



Ayala Coop

ANNUAL REPORT 2011

Ayala coop website www.ayalacoop.com

Special points of interest

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- POLICY ON CO-MAKER



CHAIRMAN'S REPORT

The Coop's continued pursuit of evolving into a more customer centric organization has definitely contributed to 2011 being another banner year.

There were a total of 3,249 new members for the year. Aggressive recruitment was undertaken in various recently formed Ayala-related companies (e.g. Fort Boni Group, Ayala Energy, Quad River, AG Counsellors, Boracay Island Water, BPI-Globe Bangko, Integreon and ING Trust Group, among others). The much awaited entry of Stream finally became a reality with roadshows held in four of their sites namely Q.C., Shaw, Cebu and Clark. Letters of invitation for Coop membership to BPI retirees were sent with a good number actually applying as Associates. For a limited period, the Coop relaunched the Member-Get-Member Program. The Coop's presence was also felt in several of the sports tournaments among the AG Companies. Likewise, the Coop team was encouraged to go on field visits to branches/outlets of AG Companies whether in the province or Metro Manila.

However, the year ended with a net increment of 1,465 (8%) from 17,564 in 2010 to 19,029 in 2011 as a result of the implementation of the new Collections policy on write-offs/offsetting against Share Capital of delinquent members. The Coop will be put to task with a more ambitious recruitment objective in 2012. A four-pronged approach is now put in place to achieve it.

The Coop was cited by the Cooperative Development Authority (CDA) for being "AN EFFICIENT AND EFFECTIVE BUSINESS ENTERPRISE IN TERMS OF TOTAL ASSETS". Loan releases overshot its 2011 goal of Php600Mn by Php52Mn resulting to a 24% increase or Php125Mn from Php528Mn in 2010 to Php652Mn in 2011. The

number of loan releases increased by 23% from 9,199 in the previous year to 11,333 for this year. Several "boutique" loan offerings for limited periods e.g. Educational/Travel Deferred Payment Plan, Bonus Mo, Advance Ko! and Christmas Shopping Loan were made available last year. These offerings were a smash hit among our members, hence the request for re-runs!

The Coop also introduced two (2) new regular loan products i.e. the Healthcare Loan, a Tie-up venture with Maxicare and the Franchising Loan, for the more entrepreneurial Coop members. A soft launch of "Internet Shopping" with an internet shopping provider was made. This, however, has been held in abeyance due to some technical problems. For 2012, the Coop will continue to explore other possible loan offerings that will address its members' needs from "birth to death."

With the influx of newly formed Ayala companies (max. of 3 years) and BPO/attrition-bound companies, the Coop instituted Loan Eligibility Guidelines taking into consideration the inputs of the concerned companies based on the nature and complexion of the business. The Collections' Oplan Singil covered the setting up of an expanded Collections organization, the development of a Collections Policy Manual and the outsourcing of hardcore collections problems via the accreditation of Collections agencies and individual service providers. The Collections Policy Manual in particular defined the approach to the management of delinquent accounts and the lowering of the past due rate by aggressive internal collections efforts, write-offs and offset of loans with share capital. Collection efforts were likewise pursued with co-borrowers. The Delinquency Rate went down from 3.8% in 2010 to 2.59% in 2011.

The Coop generated a 19% growth in Gross Revenue from Php96Mn in 2010 to Php114Mn in 2011. Administrative Expenses grew by Php4Mn or 18% from Php18Mn in 2010 to Php22Mn due to increases in rental, utilities, communications, advertising, back scanning project, people costs and more importantly the renovation of the Coop premises. Excess of Revenue over Expenses increased by 18% from Php77Mn in 2010 to Php92Mn in 2011. Just like the previous year, considering the attractive loan products and higher than market return on investments, not to mention the increase in membership, a substantial jump in Members' Equity of 18% or Php156Mn from Php713Mn to Php869Mn was experienced. A significant number of members especially the retirees have invested Php1Mn in the Coop. Thus, this year's dividend rate has remained more or less at last year's level.

To further reinforce our thrust to be more customer-centric, the Coop has invested in more electronic channels of communication with the formal launch of its website - www.ayalacoop.com. A more systematic SMS Message Center was also put in place. Members are now receiving SMS messages to confirm their membership application, receipt of loan application and advice on the crediting of their loan proceeds. More and more members now appreciate the improved response time on emails and frequent releases of emails blasts re. new products and services. Continuous improvement in the manner things are done in the Coop has now become a way of life. Regular huddles are held allowing the Coop team members to share ideas, suggestions and the like. A back scanning project was completed ensuring the security and safety of Coop members' records and other important documents while the Coop's Peoplesoft front-end program will be launched first half of the

year. Training of the Credit Committee members and HR Coordinators will be done very soon.

As part of our anniversary activities last year, Coop employees and the HR Coordinators attended a one day workshop, Personal Effectiveness Program, as a means to improve the collaboration of the Coop Team with its HR Partners. On the Human Resources side, the much needed improvements in the medical and leave benefits of the Coop employees were finally made. As earlier mentioned, the office premises were renovated to be more customer-friendly and definitely more conducive for work.

The Coop has also put its CSR priorities in high gear with the formal turnover of the refurbished Centex Library, which was inaugurated by no less than Mr. Fernando Zobel de Ayala. Mr. Zobel cited the fact that the AGC employees through the Coop have now contributed to the betterment of the community through the Centex Library. In addition to this CSR project, the Coop partnered with Habitat for its Juan Builds Program and invited its members to a whole day of carrying hollow blocks, mixing cement, etc. with storytelling for the children and livelihood activities for the home recipients. As far as the CSR thrust of the Coop is concerned, it has adopted Education as its primary advocacy.

As 2012 sets in, the Coop faces more challenges in ensuring continuous growth that will benefit its members. While in the normal course of the business, good returns on investment as well as more relevant loan products and services await the Coop's members, they will likewise be encouraged to actively participate in the various learning and volunteerism programs that the Coop will line up for the year.

Board of Directors

Chairman Florendo G. Maranan, BPI
Vice-Chair Jaime G. Sanchez, IMI

Members
Renato M. Jiao, Globe
Ruel T. Maranan, MWC
John Philip S. Orbeta, AC
Rhea Anjanette R. Reyes, ALI
Eliezer C. Tanlapoc, AC

Secretary Renan R. Osero

Treasurer Romualdo L. Katigbak, AC

General Manager Lourdes B. Orosa

Credit Committee

Chairman Felipe P. Carlos, BFB

Members
Jocelyn Alviar, BPI
Felicia M. Carvajal, AC
Marcelo Obillo, IMI
Alberto Ramirez, MWC

Audit & Supervisory Committee

Chairman Jimmy P. Villegas, AC

Members
Ma. Lourdes Miranda, MWC
Leovigildo D. Abot, MWC

Election Committee

Chairman Aurelio Alonzo, BPI

Member
Simon Nicolas, ASTI

AUDITED FINANCIAL STATEMENTS

(In million pesos)

ASSETS	2011	2010	% Change
Cash and cash equivalents	263.9	196.4	34%
Investments	50.0	59.4	-16%
Loans receivable - net	657.8	557.7	18%
Furniture, fixtures and equipment and system software	7.4	3.6	106%
Other Assets	7.0	6.1	15%
	986.0	823.2	20%

LIABILITIES AND MEMBERS' EQUITY	2011	2010	% Change
Accounts and other payables	51.8	55.6	-7%
Notes payable	65.2	54.6	19%
Total Liabilities	117.0	110.1	6%
Total Members' Equity	869.0	713.0	22%
	986.0	823.2	20%

	2011	2010	% Inc. / (Dec)
REVENUES			
Interest income	108.4	91.4	19%
Penalties and fines	3.0	2.1	43%
Membership and service fees	2.0	1.8	9%
Miscellaneous	0.7	0.2	214%
	114.0	95.5	19%
EXPENSES			
Salaries & employees' benefits	11.1	9.3	19%
Impairment Losses on Loans Rec	3.9	3.9	-1%
Other Operating Expenses	6.6	5.0	31%
	21.6	18.2	18%
EXCESS OF REVENUES OVER EXPENSES	92.4	77.2	20%

TREASURER'S REPORT

Ayala Coop had another strong year in 2011. Total Assets went up 20% to Php986M from Php823M in 2010. Cash and cash equivalents surged 34% to Php264M from previous year's Php196M. Loan portfolio maintained a steady growth, with a Php100M increase, from Php558M to Php658M. Members' Equity also registered

a significant increase of 22% to Php869M from Php713M in 2010.

Aggressive membership recruitment and the launch of seasonal "boutique" loan offerings contributed to the 19% growth in gross revenues of Php114M from last year's Php95M. Operating expenses went up to Php22M from

Php18M. We ended 2011 with Excess of Revenues over Expenses of Php92M, up 20% from year-ago level of Php77M.

This year, in compliance with the Cooperative Development Authority, the Board is proposing to set aside minimum statutory reserves of 15% equivalent to Php14M. After

deducting this amount from the Net Surplus of Php92M, Php79M is available for distribution as Dividend and Patronage Refund. Consistent with the previous year, the Board is recommending a 60% - 40% allocation between Dividend and Patronage Refund. The resulting dividend rate is 7.31% and patronage refund rate of 33.54%.

LOAN PRODUCTS

FROM	CHANGE TO	Maximum Amount	Interest Rate	Maximum Term
Housing Loan 1	House Repair Loan	149,999.00	18% diminishing	2 years
Housing Loan 2	Housing Loan	300,000.00	18% diminishing	4 years
Special Emergency Loan 1	Delete - Consolidate 1 & 2			
Special Emergency Loan 2	Special Emergency Loan	50,000.00	6% diminishing	2 years
Transport Loan 1	Car Repair Loan	149,999.00	18% diminishing	2 years
Transport Loan 2	Auto Loan	300,000.00	18% diminishing	4 years
Car Repair Loan	Delete			
Providential Loan 1	Providential Loan	149,999.00	1.5% per month	2 years
Providential Loan 2	Multi-Purpose Loan	300,000.00	2% per month	4 years
Hospitalization Loan	Wellness Loan*	150,000.00	18% diminishing	2 years

REINSTATE CO-MAKER POLICY

- Co-maker must be a Coop member
- As additional collection tool; can assist in locating the principal borrower
- Co-makers have the same accountability as the Principal, jointly and severally liable to pay the Coop

COMPARISON OF INTEREST RATES AYALA COOP & OTHER FINANCING INSTITUTIONS

	Company A Balance Transfer 0.60% Add-On Rate	Ayala Coop @ 18% Diminishing
Loan Amount / Term	Php50,000 / 12 months	
Monthly Amortization	4,466.65	4,568.48
Total Interest Payments	3,599.80	4,821.69
Patronage Refund (30% ave)	-	(1,446.51)
NET INTEREST PAYMENT	3,599.80	3,375.18
SAVINGS		Php224.62

	Company B Credit-To-Cash 0.99% Add-On Rate	Ayala Coop @ 18% Diminishing
Loan Amount / Term	Php50,000 / 12 months	
Monthly Amortization	4,661.65	4,568.48
Total Interest Payments	5,593.98	4,821.69
Patronage Refund (30% ave)	-	(1,446.51)
NET INTEREST PAYMENT	5,593.98	3,375.18
SAVINGS		Php2,218.80

	Company C Fast Cash Loan 1.39%/mo.	Ayala Coop @ 18% Diminishing
Loan Amount / Term	Php50,000 / 12 months	
Monthly Amortization	4,881.67	4,568.48
Total Interest Payments	8,580.04	4,824.69
Patronage Refund (30% ave)	-	(1,446.51)
NET INTEREST PAYMENT	8,580.04	3,375.18
SAVINGS		Php5,204.86