the cultivation of rice and banana for the past fifteen years. Now on his third enrolment in ONB's One Banana Program, he attests that the tie up with buyer and the deployment of Agri Production Technicians are innovations in banana production from which many farmers benefit. The monthly farmers meeting conducted by the ONB technicians contribute to the awareness of farmers regarding updates in the technology and processes, thereby assisting them towards achieving the projected production standard. These breakthroughs, paired with Leonardo's compliance to the established farm management and production systems, enabled him to come up with an annual production of 4,144 boxes of Class A Cavendish banana per hectare. With the excess cash flow, he was able to renovate his house and purchase a motorcycle for himself.

"With the help of ONB's One Banana Program, banana farming becomes a more fulfilling experience. I commend ONB's advocacy towards uplifting the lives of farmers and the dedicated Agri Production Technicians for their unwavering support."

Leonardo Sabud – Sto. Tomas, Davao del Norte



One Oil Palm Program

Adelina Recidoro used to juggle her time between dressmaking and cultivating rice and corn with her sons to altogether achieve a better income. But it was only after she applied in ONB's One Oil Palm Program that her family experienced a life with less financial difficulties. Through hard work and perseverance, Adelina and her sons were able to cultivate a 10-hectare fruit bearing oil palm farm that have yielded beyond the production standard despite its challenging location at a rolling hill in the remote area of South Sepaka, Sultan Kudarat. This great leap enabled the Recidoro family to build another house and generate a stable income. They render high regard to ONB's Agri Production Technicians and supervisors who are always ready to assist them in carrying out the prescribed farming practice.

"ONB's One Oil Palm Program undeniably steered an improvement in my life as a farmer. It has provided a promising subsistence for everyone in the family. For the first time, we are able to enjoy a stable, decent income generated through farming."

Adelina Recidoro – Bagumbayan, Sultan Kudarat

One DepEd Salary Loan Program

The lower interest and longer payment term under the One DepEd Salary Loan Program attracted Roseben Ratunil, an educator in Nasipit, to avail of the program. Out of the options available in the nearby towns, only ONB's DepEd Salary Loan Program provided the friendliest rates and the easiest means of accessing the proceeds. It paved the way for Teacher Ben to complete his graduate studies, which in turn became the basis for his promotion as Head Teacher. Through One DepEd Salary Loan, he was able to also achieve another priority: build a house for his family. For three years and counting, ONB Nasipit has been taking care of Teacher Ben's banking needs, just as he perseveres in his vocation to educate children in the municipality of Nasipit.

"Availing of the One DepEd Salary Loan Program enabled me to finish my master's degree and build a house for my family. I commend ONB for providing teachers in areas like Nasipit a convenient and hassle free means of accessing our loan proceeds."

Roseben Ratunil – Nasipit, Agusan del Norte



Unparalleled Banking Infrastructure in Mindanao

The year 2011 saw further expansion of ONB's reach and accessibility in the countryside as it opened another branch and deployed ten more PeraAgad ATMs in Mindanao.

By end of 2011, the number of ONB branches reached a total of 82, with new branches in Matina, Davao City, New Corella, Davao del Norte and Esperanza, Sultan Kudarat. Old branches in Guiwan, Cabadbaran, Surigao and Libungan were transferred to new and spacious offices and the branches in Bansalan and Monkayo were upgraded for more modern appeal. The installation of ten PeraAgad ATMs in Mindanao and in the island of Semirara, Antique resulted to a total number of 114 PeraAgad ATMs. The opening of a new branch, simultaneous structural renovations and the continuous deployment of ATMs signify ONB's commitment to provide the countryside wider access

to modern banking services complete with innovative facilities and a dedicated workforce.

ONB's unequalled infrastructure in Mindanao is highly attributable to the Bank's unwavering focus on its brand of "inclusive banking", going to unbanked and underbanked places where other banks would not dare go and enabling these places to experience e-banking products and services.

The year 2012 shall witness the establishment of more branches, deployment of more electronic channels such as ATM, POS and Internet Banking, introduction of Micro Banking Offices (MBO) and most importantly, the launching of ONB Center, a 7-storey building which will house the ONB Head Office staff of more than 300 professionals.

The Widest and Most Modern Banking Network in Countryside Mindanao

***86** Branches

***119** *Pera Agad* ATMs

**as of May 2012*

- ¹**Davao City:**
- Calinan
 - Matina
 - Mintal
 - Monteverde
 - Panacan
 - Piapi
 - San Pedro
 - Sasa
 - Toril
 - Tibungco

- ²**Cagayan de Oro City:**
- Cogon
 - Puerto

- ³**Gen. Santos City:**
- Lagao
 - Santiago

- ⁴**Zamboanga City:**
- Ayala
 - Guiwan
 - Saavedra
 - Sangali

- ⁵**Butuan City:**
- Langihan
 - Aquino

- ⁶**Panabo City:**
- Maharlika
 - Quirino

- Metro Manila:**
- Makati City



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◀ See inside fold: Map of Mindanao



Esperanza Branch, Sultan Kudarat



Surigao Branch, Surigao City



New Corella Branch, Davao del Norte



Libungan Branch, North Cotabato

The year 2011 saw the inauguration of the 82nd branch, 4 new branch buildings and 2 newly renovated branch buildings, signifying ONB's commitment to provide the countryside wider access to modern banking.

Electronic Remittances and Payments

The advent of electronic systems and channels has revolutionized the distribution of financial services worldwide. Taking inspiration from this, ONB appropriates the comfort and opportunity that these technologies provide to the people of rural Mindanao. To facilitate a more dynamic money transfer and bills payment workflow in the countryside, ONB continues to enhance its existing range of service deliveries through a more modern and cost-efficient approach.

PeraDala Remittance and PeraBayad Bills Payment emerge as the fundamental components providing solutions to rural entrepreneurs and merchants, to families challenged by geographical barriers and to busy individuals faced with time constraints. As the year 2011 ended,

these value-added services processed a total volume of P27.8 billion for foreign and domestic remittances and P173 million for bills payments, meeting countryside Mindanao's need for increased access to electronic remittances and payments.

ONB exhibits a deep understanding of the evolving demands of its clients as it will continue to grow its remittance and payment options through its electronic channels such as ATMs, POS, internet banking and soon, mobile banking. Because more than paving financial highways, ONB is committed and motivated to sustain and enrich its relationship with clients by providing e-banking products and services and strengthening its value-added services that make life more convenient in the countryside.



Through the electronic delivery systems by which PeraDala and PeraBayad operate, countryside Mindanao now enjoys a more dynamic money transfer and bills payment workflow.



PeraDala Remittance Services

The increasing geographical coverage, suitable features and prompt service delivery embedded in ONB's PeraDala Remittance Services continue to transform the practice of sending and receiving money in countryside Mindanao. ONB makes things easier for more families and businessmen whose everyday lives depend on money transfers as it enhances its PeraDala service to better facilitate inter-branch, domestic and foreign remittance transactions.

PeraDala is the most trusted avenue for the movement of cash within Mindanao, of funds coming from Luzon and Visayas and of money sent from overseas. It offers clients a pleasant remittance experience with the safe, inexpensive and immediate transfer of funds through ONB's 82 branch network.

With a promise to serve the unbanked and underbanked communities, ONB constantly works towards more electronic and automated systems and continues to pursue relevant remittance partnerships to boost its fund transfer services and provide fast, practical and cost-efficient remittance and fund transfer solutions not only for families and OFW beneficiaries but also for businessmen and corporate clients.

PeraDala offers the countryside a pleasant remittance experience with the safe, inexpensive and immediate transfer of funds through ONB's 82 branch network.

PeraDala InterBranch Fund Transfer

The best means of transferring funds within the island of Mindanao is one that eliminates security concerns and spares the individual from the long distance travel to remote areas. Through its PeraDala InterBranch Fund Transfer (IBT) facility, ONB changed the landscape of sending and receiving money to and from other parts of Mindanao. Powered by the ONEBanker, a centralized banking system that speeds up the service delivery of inter-branch deposits, withdrawals and cash enhancements, PeraDala IBT ensures streamlined processing of cash and check deposits, cash withdrawals and check encashment.

In 2011, funds moved through the PeraDala InterBranch service reached a volume of P27.4 billion. This substantiates the established confidence of its clientele in PeraDala InterBranch Transfers, the only intra-Mindanao money transfer service to bring safety, speed and satisfaction at a lower cost. With the introduction of remittance via ATM, POS and internet banking in 2012, ONB will make fund transfer not only quick and safe but also a branchless banking transaction, thus providing convenience and cost savings to clients in Mindanao.

PeraDala Domestic Remittance

Since its launch in 2008, the PeraDala Domestic Remittance Service makes headway in gaining a warm reception. **RemitAgad**, ONB's strong product tie-up with Security Bank which enables Mindanawons to enjoy a faster and more reliable access to send and receive funds to and from Luzon and Visayas, moved P114 million worth of funds in 2011, a whopping 119% volume growth from the previous year.

A second domestic remittance partnership – this time with **G-Xchange, Inc (GXI)** – paved the way for subscribers to load and encash their **GCash** wallet at any ONB branch. The **GCash** arrangement accumulated P12.8 million worth of transactions in 2011, signifying a 35% increase from the previous year. In its efforts to provide the countryside with a diversified range of domestic remittance options, ONB recently established a remittance arrangement with Palawan Pawnshop to expand coverage of PeraDala in terms of transferring funds within the country.

PeraDala Foreign Remittance

Families of OFWs in the Middle East, Southeast Asia and the United States or any foreign remittance beneficiaries residing in Mindanao can go to any of the 82 ONB Branches and be assured that the money sent by their loved ones is received safely. This is mainly because in Mindanao, ONB is the only bank with the widest roster of foreign remittance tie-ups abroad, both bank and money transfer companies, from which a sender anywhere in the world can choose from and the widest network of branches from which the beneficiary, even from a remote area of Mindanao, can safely claim and receive the money sent.

This roster of tie-ups is currently composed of **BDO, PNB, RCBC, DBP, AUB, BPI, Metrobank** and **China Bank** for banks as well as **MoneyGram, UniTeller, iRemit, GCash Remit, XOOM, ABS-CBN e-Money Plus** and **Xpress Money** for money transfer companies. ONB enables these tie-ups to extend their reach to beneficiaries in the farthest corners of Mindanao. More importantly, ONB provides both the senders and beneficiaries of Mindanao with a wide range of remittance channels to choose from.

Clients remain satisfied with the efficiency of PeraDala Foreign Remittance facility as substantiated by the volume of foreign remittances reaching P242 million in 2011. Soon with an auto-credit-to-account feature, PeraDala Foreign Remittance Services will grow stronger than ever and will be made faster and more convenient with the anticipated implementation of the auto-text messaging for beneficiaries.

PeraDala Interbranch Fund Transfer

Only ONB's PeraDala InterBranch Fund Transfer suits Merlyn Mahadali's money transfer needs exactly the way she wants it – fast, safe, and convenient. PeraDala IBT eliminates the risky and long distance travel involved in delivering the proceeds of her *ukay-ukay* business in other parts of Mindanao to her place of residence in Cagayan de Oro City. ONB's wider branch network and rural-friendly services has been primarily responsible for the upgrade in the payment collection from the partners and clients around Mindanao. She is also impressed with the accommodation of the branch staff who never fail to make the transactions easier for her.

"PeraDala makes collecting payments from our clients in Lanao, Caraga and Zamboanga a whole lot better in terms of time, security and cost. ONB's presence in areas where I do business is a strong factor for our improved operations."

Merlyn Mahadali – Cogon, Cagayan de Oro City



PeraDala Domestic Remittance

After being informed by her classmates of a better way to receive money through the nearest ONB branch, Janreel Ignalig immediately requested her parents to try sending her allowance via **GCash**. To date, this 4th year Architecture student in UP Mindanao finds comfort in the fact that she can claim her allowance without being subjected to the traffic, the transportation expense and the time-consuming hassle of traveling to downtown Davao.

The **GCash** arrangement and the warm and friendly tellers of ONB make life more comfortable not only for Janreel but also for her classmates. Now they can delegate more time for studying, finishing their assignments and working their way towards becoming the country's best architects.

*"With the availability of **Globe GCash** in ONB, travelling to downtown Davao to claim my allowance is unnecessary. I save the transportation expense and more importantly, I have more time to study."*

Janreel Ignalig – Mintal, Davao City

PeraDala Foreign Remittance

Claiming remittance from her husband who works as a baker for the Royal Brunei Catering in Brunei used to be difficult for housewife Marivic Valencia. Delays were common and she was often advised to wait for a week before getting the money. But with the presence of ONB in Surallah, Marivic now enjoys a faster and more convenient remittance collection. The money sent by her husband via **iRemit** and channelled through ONB's PeraDala Foreign Remittance enabled her to build a house and provide for her children. Her husband also credits a part of his remittance to the savings accounts of their children to help them prepare for a better future. Continuing their trust in PeraDala Foreign Remittance services, the Valencia family is all set to start a new project: a concrete fence.

"ONB's PeraDala foreign remittance facility has helped us build a house and provide a better life for our children. Upon his return this year, my husband will be happy to see that his hard work overseas has been well worth it."

Marivic Valencia – Surallah, South Cotabato





PeraBayad
Bills Payment

- PLDT
- Smart
- Globe
- Bayantel
- Ateneo de Davao University
- Davao Doctors College
- Mountain View College
- SSS
- PHIC
- Other Local Utility Bills

Now there's an easier way to pay your bills.

PeraBayad Bills Payment

PeraBayad is another value-added service formulated by ONB to simplify the process of paying bills for everyone in the countryside. Also available through the ONB's wide branch network, PeraBayad is the most accessible, fast and hassle-free one stop bills payment facility that caters to individuals as well as companies and institutions in countryside Mindanao.

Landline or mobile phone bills of **Globe Telecom, Globe Innove, PLDT, Smart and Bayantel** can be paid in any ONB branch through ONB's PeraBayad services. PeraBayad also makes payment of school fees faster and easier for the institutions, the parents and the students. Tuition and other fees for the **Ateneo de Davao University, Davao Doctors College, Mountain View College and Holy Cross of Davao College** are accepted at any ONB branch, minimizing the time, expenses and risks involved during enrolment and examination periods.

Furthermore, PeraBayad accepts payments for **SSS and PhilHealth** premiums. Payments can be made thru cash or ONB checks, regardless of the amount (full payment or partial) or status of the bill (current or past due).

PeraBayad not only provides subscribers of utility companies, schools and other billing institutions a convenient and easy mode of payment but also assures billers that ONB's remarkable branch network and its centralized database makes daily monitoring and report generation easier.

ONB is starting to take a step forward in bills payment as subscribers can now pay their **Smart Telecom and Smart Bro** bills through ONB's CashPoint POS terminals. Ongoing projects of replicating this innovation for all utility bills, tuition fees and all other types of payments as well as in other electronic channels such as PeraAgad ATMs and ONB Online Banking will bring bills payment services to its ultimate objective – allowing payers to pay bills anytime, anywhere.



PeraBayad – Telecom Bills

To say that ONB's PeraBayad Bills Payment facility brought a major turnaround for residents in Samal Island is an understatement. Teresita Madriga, for instance, has to ride a tricycle, board the motor launch across the Samal strait for fifteen minutes and ride several jeepneys to get to downtown Davao on a monthly basis just to pay her bills. With ONB's presence in Babak, she is more than delighted to pay all of her **Globe, Smart** and **Bayantel** bills in just one location. ONB stands as the sole and the most comfortable bills payment center in the island, and the efficiency of PeraBayad has undeniably relieved the Samal populace of the risky, tiresome and costly travel, enabling rural entrepreneurs like Teresita to concentrate on her ventures.

"I finally know what it feels like to pay bills conveniently. From a half-day transaction, my time spent for paying bills has been incredibly reduced to a few minutes."

Teresita Madriga – Babak, Island Garden City of Samal

PeraBayad – SSS and PhilHealth

Ruth Peñafiel used to travel all the way to General Santos City just to pay **SSS** and **PhilHealth** contributions for herself and her husband. This was time consuming for somebody who is committed to further improve the drugstore she operates for more than ten years. The availability of a flexible bills payment facility in ONB Malandag Branch in Sarangani Province and the accommodating branch staff enabled Ruth to save time, effort and expenses. And because the branch is just a few steps away from her home, she is confident about paying bills on time.

"Paying SSS and PhilHealth remittances for me and my husband has never been this easy."

Ruth Peñafiel – Malungon, Sarangani Province



PeraBayad – MVC Tuition Fee

ONB's cash management services for the Seventh Day Adventist include collection of tuition fee payments at any ONB branch. This service remarkably assists parents anywhere in Mindanao who have children studying in the Mountain View College (MVC), a Seventh-Day Adventist boarding school located on Mt. Nebo, Valencia City, Bukidnon. The collection of MVC tuition fees through PeraBayad assures Gelia Pueblo, a mother based in Panabo who enrolled her two children in the college, that payments made through ONB are directly credited to MVC's account, thus eliminating risks and transportation costs.

The installation of PeraAgad ATM within the MVC campus also makes it convenient for the Pueblo children to claim the allowance deposited by Gelia to their PeraAgad ATM accounts. This arrangement also spares the children from the 6-hour travel from MVC in Bukidnon to their residence in Panabo. Today, MVC which has a student population of more than 2,000 benefits from other ONB cash management services such as Payroll Servicing and Pick-up Deposits.

"I am very thankful to ONB for the convenience offered by its PeraBayad Online Tuition Payment Facility. My children do not have to travel anymore from Bukidnon four times every semester just to get their tuition fee payment here in Panabo."

Gelia Pueblo – Panabo, Davao del Norte

Promoting Employees Welfare

ONB mainly attributes its excellence in the rural banking industry to the consistent support of its stockholders and the exemplary performance of its workforce. The year 2011 provided a backdrop for ONB to demonstrate its commitment of improving stockholder values while boosting the interests of its other stakeholders.

In 2011, the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC) approved ONB's consolidation with the Rural Bank of New Corella, another Mindanao-based rural bank. With the grant of Authority to Operate to the new consolidated rural bank, ONB organized its first Stockholders Meeting as One Network Bank, Inc. (A Rural Bank) last July. More than providing a venue for yearly reporting and celebration of organizational achievements, the stockholders meeting was ONB's opportunity to declare that the consolidation resulted in the increase of ONB's paid-up common shareholdings to P1.45 billion, consequently allowing common stockholders of the Bank to enjoy a 45.51% increase in the value of their shares.

ONB takes pride in being an institution of outstanding performance as the Board of Directors declared last September 2011 a 15.85% stock dividend of P230 million in favor of its 1,400 common shareholders distributable from the available paid-in surplus of the Bank. The stock dividend further raised ONB's Paid-up Capital from P1.45 billion in 2010 to P1.68 billion. ONB continues to nurture the growth of its equity base by maintaining the policy of declaring stock dividends only or 100% plowback of earnings, thus improving shareholder value.

Another major set of stakeholders that ONB takes time to nurture is its 1,206 employees. 2011 was a year of staying on course to cultivate a motivated, committed and productive workforce as ONB invested a total of P11.2 million on a wide spectrum of training programs. Employee development initiatives were aimed at further improving the skills, competencies and well-being of each and every employee.

ONB continues to demonstrate its commitment of improving stockholder value while boosting the interests of its other stakeholders - the employees.

The conduct of a training program on High Impact Bank Selling among cluster heads, branch managers and product managers was a way to inspire leaders to reach their full potential by fostering the right outlook and key skills towards the selling profession. A seminar on Financial Management was organized to encourage and challenge all ONB employees to be good managers of their finances and to strengthen the core value of *Marunong Mag-ipon*. To enhance employee motivation and increase their capacity to work, ONB also maintains a regular conduct of Skills Training programs in Loan Packaging, Accounting and Tellerling. And in fulfilling its pledge to provide opportunities for fast tracking career growth, ONB continues to enrich its Branch Operations Management Development Program (BOMDP), a comprehensive training program that prepares qualified staff to become effective Branch Operations Officers.

ONB puts premium on promoting teamwork and camaraderie as well as reinforcing the entire set of core values that it advocates. Over the years, it has been supportive of bank-wide employee activities that ensure the wholistic development of its human resources. A yearly gathering of ONB workforce, the Annual Employees Assembly denotes the true meaning of unity and success for all employees. It is a grand celebration of the year's milestones and recognition of the hard work and dedication of ONB's employees. ONB also promotes a creative and principled work environment through programs that encourage a sense of meaning and purpose among employees such as the Annual Spiritual Retreat, 5S Operation Linis, Blood Letting, monthly sports activities and weight monitoring.

ONB provides a rewarding compensation package and benefits for its workforce and opens doors for individual development and professional growth, consequently emerging as Mindanao's employer of choice. As a community, ONB ascertains that the core values *Maka-Diyos, Makamasa, Marunong Mag-ipon, Mapagkakatiwalaan, Masigasig, Malusog, Maayos, Mapagmalasakit, Maka-bayanihan* and *Maligaya* are well embodied by the employees. It is this set of core values that guides ONB's voyage as the modern bank in countryside Mindanao.

Health Care

ONB continues to intensify its campaign for health in the workplace through its proactive Health Care Program. The Bank invested almost P1 million in its 2011 Annual Physical Examination (APE) to evaluate the health condition of all employees. Employees with adverse findings during the APE are monitored from time to time to help them achieve a stable physical condition.

ONB is keen on its mandatory Weight Reduction Program for overweight and obese employees and on the monitoring of Net Care's High Risk Program, both with an objective to minimize high risk cases and keep the workforce healthy and fit. In 2011, ONB invested an amount of P2.7 million to sustain the monthly sports activities of all departments and branches. These efforts translate to a stronger collective drive to maintain and promote physical fitness among all ONB employees.



BOMDP

In July, ONB produced another 28 new Branch Operations Officers who underwent a 6-month intensive training on effective branch operations management. The Branch Operations Management Development Program (BOMDP) prepares promising employees with basic operations in cash, loans and accounting. More importantly, the training encourages future managers to develop supervisory skills and proficiency in branch administration. This is one of the many employee development initiatives ONB boosts to ensure that the Bank continues to deliver excellent service to clients.

Employees Annual Spiritual Retreat 2011

The Employees Annual Spiritual Retreat, a platform for fostering spiritual growth, gives employees a chance to stand back from the daily grind, reassess identities and relationships and revisit core values to make way for a better personal and career disposition.



Good Governance

ONB perseveres to sustain the confidence of clients and internal shareholders. To uphold excellence, transparency and accountability in its operations, the Bank remains keen in its commitment to observe the highest standards of corporate governance.

Leading the efforts to carry on a reputation of compliance, innovation and competence are ONB's Board of Directors, together with the Executive Committee. In 2011, the Board of Directors has further strengthened its initiative in ensuring compliance to laws and regulations, making sound policy decisions, and establishing strategic objectives and procedures.

Through several committees and management teams, ONB continues to provide mechanisms for performance monitoring, execute efficient oversight function and promote utmost organizational transparency and ethical conduct within the institution. As advocates of integrity and excellence, these committees work together towards translating ONB's strong corporate governance fundamentals into concrete action. Their dedication to service is an indispensable contribution to ONB's growth and profitability and more importantly, to its continued leadership in the rural banking industry.

Information Security

The activation of the role of the Information Security Unit under the Risk Management Department enabled the risk assessment process to address information security and technology risks and strengthened the protection of bank information through information security policies and active oversight on ICT-related activities. Consequently, ONB fortified the security of its computer systems and network through installations of Application Firewall and Intrusion Detection & Prevention Appliances as the Bank moves toward the expansion of its e-banking channels to include internet banking and mobile banking.

Internal Audit

The Internal Audit Committee is committed to a proactive role of ensuring accountability on the part of the management. Towards this direction, the Committee religiously monitors internal control over financial reporting and the audits of its financial statements, oversees the performance of the company's

internal audit and verifies the independent auditor's qualifications.

For the year 2011, Internal Audit accomplishments included approval of the Risk-based Internal Audit Plan, Quarterly Results of Assurance and Consulting Activities of the Internal Audit Department (IAD), Revised Internal Audit Charter and General and Comprehensive IT Audit Programs for IT areas. In so doing, the Committee confirms the compliance of the Bank with legal and regulatory requirements and remains to be one of the most important committees under ONB's good governance structure.

Policy Development

It is the objective of the Policy Development Committee (PDC), a non-formal committee that convenes once a week with Compliance, Risk, Audit and other department heads as members, to deliberate and endorse proposed Bank policies to the Executive Committee for approval. The committee is supported by the Systems Department, ONB's complementary arm in enhancing policy review and dissemination process. Since its formation in 2009, the PDC has reviewed and endorsed 458 policies on topics concerning branch banking and support services to the branches and has further steered its efforts towards establishing quality control in ONB's practices, products and services.

To sustain the confidence of its clients and shareholders, ONB remains keen in translating its strong corporate governance fundamentals into concrete action.



Risk Management

ONB recognizes risk management process as an integral part in its entire endeavor. The Risk Management Department, a constant participant in all project management teams, oversees the development of strategies, implementation and communication of the risk management plan to concerned operating units as well as the conduct of periodic review and revisions of the corporate risk management plan. In 2011, ONB's Risk Management Department conducted risk assessments for 39 projects as the risk assessment process has been made an integral part of all of the Bank's major programs.

Business Continuity Plan

To ensure the continuity of the business and computer system operations in the event of major disruptions, ONB, through its Business Continuity Plan Team, oversees the development, testing and implementation of business continuity initiatives of each operating unit. The Business Continuity Plan for branch operations had been proven effective especially during offline period, enabling ONB to provide continuous service to clients even during communication downtime.



CSR Program: Adopt-A-School

ONB reinforces its Corporate Social Responsibility in 2011 by providing educational support and development to the communities it serves. In partnership with the Department of Education's Adopt-A-School Program, ONB contributed new 2-classroom buildings in three Region XII public schools.

These buildings were officially turned over to the following schools:

1. Asuncion Elementary School in Makilala, North Cotabato with 111 students and only 3 classrooms prior to ONB's donation,
2. Magon Elementary School in Tantangan, South Cotabato with 103 students and only 2 classrooms before the ONB donation, and
3. Dalangdang Elementary School in Malungon, Sarangani Province with 275 students and only 5 classrooms before the donation.

The construction of these new classrooms, complete with facilities and furniture such as comfort room, armchairs, black boards, teacher's table and chairs, signifies ONB's commitment to the socio-cultural upliftment of Mindanao's remote areas.

Board of Directors



Victor A. Consunji
Chairman



Alex V. Buenaventura
President



Antonio R. Cabreira, Jr.
Director



Evelyn T. Ang
Independent Director



Antonio P. Avelino
Vice-Chairman



Luz Consuelo A. Consunji
Director



Rev. Fr. Agustin L. Nazareno
Independent Director



Atty. Jose M. Balingit, Jr.
Corporate Secretary

Executive and Risk Management Committee

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



Corporate Governance Committee

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



Audit Committee

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



Council of Advisers



Dr. Edgardo V. Buenaventura

Jose V. Buenaventura

Rev. Fr. Jessie S. Esparagoza

Edgardo S. Lagman

Group Heads



Nelson L. Billena
Branch Banking Group

Romulo C. Guerrero
Support Group

Dario S. Magnaye
Treasury Group

ONE NETWORK BANK, INC. (A RURAL BANK)
STATEMENTS OF FINANCIAL POSITION
2011 VERSUS 2010
(Amounts in Philippine Pesos)

		2011 Audited FS		2010 Total		Increase (Decrease)
CASH AND OTHER CASH ITEMS	P	777,741,589	P	684,239,378	P	93,502,211
DUE FROM BANGKO SENTRAL NG PILIPINAS		138,944,010		185,950,813	(47,006,803)
DUE FROM OTHER BANKS		1,300,943,429		2,836,180,652	(1,535,237,223)
HELD-TO-MATURITY INVESTMENTS		25,657,420		100,681,187	(75,023,767)
AVAILABLE-FOR-SALE INVESTMENTS		1,795,836,741		797,114,510		998,722,231
LOANS AND RECEIVABLES - Net		10,407,034,215		6,281,053,579		4,125,980,636
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net		877,466,607		715,659,242		161,807,365
INVESTMENT PROPERTY - Net		15,128,744		21,218,215	(6,089,471)
DEFERRED TAX ASSETS		168,365,625		92,835,650		75,529,975
OTHER RESOURCES - Net		107,364,911		116,656,347	(9,291,436)
		<u>15,614,483,290</u>		<u>11,831,589,574</u>		<u>3,782,893,715</u>
TOTAL RESOURCES	P	15,614,483,290	P	11,831,589,574	P	3,782,893,715
<u>LIABILITIES AND EQUITY</u>						
DEPOSIT LIABILITIES	P	10,507,947,903	P	9,463,834,646	P	1,044,113,256
BILLS PAYABLE		2,175,000,000		90,000,000		2,085,000,000
INCOME TAX PAYABLE		71,702,179		24,253,812		47,448,367
ACCRUED EXPENSES, DEFERRED CREDITS AND OTHER LIABILITIES		393,084,926		294,646,057		98,438,869
		<u>13,147,735,008</u>		<u>9,872,734,515</u>		<u>3,275,000,493</u>
Total Liabilities		13,147,735,008		9,872,734,515		3,275,000,493
EQUITY		<u>2,466,748,282</u>		<u>1,958,855,059</u>		<u>507,893,223</u>
TOTAL LIABILITIES AND EQUITY	P	15,614,483,290	P	11,831,589,574	P	3,782,893,716

ONE NETWORK BANK, INC. (A RURAL BANK)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Amounts in Philippine Pesos)

	Notes*		2011		2010 (ONB AND RBNCI)
CAPITAL STOCK	20	P	1,451,624,210	P	1,002,521,569
PAID-IN SURPLUS			-		21,684,502
SURPLUS AND OTHER RESERVES			858,833,232		906,680,667
REVALUATION RESERVES			156,290,840		27,968,321
			<u>2,466,748,282</u>		<u>1,958,855,059</u>
TOTAL EQUITY		P	2,466,748,282	P	1,958,855,059

*See Notes to Financial Statements

ONE NETWORK BANK, INC. (A RURAL BANK)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Amounts in Philippine Pesos)

	Notes*	12/31/11 (Four Months) <i>Consolidated</i> Audited	8/31/11 (Eight Months) <i>ONB & RBNCI</i> Audited	Total 2011	2010
INTEREST INCOME ON					
Loans and receivables		P 369,337,618	P 553,202,624	P 922,540,241	P 979,640,676
Deposits with other banks		38,764,320	68,868,457	107,632,777	82,439,739
Investments		<u>17,402,363</u>	<u>70,663,453</u>	<u>88,065,816</u>	<u>45,519,350</u>
		<u>425,504,301</u>	<u>692,734,534</u>	<u>1,118,238,834</u>	<u>1,107,599,765</u>
INTEREST EXPENSE ON					
Deposit liabilities		81,563,074	152,421,278	233,984,352	205,538,733
Bills payable		<u>16,897,053</u>	<u>49,201</u>	<u>16,946,254</u>	<u>2,522,588</u>
		<u>98,460,127</u>	<u>152,470,479</u>	<u>250,930,606</u>	<u>208,061,321</u>
NET INTEREST PROFIT		<u>327,044,174</u>	<u>540,264,055</u>	<u>867,308,228</u>	<u>899,538,444</u>
IMPAIRMENT LOSSES	16	<u>56,384,616</u>	<u>82,244,244</u>	<u>138,628,860</u>	<u>66,084,425</u>
NET INTEREST PROFIT AFTER IMPAIRMENT LOSSES		<u>270,659,558</u>	<u>458,019,811</u>	<u>728,679,369</u>	<u>833,454,019</u>
OTHER INCOME					
Service charges, fees and commissions		329,081,681	320,294,829	649,376,510	357,732,562
Others	22	<u>13,310,949</u>	<u>29,676,933</u>	<u>42,987,882</u>	<u>20,872,760</u>
		<u>342,392,630</u>	<u>349,971,762</u>	<u>692,364,392</u>	<u>378,605,322</u>
OTHER EXPENSES					
Compensation and employee benefits	23	133,442,239	211,579,378	345,021,617	297,473,550
Occupancy and equipment related expenses	27	56,833,220	117,036,882	173,870,102	150,561,761
Taxes and licenses	28	33,139,734	74,686,651	107,826,385	88,158,057
Security, messengerial and janitorial services		24,577,701	42,127,979	66,705,680	59,570,651
Transportation and travel		25,718,042	44,224,526	69,942,568	56,016,608
Stationery and supplies		18,430,314	21,241,808	39,672,122	26,311,635
Fuel and lubricants		10,016,870	17,576,898	27,593,768	23,677,950
Communications, telephone and telegraph		5,588,220	14,764,486	20,352,706	21,830,208
Service charge		12,150,444	17,417,906	29,568,350	18,386,831
Insurance		7,063,978	13,397,299	20,461,277	15,551,705
Intranet		3,415,814	5,029,933	8,445,747	5,490,253
Professional fees		1,913,195	2,532,094	4,445,289	5,475,676
Amortization of deferred charges		1,363,476	3,591,600	4,955,076	4,143,780
Banking fees		1,693,014	2,810,856	4,503,870	3,767,391
Donations		—	—	—	3,269,140
Advertising and publicities		3,150,598	3,050,268	6,200,866	3,106,065
Membership dues and fees		—	—	—	2,868,713
Recreation and entertainment		2,062,927	1,728,544	3,791,471	2,629,640
Freight		—	—	—	1,176,014
Periodicals and magazines		—	—	—	636,563
Others		<u>13,751,646</u>	<u>23,549,970</u>	<u>37,301,616</u>	<u>23,837,026</u>
		<u>354,311,431</u>	<u>616,347,079</u>	<u>970,658,510</u>	<u>813,939,217</u>
PROFIT BEFORE TAX		<u>258,740,756</u>	<u>191,644,495</u>	<u>450,385,251</u>	<u>398,120,124</u>
TAX EXPENSE	24	<u>77,566,060</u>	<u>58,115,887</u>	<u>135,681,947</u>	<u>121,915,650</u>
NET PROFIT	25	<u>181,174,696</u>	<u>133,528,608</u>	<u>314,703,304</u>	<u>276,204,474</u>
OTHER COMPREHENSIVE INCOME					
Fair value gain	10	<u>156,290,840</u>	<u>49,686,343</u>	<u>205,977,183</u>	<u>39,954,744</u>
TOTAL COMPREHENSIVE INCOME		<u>P 337,465,536</u>	<u>P 183,214,951</u>	<u>P 520,680,487</u>	<u>P 316,159,218</u>
Earnings Per Share:					
Basic	25			P <u>0.217</u>	P <u>0.276</u>
Diluted				P <u>0.217</u>	P <u>0.276</u>

Note: The income presented above represent the aggregated net income before consolidation of One Network Rural Bank, Inc. and Rural Bank of New Corella, Inc. for the 8-month period of January 1 to August 31, 2011 and the net income of the new consolidated bank now known as One Network Bank, Inc. (A Rural Bank) for the 4-month period September 1 to December 31, 2011.

*See Notes to Financial Statements

Statement of Management's Responsibility for Financial Statements

The management of **One Network Bank, Inc. (a Rural Bank)** (the Company), is responsible for the preparation and fair presentation of the financial statements for the period ended December 31, 2011, in accordance with Philippine Financial Reporting Standards (PFRS), including the following additional supplemental information filed separately from the basic financial statements:

- a. Supplementary Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68
- b. Reconciliation of Retained Earnings Available for Dividend Declaration
- c. Schedule of PFRS Effective as of December 31, 2011
- d. Schedule of Financial Indicators for December 31, 2011 and 2010
- e. Map Showing the Relationship Between and Among the Company and its Related Entities
- f. Details of Transactions with DOSRI

Management responsibility on the financial statements includes designing and implementing internal controls 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.

The Board of Directors reviews and approves the financial statements, and the additional supplementary information, and submits the same to the stockholders.

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


VICTOR A. CONSUNJI
Chairman


ALEX V. BUENAVENTURA
President


DARIO S. MAGNAYE
Treasurer

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of One Network Bank, Inc. (a Rural Bank), which comprise the statement of financial position as at December 31, 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period July 14, 2011 to December 31, 2011, 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 audit. We conducted our audit 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 aspects, the financial position of One Network Bank, Inc. (a Rural Bank) as at December 31, 2011, and of its financial performance and its cash flows for the period July 14, 2011 to December 3, 2011 in accordance with Philippine Financial Reporting Standards.

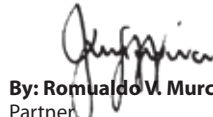
Other Matter

The Bank was registered with the Securities and Exchange Commission on July 14, 2011 and started its commercial operations on September 1, 2011.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the period ended December 31, 2011 required by the Bureau of Internal Revenue as disclosed in Note 28 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: Romualdo V. Murcia, III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 3174908, January 2, 2012, Makati City
SEC Group A Accreditation

Partner - No. 0628-AR-1 (until August 5, 2013)
Firm - No. 0002-FR-3 (until Jan. 18, 2015)
BIR AN 08-002511-22-2011 (until Feb. 3, 2014)
Firm's BOA /PRC Cert. of Reg. No. 0002 (until Dec. 31, 2012)
March 19, 2012

ONE NETWORK BANK, INC. (A RURAL BANK)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011
(Amounts in Philippine Pesos)

	Notes*		
<u>RESOURCES</u>			
CASH AND OTHER CASH ITEMS	7	P	777,741,589
DUE FROM BANGKO SENTRAL NG PILIPINAS	7		138,944,010
DUE FROM OTHER BANKS	7		1,300,943,429
AVAILABLE-FOR-SALE INVESTMENTS	10		1,795,836,741
HELD-TO-MATURITY INVESTMENTS	11		25,657,420
LOANS AND RECEIVABLES - Net	12		10,407,034,215
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	13		877,466,607
INVESTMENT PROPERTY - Net	14		15,128,743
DEFERRED TAX ASSETS	24		168,365,625
OTHER RESOURCES	15		<u>107,364,911</u>
TOTAL RESOURCES		P	<u>15,614,483,290</u>
<u>LIABILITIES AND EQUITY</u>			
DEPOSIT LIABILITIES	17	P	10,507,947,903
BILLS PAYABLE	18		2,175,000,000
INCOME TAX PAYABLE			71,702,179
ACCRUED EXPENSES AND OTHER LIABILITIES	19		<u>393,084,926</u>
Total Liabilities			13,147,735,008
EQUITY	20		<u>2,466,748,282</u>
TOTAL LIABILITIES AND EQUITY		P	<u>15,614,483,290</u>

ONE NETWORK BANK, INC. (A RURAL BANK)
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD JULY 14, 2011 TO DECEMBER 31, 2011**
(Amounts in Philippine Pesos)

	Notes*		
CAPITAL STOCK	20	P	1,451,624,210
OTHER RESERVES	20		677,658,536
REVALUATION RESERVE			156,290,840
NET PROFIT			<u>181,174,696</u>
TOTAL EQUITY		P	<u>2,466,748,282</u>

*See Notes to Financial Statements

** The Bank was registered with the Securities and Exchange Commission on July 14, 2011 and started its commercial operations on September 1, 2011.

ONE NETWORK BANK, INC. (A RURAL BANK)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD JULY 14, 2011 TO DECEMBER 31, 2011**
(Amounts in Philippine Pesos)

ONE NETWORK BANK, INC. (A RURAL BANK)
STATEMENT OF CASH FLOWS
FOR THE PERIOD JULY 14, 2011 TO DECEMBER 31, 2011**
(Amounts in Philippine Pesos)

	Notes*	
INTEREST INCOME ON		
Loans and receivables	P	369,337,618
Deposits with other banks		17,402,363
Investments		<u>38,764,320</u>
		425,504,301
INTEREST EXPENSE ON		
Deposit liabilities		81,563,074
Bills payable		<u>16,897,053</u>
		98,460,127
NET INTEREST PROFIT		327,044,174
IMPAIRMENT LOSSES	16	<u>56,384,616</u>
NET INTEREST PROFIT AFTER IMPAIRMENT LOSSES		<u>270,659,558</u>
OTHER INCOME		
Service charges, fees and commissions		329,081,681
Others	22	<u>13,310,949</u>
		342,392,630
Amount carried forward	P	613,052,188
Amount forwarded	P	<u>613,052,188</u>
OTHER EXPENSES		
Compensation and employee benefits	23	133,442,239
Occupancy and equipment related expenses	27	56,833,220
Taxes and licenses	28	33,139,734
Transportation and travel		25,718,042
Security, messengerial and janitorial services		24,577,701
Stationery and supplies		18,430,314
Service charge		12,150,444
Fuel and lubricants		10,016,870
Insurance		7,063,978
Communications, telephone and telegraph		5,588,220
Intranet		3,415,814
Advertising and publicities		3,150,598
Recreation and entertainment		2,062,927
Professional fees		1,913,195
Banking fees		1,693,014
Amortization of deferred charges		1,363,476
Others		<u>13,751,646</u>
		354,311,432
PROFIT BEFORE TAX		258,740,756
TAX EXPENSE	24	<u>77,566,060</u>
NET PROFIT	25	181,174,696
OTHER COMPREHENSIVE INCOME	10	<u>156,290,840</u>
TOTAL COMPREHENSIVE INCOME	P	<u>337,465,536</u>

	Notes*	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P	258,740,756
Adjustments for:		
Depreciation and amortization	13	25,864,185
Impairment losses	16	56,384,616
Amortization of deferred charges		1,363,476
Income from disposal of investment property	14, 22	<u>(1,215,892)</u>
Operating profit before changes in resources and liabilities		341,137,141
Increase in loans and receivables		<u>(2,972,900,779)</u>
Decrease in other resources		22,332,480
Increase in deposit liabilities		643,673,456
Increase in accrued expenses and other liabilities		<u>68,065,439</u>
Cash used in operations		<u>(1,897,692,263)</u>
Cash paid for taxes		<u>(44,553,468)</u>
Net Cash Used In Operating Activities		<u>(1,942,245,731)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of bank premises, furnitures, fixtures and equipment		<u>(92,891,050)</u>
Proceeds from available-for-sale financial assets		6,400,582
Proceeds from disposal of investment property	14	2,357,611
Proceeds from held-to-maturity investments		<u>169,769</u>
Net Cash Used in Investing Activities		<u>(83,963,088)</u>
CASH FLOW FROM FINANCING ACTIVITY		
Availment of bills payable		<u>2,175,000,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>148,791,181</u>
BALANCE CARRIED FORWARD FROM ONRBI AND RBNCI		
Cash and other cash items		704,968,647
Due from Bangko Sentral ng Pilipinas		37,638,360
Due from other banks		<u>1,326,230,840</u>
	2, 20	<u>2,068,837,847</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and other cash items	7	777,741,589
Due from Bangko Sentral ng Pilipinas	8	138,944,010
Due from other banks	9	<u>1,300,943,429</u>
	7	P <u>2,217,629,028</u>

Supplemental Information on Non-Cash Financing Activities

The Bank issued shares of stocks amounting to P1,451,624,210 in exchange of net assets of One Network Rural Bank, Inc. and Rural Bank of New Corella, Inc. of P2,129,282,746 resulting in the recognition of other reserves of P677,658,536 (see Notes 2 and 20).

*See Notes to Financial Statements

** The Bank was registered with the Securities and Exchange Commission on July 14, 2011 and started its commercial operations on September 1, 2011.



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