



AHON SA HIRAP, INC.

2014 ANNUAL REPORT

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PRESIDENT'S MESSAGE

2014 was a year of great change for ASHI. Perhaps the greatest change was the changing of the guards: our President, Ms. Mila Bunker, retired after 20 years of dedicated service.

It was also a year of review, consolidation, transformation, and discovery.

At the start of 2014, we were resolute on seeing ASHI turn around and making it clearly sustainable. The previous three years, had witnessed one disaster after another. Usually, in a disaster, the most vulnerable are the poor, and it was always difficult for our members to start all over again. After each disaster, we held on to our members to make sure that they would be able to do so. With much hope and persistence, they got up every time.

Faced with many other challenges such as the forces of globalization, increasing urbanization, and the evolving needs of members, there had to be changes made in our ways of operating. Procedures had to be streamlined, new products created, new ways to engage the members and reach them devised.

Striving to build a long-term, competitive foundation for our institution, we effected the changes needed to restore the interest of funders in ASHI.

Managers conducted a strategic meeting to plot out plans and directions for the next five years (2015-2020).

Processes were reviewed, simplified and made more responsive to the times. This improved staff efficiency. Furthermore, we reengineered our staff so that they may better understand and develop responses to the challenges facing the institution.

The use of the latest technology was explored to improve operations as well as the delivery and monitoring of products, and more importantly, to decrease the risks of doing business as we grow. Our operations extend to far-flung areas, sometimes without public transport, so technological breakthroughs will make the task less burdensome. This is an ongoing project to be completed next year.

Financial management led us to work with a bank that did not require an average daily balance or ADB (P2000 for each member). This saved the institution around P50 million, which was partly used to purchase much-needed office space at the back of our building. Funds borrowed at high rates years back were retired by funds borrowed at lower rates, cutting interest costs by as much as P4 million. Likewise, linkage with INSOL was discontinued, since an audit showed ASHI to be on the losing end: the program was serving more non-members than members.

As regards ailing centers, the staff sought out inactive members and interviewed them to assess possible return. Centers were restored and consolidated, which helped greatly in bringing down the Portfolio at Risk (PAR). PAR dropped from 8.4% to 3.6%; loans outstanding increased from P244,317,228 to P276,682,807; and a total of 5,255 new members were recruited for 2014.

ASHI has established a strong foothold in uplifting poverty and takes pride in its accomplishments. It remains steadfast in its vision to actively contribute to economic growth and uplift the lives of the deprived through training and micro-finance.

CHAPTER 1 OUR SUSTAINABILITY STRATEGY

In 2014, ASHI used the Standards for Social Performance Management (its six dimensions) and the 7 Client Protection Principles issued by the Smart Campaign as guides in planning its sustainability strategy. ASHI's 2014 Plans were as follows:

1. Effective Client Targeting & Monitoring

ASHI had defined its target group as *marginalized women and their families*. Marginalized, in economic terms, means "not bankable"; no access to financial services; socially outcast (no chance to be accepted because they are victims of human trade or have been in prison); women suffering from domestic violence; and women in hard-to-reach areas.

Over the past three years, ASHI has used the Progress out of Poverty Index (PPI) tool to assess clients' poverty levels. The PPI has been used in three ways: first, as a tool to ensure that new members come from the bottom 50% poor in their communities; second, as a monitoring tool which checks the growth of members; third, at point of exit as a final assessment of the impact of ASHI intervention in their lives.

2. Appropriate Product Design

ASHI has been faithful to its five-point strategy for appropriate product design:

- a) Ensuring that loan terms meet cash flow needs of members;
- b) Members are subjected to need-driven graduation where they advance through cycles based on their choice or credit rating;
- c) ASHI field staff strictly monitor members' loan use based on the contract, by doing loan utilization checks;
- d) Different products are designed to cater to the different needs of members in different situations; and finally,
- e) Providing a response system for members in times of difficulties.

3. Adherence to Client Protection Principles

To protect its members from undue risk, a conscious effort has been made towards avoidance of over-indebtedness by closely monitoring whether they have multiple loans inside and outside of the institution. ASHI strictly adheres to the policy of "no to multiple membership". ASHI members are educated on the risks of over-indebtedness. They are properly oriented on the ways of managing debt and the prudent use of income, as well as giving priority to saving for future needs.

4. Governance & Staff Commitment

ASHI has made conscious efforts to improve governance by adopting an organizational structure that has evolved with the growth of ASHI. The new organizational structure, coupled with providing fair staff benefits, strengthen the commitment of the entire ASHI Team.

5. Social Responsibility to Staff

Full development of the staff has been the focus of ASHI ever since its inception. In-house and external trainings have been provided to both the front liners and middle managers. Training modules have undergone thorough refinements and are constantly improved.

Staff benefits and rights are protected and developed through participatory and consultative dialogues done at least quarterly.

6. Responsible Financial Performance

Period-end assessments and planning are guided by both social and financial performance indicators to ensure the realization of ASHI's mission and vision. Balance between social and financial performance is constantly protected.

CORE COMPONENT FULLY DEVELOPED IN 2014

1. Refinement and Use of PPI & the MIDAS Credit Bureau in Client Targeting and Monitoring

The PPI module was fully adopted in the new Management Information System (MIS) to ensure that its full use can be achieved in ASHI's effective targeting and client monitoring. This will also make possible meaningful analysis of members' data that will be useful in decision making, especially regarding product design and policy formulation.

2. Strengthening & Expansion of Agriculture Microfinance

AGAP (ASHI Grameen Agricultural Program) achievements in Antique were replicated in Luzon. The refinements of AGAP policies and practices will continue to fine-tune ASHI Agricultural Microfinance. Local partnerships with both the government and businesses were tapped to take advantage of government complementation.

3. Forging of Public-Private Partnerships towards Local Economic Development

The successful Local Economic Development (LED) Program, initially implemented in the Antique area, was expanded to other areas. Accreditation of ASHI with all local government units (LGUs) covered by its operations was pursued, and ASHI actively participated in LGU activities where required.

4. Financial Literacy

The concept of financial literacy was introduced by CGAP World Bank to the microfinance sector three years ago as an aftermath of the microfinance crisis in India. Many think that financial literacy and education amount to financial management. However, after the Financial Literacy Workshop conducted last October 2013 with the support of the development organization TRIAS, ASHI staff realized that financial literacy goes beyond financial management.

Thus, Financial Literacy and Education was one of the major programs for ASHI staff in 2014. Mainstreamed at the Branch level, it was cascaded to ASHI members as an important thrust of the Operations Department. The Members Desk Department (MDD) provided the support for the Branch level module developed in the fourth

quarter of 2013. The MDD and the Internal Audit Unit (IAU) included in their monitoring and audit activities the achievement of this mandate in 2014, specifically its impact on the lives of ASHI members.

For those availing of the microenterprise loans under the ASHI-INSOL partnership, Financial Education had always been incorporated in the Business Development Services (BDS) provided by INSOL. However, this came to an end after the assessment and subsequent cessation of the partnership in mid-2014.

5. Effective MIS for Data Management and Reporting

The refinements on the new MIS, including the consolidation module, are ongoing.

6. Management Structure

Full staffing was provided for both the Operations and Support departments in 2014.

The departments were also consolidated into the following groups:

OPERATIONS : The present Operations Department, LED Department, Members Desk Department and Social Protection Department

FINANCE & ADMINISTRATION : Finance Department, Administration Department and Information and Technology (I&T) Department

HUMAN RESOURCE: Human Resource Department (to include Corporate Planning)

7. Full Implementation of the Centralized Treasury Management

System infrastructure to support the full implementation of the Centralized Treasury Management (CTM) system was put in place in 2014. ASHI transitioned to new banking partners and was able to reduce financing costs through the retirement of high-interest sources of funds. Centralized loan disbursements were achieved, and potential partners for mobile collections are now being evaluated.

CHAPTER 2 - ENGAGING WITH OUR STAKEHOLDERS

ASHI believes that the success of its operations involve both internal and external partnerships. Complementation of staff at all levels and the support of members and external stakeholders are very important elements to realizing its social mission for the poor.

For ASHI Members: Solidarity and Group Strategy, restoration and consolidation - our response to portfolio risk.



Introduced in 1989, the solidarity group concept used by ASHI was inspired by the original Grameen Bank methodology, where members are grouped by 5's. Through the years, it has proven to work in the communities being served, especially in rural areas. The group is considered the heart of operating procedures and the life of ASHI - therefore, giving them the utmost attention and care has always been a priority. ASHI has made various innovations in order to retain the interest of its members and uphold the essence of the group, which eventually develop into small

caring units. Cultivating members' loyalty and solidarity to the institution plays an integral role in achieving sustainability. If the members and the groups remain solid, it is not difficult for the staff to maintain the ASHI center, including the quality of the portfolio.



Massive restoration and consolidation of centers are crucial strategies to address portfolio risk. In 2014, ASHI spent considerable time and effort on center restoration and consolidation, involving members in the decision making process. Since they had initially chosen whom to be in a group with, they were given the challenge of resolving group and center conflict themselves whenever they arose. This strategy of delinquency management - a more participatory approach - resulted in a dramatic drop in PAR. Members were made aware that their support in improving the efficiency of operations was essential for ASHI to continue its service to the poor.

For ASHI Staff: Treating the staff fairly and responsibly has been a major focus of ASHI in its Social Performance Management. ASHI believes that a happy workforce observing work-life balance can ensure effective delivery of products and services to achieve its goals.



To further develop ASHI staff, arrangements have been made with Grameen University to enroll middle managers in leadership preparedness classes. The program will begin in the first quarter of 2015.

Local Government and Non-Government Players: Linkages and Networks

The support of external stakeholders is an added value to ASHI's operations. Linking up with like-minded institutions and building partnerships with them have contributed greatly to preserving the quality and loyalty of members in the centers. To establish resilient communities, in 2014 ASHI focused on increasing member's capacities for enterprise development, gender awareness, disaster risk reduction management and leadership. As a result, members are better able to cope with the challenges of life, experiencing

economic stability in their own families and reaching out to their communities to make personal contributions to their development. In this regard, ASHI sees itself as distinct from other MFIs (microfinance institutions) in the area.



Funding and Banking Partners

In line with its efforts to utilize financial resources more efficiently, ASHI shifted to a new banking partner with no maintaining balance for depository accounts. This allowed funds to be freed up and reallocated to the pre-termination of previously borrowed funds that had high interest costs, as well as to purchase the building next to its office.

Its improved performance in 2014 also qualified ASHI for more advantageous terms with funding partners (People's Credit Financing Corporation and OIKOCREDIT), resulting in lower interest costs.

The specifics of ASHI's engagements with the various stakeholders are presented in Appendix 4.

CHAPTER 3 OUR SOCIAL VISION & MISSION

ASHI VISION

WE ARE A COMMUNITY OF SERVANT LEADERS WHO PIONEERED AND CONTINUE TO INNOVATE THE PRINCIPLES OF GRAMEEN BANKING IN THE PHILIPPINES.

WE ARE IN SOLIDARITY WITH THE MARGINALIZED WOMEN AND THEIR FAMILIES FOR POVERTY ALLEVIATION AND ACTIVE PARTICIPATION IN SOCIAL DEVELOPMENT.

The ASHI vision was updated in 2014 as follows:

ASHI VISION

By 2020, we are a sustainable enterprise managed by an empowered, effective and efficient workforce with extensive quality outreach offering innovative and diversified Grameen-inspired programs and products resulting in resilient ASHI communities.

OUR SOCIAL MISSION

That through Grameen-inspired microfinance credit delivery, we commit and dedicate ourselves to achieve the following undertaking:

Inspire the marginalized women and their families to discover their God-given dignity, and enable them to rise above all forms of poverty and respond to social and environmental concerns;

- Members and their families triumph over various forms of poverty (social, financial and spiritual), capitalizing on their inherent talents and business skills in operating microenterprises.
- ASHI also conducts various activities and projects that help boost members' self-confidence in managing themselves, their family, and how they reach out to the larger community. Their small pursuits in helping the community and other non-members, such as "bayanihan" initiatives, gift giving, civic action programs/community



cleaning and others, are manifestations that they have recognized well their value not only for themselves but also for others.



- Active participation in community projects for environmental issues makes ASHI members conscious about being responsible for the environment.

Create an environment that enhances the empowerment of women and their families;

- Solidarity with other agencies having expertise in different aspects such as gender awareness and disaster risk management.
- Networking with local government and non-government entities to develop leadership capabilities of ASHI members.
- Involvement of members in the decision making process for improving products and services.
- Training for alternative programs in livelihood, leadership, community participation, environment, gender sensitivity, and enhancement of skills in agriculture.
- Regular conduct of weekly meetings as a venue for open transaction, monthly leaders' meetings to discuss issues of centers that boost confidence of leaders and members in resolving concerns.
- Observing branch anniversaries to provide a venue for the members to showcase their talents and capabilities.



Deliver excellent quality and professional service with team spirit.

- Staff are well-trained in order to become effective community facilitators in the field, showcasing ASHI's professional sense and values.
- Staff at all levels, including top management, visit the centers to listen to the members.





Integrate value formation, living out the ASHI core values of integrity, passion, human dignity, excellence, and solidarity.

- Training and any activity within ASHI, taking into consideration its added value to the members and even to the staff.



- The Compulsory Group Training curriculum for members is continuously improved, integrating topics and activities that help members reflect on and realize their life purpose and how they would be more useful in the community they are part of.

Share with other antipoverty institutions and organizations our expertise, which is grounded on experience.

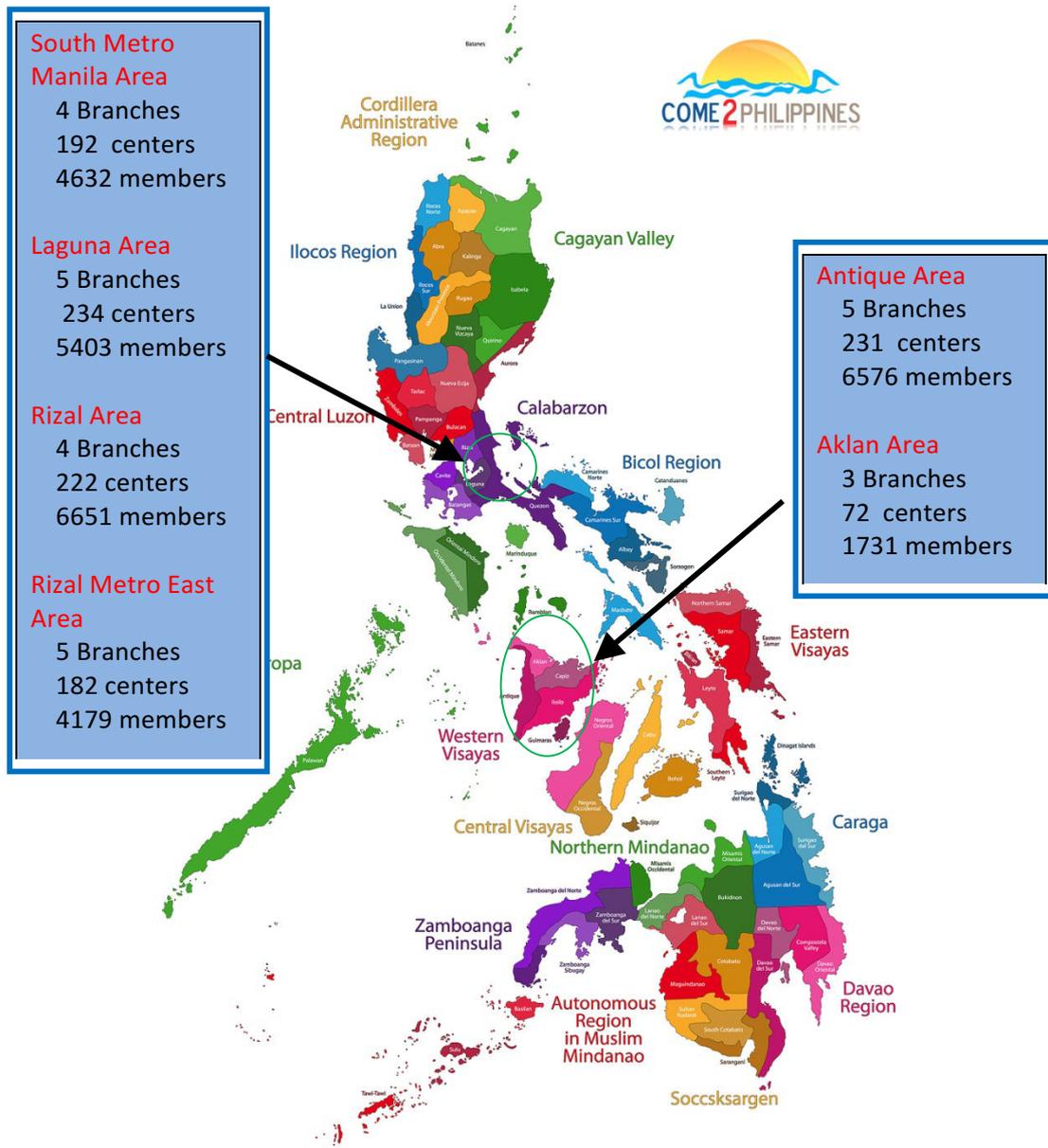
At the same time, ASHI aims to assist the government and other antipoverty institutions in tackling some of the significant challenges they face, thus contributing to global development. ASHI believes that expertise is sharpened when shared. ASHI supports any organization that shares its vision and mission.



CHAPTER 4 ENHANCING OUR MEMBERS

KRA 1: OUTREACH TO THE POOREST AND EXCLUDED

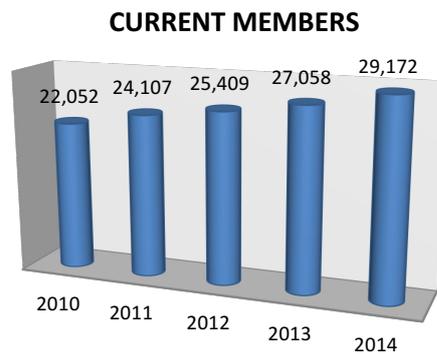
At the close of 2014, ASHI is in 26 branches situated in the provinces of Laguna, Rizal, South of Metro Manila, Antique and Aklan.



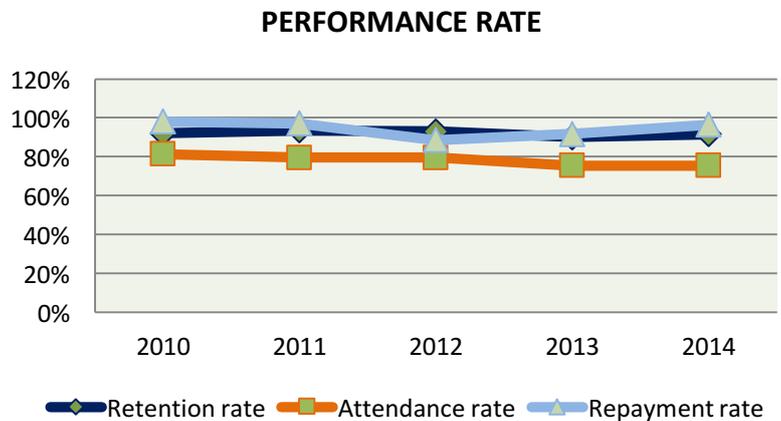
Building on lessons from the field

ASHI primarily provides enterprising mothers, single parents, widowed or single ladies and farmers access to non-collateralized loans and services. At the end of 2014, ASHI had extended its program to **29,172** families mostly residing in hard-to-reach communities in the provinces of Laguna, Rizal, South of Metro Manila, Antique and Aklan.

This year's challenges and uncertainties inspired ASHI management to draw a roadmap for 2015 – 2020. This strategic plan will guide ASHI as it expands to different sectors like farmers, youth and senior citizens in its existing areas of coverage and in the expansion provinces of Capiz and Quezon.



Maintaining an average retention rate of **92.2%** for the past 5 years makes the culture of social responsibility and principles of discipline, unity and integrity among the staff and members evident. The efforts of the management and staff to restore group solidarity in the past year have resulted in an increase in the number of active members.



The review of loaning policies and procedures started this year in order to simplify processes, which allows field staff to spend more time visiting members and working on group formation.

PPI Analysis

The Progress out of Poverty Index® (PPI®) is a poverty measurement tool for organizations and businesses with a mission to serve the poor. The PPI is statistically-sound, yet simple to use: the answers to 10 questions about a household's characteristics and asset ownership are scored to compute the likelihood that the household is living below the poverty line – or above by only a narrow margin. With the PPI, organizations can identify the clients, customers, or employees who are most likely to be poor or vulnerable to poverty, integrating objective poverty data into their assessments and strategic decision-making. (Grameen Foundation)



This report is based on the most recent PPI scores available as of end of December 2014. With ASHI's target group (50% of the bottom poor), a cut-off score of 39 for rural and 44 for urban has been set as basis for entry of new members.

Table #1: Poverty Outreach of ASHI as of December 31, 2014 Per active members

PPI Score	No. Of Members	Average TBNPL
0-9	5044	96.4
10-19	1702	89.1
20-29	4042	73.6
30-39	6773	53.7
40-49	4494	30.9
50-59	2414	11.6
60-69	1635	4.2
70-79	1018	1.4
80-89	477	0.0
90-100	143	0.7
Grand Total	27742	53.1

and 44 for urban has been set as basis for entry of new members.

Out of 27,742 total active members with PPI in 2014, ASHI has 53.1% or 14,731 members living below the national poverty line. These are usually members who are still on their first loan cycle until their fifth loan cycle. These are members who have stayed for almost three years and even longer. The 46.9% or 13,011 members are now living above the national poverty line are

composed of members already above their fourth loan cycle. The percentage of members living above the NPL may also be attributed to the kind of products and services that ASHI has offered which has somehow helped members achieve their needs to facilitate their movement out of poverty.

ASHI continuously works to improve its financial and non-financial services through innovations in its products and services and other programs that would hasten the movement of its members from poor to non-poor. The role of the newly established Research and Development Department and the integration process in its operation are important to help achieve this goal.

Explaining further table 1, most members with total loan amount of less than 5,000.00 to 25,000.00 has a high TBNPL average from 41-57% living below the poverty line.

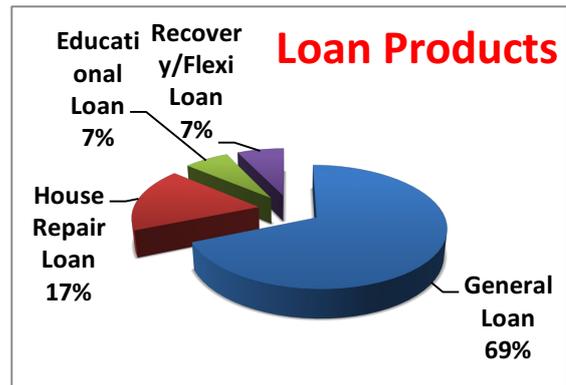
This indicates that during the first five cycles of their loans, ASHI members are still on subsistence level. At this point, a member still adjusts to the kind of business that fits her skill and capacity.

ASHI protects members against over indebtedness. The improved loan products would likewise assist potential micro-entrepreneurs to help their capital needs and improve their asset base. Assistance to market is also an onward plan.

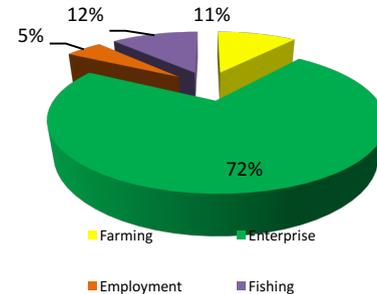
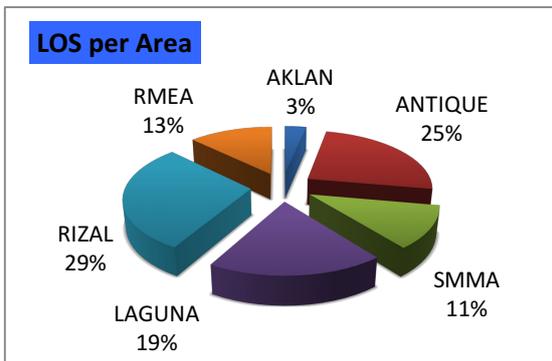
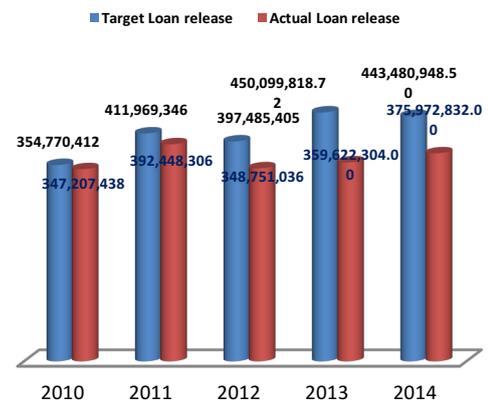
Table #2. Poverty Rate of ASHI by Loan Amount (General Loan) in 2014		
Member Status	No. Of Members	Average TBNPL
0-5000	4187	57
5000-10000	10031	55
10000-15000	5207	51
15000-20000	2741	49
20000-25000	2179	41
25000-30000	574	41
30000-35000	385	42
35000-40000	233	33
40000-45000	120	40
45000-50000	77	33
Grand Total	25734	52

KRA 2: ADAPTATION OF PRODUCTS AND SERVICES

In order to pursue its strategic objectives and meet the needs of its members, ASHI offered a wide range of products and services. Non-financial services like insurance products (in partnership with insurance providers), as well as financial literacy programs and improved social development programs, helped motivate members to spend their capital more wisely and to value savings.

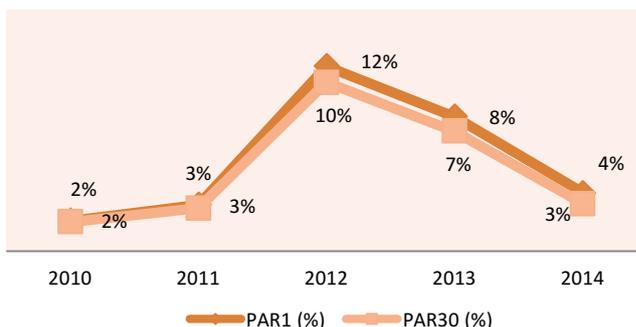


COMPARATIVE LOAN OUTSTANDING



As seen in the graph, 72% of ASHI clients utilized their availed loans in enterprising activities. ASHI intends to expand its support to farmers as part of the institution's advocacy to boost agribusiness in the Philippines through AGAP programs.

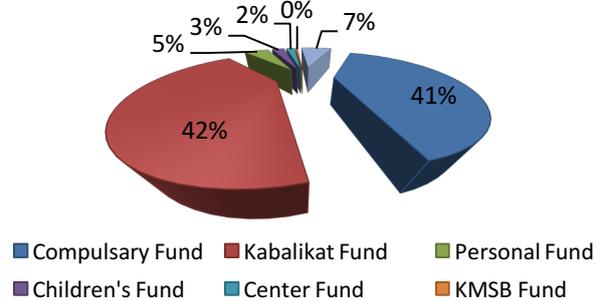
PORTFOLIO AT RISK



ASHI increased its loans outstanding and dramatically decreased its PAR to 3.6% from a high of 12% in 2012. Most of the branches focused on restoration and consolidation of centers to encourage inactive members to rejoin the program.

ASHI also emphasizes the importance of savings, offering members a variety of compulsory and voluntary savings products. As a steward of its members' savings, ASHI makes certain passbooks are properly updated, and posts interest on savings – a move members greatly appreciate. Several branches in Luzon are yet to implement this program subject to the members' confirmation.

2014 Savings Distribution



MEMBERS PROTECTION

ASHI adheres to the call of the Smart Campaign towards Client Protection. In its design of loan policies and procedures, adequate documentation is ensured so that full transparency and disclosures on charges and fees are afforded the members.



Before the signing of loan documents, the Development Officer (D.O.) assigned thoroughly informs clients of the terms and conditions of the loan in a manner easily understood. ASHI uses simplified documentation, which includes a disclosure statement and repayment schedule indicating interest and other charges, the breakdown of principal and interest charges, the dates of amortization, as well as loan balances.



The institution adopts a systematic way of addressing client's complaints. This is done regularly during weekly center meetings, monthly leaders (center chief) meetings and regular Focus Group Discussions (FGD) facilitated by the Members Development Department (MDD). Complaints are immediately attended to and resolved as the ASHI staff strives for timeliness, equal respect and fairness.

In response to the devastation Typhoon Glenda brought upon 3,032 ASHI families in Luzon in 2014, ASHI's partner, Pioneer, released over P8 million in calamity benefits.

Figure1:

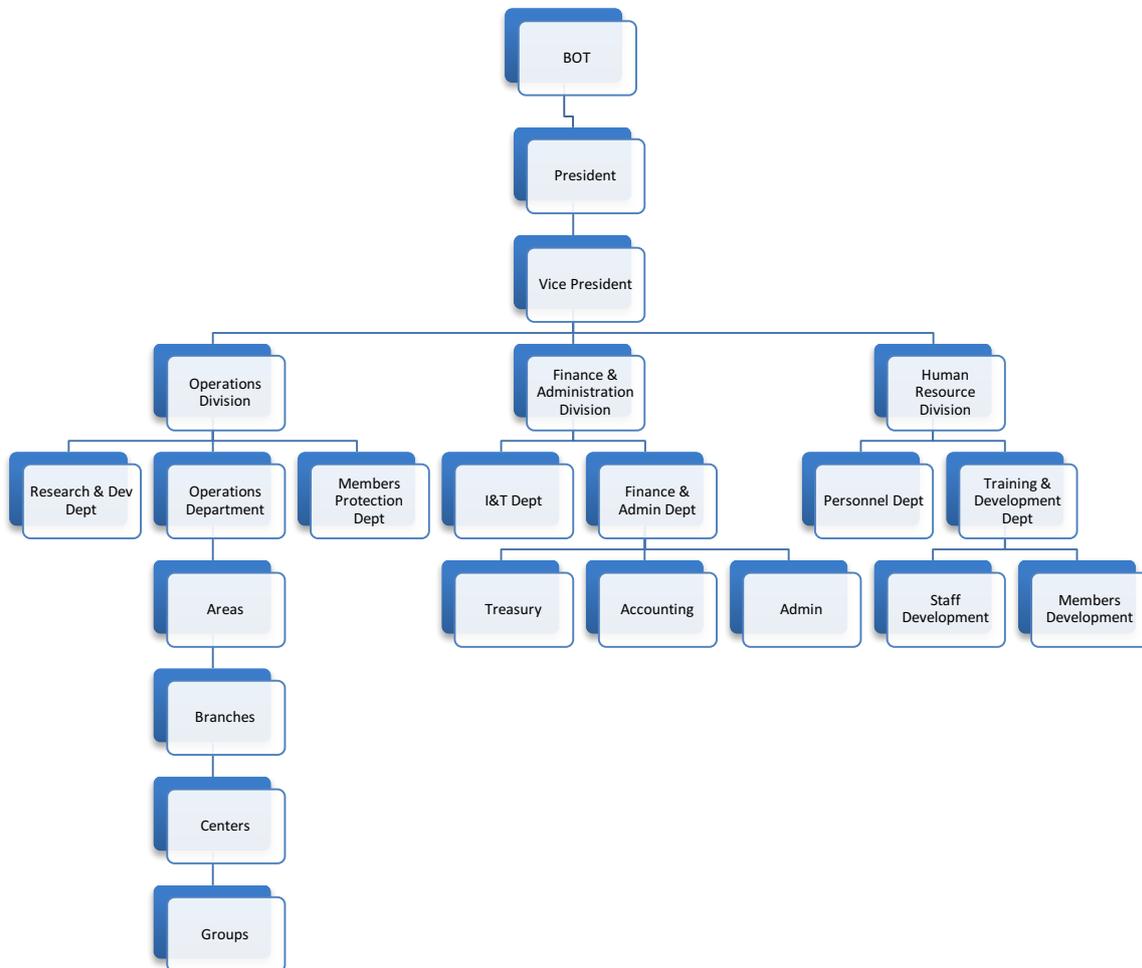
Area	# of Affected Families	Value
South Metro Manila	803	P2,078,202.00
Rizal	850	2,245,654.00
Laguna	1,358	3,887,943.00
Antique/Aklan	16	90,675.00
Head Office (staff)	5	22,500.00
Grand Total	3,032	P8,324,974.00

Subsequent releases for the Panay area affected by Super Typhoon Yolanda in 2013, brings the total amount to P8, 867,364.50 in 2014.

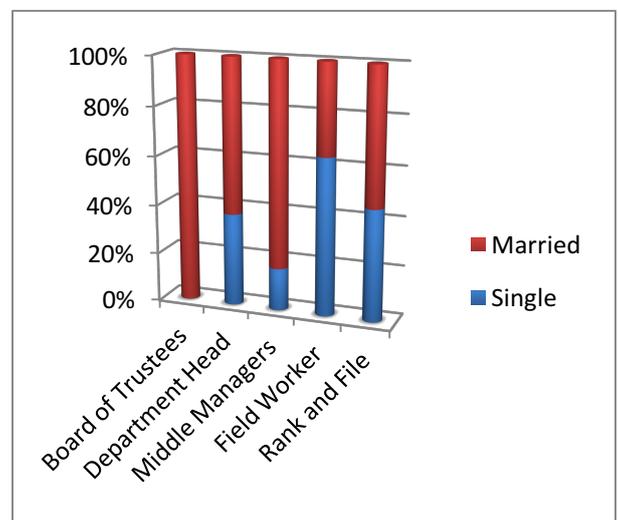
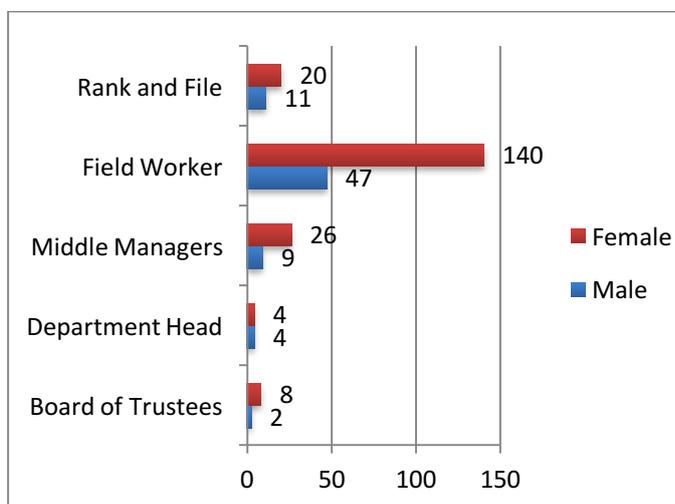
A total of P14,142,314.00 in Death, Accidental Death and Daily Hospital Income Benefits was also provided to 288 ASHI members.

CHAPTER 5 INSPIRING AND ENGAGING OUR PEOPLE

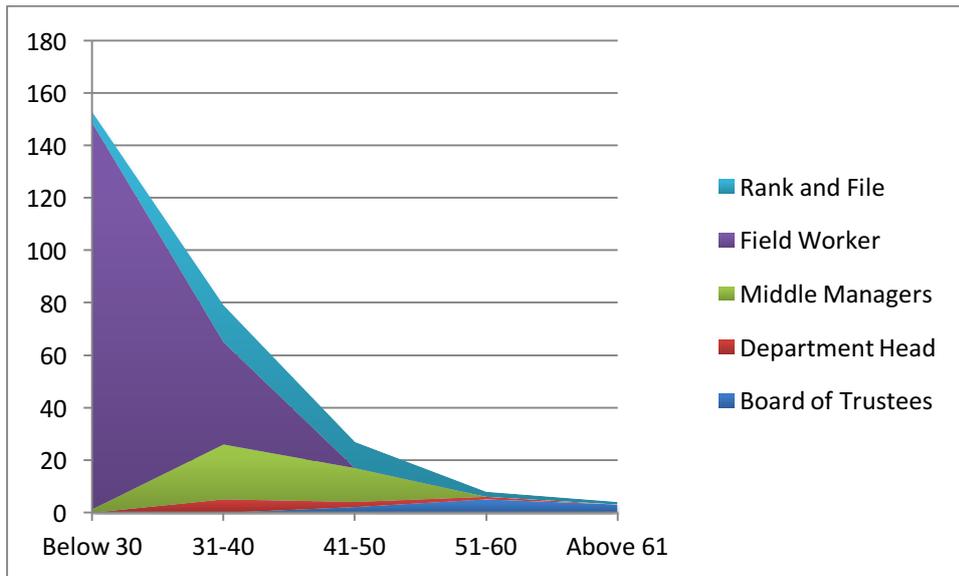
To streamline the flow of operations, ASHI transitioned to a new governance structure in the last quarter of 2014. The new organizational structure, which will be fully implemented in 2015, is below: (The Internal Audit Unit reports directly to the Board of Trustees, or BOT)



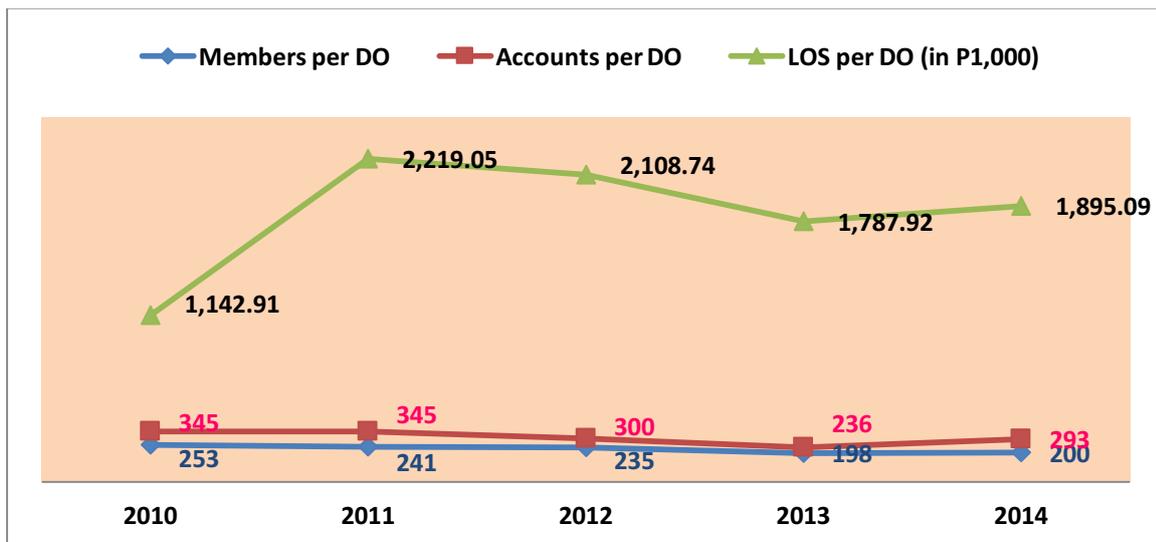
Staffing statistics:



ASHI's human resource has an average age of 36 years.



The standard of staff productivity was reviewed and adjusted to allow them a good work-life balance, as seen in the graph below:



Enhancement of ASHI Salary structure and formulation of Job Rating

In the last quarter of 2014, ASHI invited an external HR expert to assist in the enhancement of its compensation structure, assessing job rating, functions and tasks. ASHI aims to provide employees with decent salaries based on the scope, responsibility and accountability of their work, as well as reward them based on performance, to encourage them to carry out their tasks with a sense of ownership and professionalism.

STAFF SUPPORT SYSTEMS

Workloads were reviewed regularly to establish a healthy work-life balance. In 2014, work-related simplifications were implemented, such as the refined computer-based MIS and the Centralized Treasury Management system.

In addition to the social security benefits mandated by the government, the institution provided medical and health benefits to the staff in partnership with Value Care. Pension plans were arranged for the senior staff, and a retirement fund is being set up based on the professional actuarial valuation report.

Additional monetary incentives were granted to recognize good performance at the end of every quarter. By the end of the year, a productivity bonus of 50% had been released.

Non-monetary incentives came in the form of national team building activities, area-wide meetings and a sports fest. Branch anniversaries also provided opportunities for rest, recreation and bonding.

Recreational Activity of Head Office Staff

Recreational activities bring refreshment to the body and mind as a break from busy routines. At ASHI, the goals of recreation are:

1. Joyful moments



2. Social engagement
3. Improvement of self-esteem
4. Strengthening of internal relationships



Staff Conference and Team Building

Talent Showcase



Recognition of performance for the year 2014



Team Building

“Conducting team building activities has shown its effectiveness in enhancing group/team performance. During effective team processes, the interaction between and among team members releases and multiplies positive energy



resulting in synergy that makes it possible

to develop and implement better solutions, increase better relationships towards improved organizational performance.” (Happy Raagas-Team Building facilitator)



Through a series of carefully selected group games and activities, the team building event helped the participants to:

- Embrace teamwork and develop a more cohesive team



- Understand what brings and drives team spirit, as well as what breaks team spirit and how to avoid it
- Examine and understand better the characteristics of effective teams and clarify the key points that make for effective team players
- Develop trust in each other, communicate openly and support one another
- Develop an understanding of the role of people,

processes and systems in teamwork, and their contribution to the organization's vision

RECOGNITION & AWARDS

In 2014, ASHI and its Nanays received significant recognition and awards.



OIKOCREDIT AWARDS



Sonia Zamora of Antique North Branch



Nenita Suratos of SMMA



SUCCESSFUL ASHI MEMBERS



Josefina Era of Rizal South Branch



Bona Villanueva of Ibajay, Aklan



Teresa Tamacay of Rizal Southwest Branch

CHAPTER 6 OUR ENVIRONMENTAL IMPACT

ASHI centers are committed to clean and green communities. Each center cultivates a garden with ornamental plants and vegetables. When the space available is limited, members use recyclable materials and containers to grow flowers and vegetables.



It has also been ASHI's practice to link up with the Local Government Units in the area of its centers in hopes of expanding its community involvement. Currently, the branches in the Antique area have the most developed partnerships with the LGUs.

Some Branches have participated in LGU activities such as:

- planting trees
- solid waste management program
- community and coastal clean up drive



CHAPTER 7 OUR CONTRIBUTION TO SOCIETY

In 2014, ASHI served communities by:

- helping members break the “dole out” mentality and become self-sufficient
- training mothers to be more disciplined in financial management, with an emphasis on protecting their families against over-indebtedness (ASHI requires MFI single membership)
- encouraging members to think beyond their families, to be responsible for a wider community, and to realize that man is an “interbeing”
- initiating activities to address several needs in the community, such as a feeding program for malnourished children, distribution of school supplies among indigent children, and visits to the sick and the elderly
- conducting environmental programs in cooperation with LGUs and, in light of the recent disasters, increasing awareness about disaster preparedness among members
- expediting the release of microinsurance benefits after a disaster. This alleviates the burden on the government since it helps address the immediate financial concerns of affected families
- offering educational loans to children from disadvantaged families. Many members take pride in their children who are now professionals on account of ASHI assistance
- showing other indigents that they can realize their dreams just as the ASHI mothers have. All they need is the opportunity and a little training



APPENDICES

Appendix 1: Objectives and performance in 2014

Appendix 2: Independent Assurance Report (with Audited FS)

Appendix 3: Basis for reporting

Appendix 4: Stakeholder dialogue

Appendix 5: Glossary

APPENDIX 1 : OBJECTIVES & PERFORMANCE IN 2014

The year 2014 is a prelude to the next 6 years, during which ASHI will explore other poverty-alleviation strategies to complement the Grameen bank approach for ultimate sustainability. Most fourth quarter activities were focused on strengthening current strategies and designing organizational infrastructure to prepare for the achievement of Vision 2020.

These are the highlights of the year's performance:

- ✓ Outreach now at 29,172 (90% of the revised target in July), 87% of which are active members.
- ✓ Actual Loan Disbursements registered at 85% of target.
- ✓ Collections reached 99% of target.
- ✓ Loan Outstanding (LOS) now at P276.6 million, almost hitting the target at 99%.
- ✓ PAR 30 at 3.6%, underachieved by 1.6%. Twelve (12) out of 26 branches maintained zero PAR, with 7 maintaining a minimal level of below 4%. Only 7 remained at 5% and above.
- ✓ Very good centers increased from 41% to 53%, while crisis centers decreased from 29% to 14%.
- ✓ Attendance and Repayment Rates show an improving trend.
- ✓ Efforts in controlling costs and monitoring revenues paid off, resulting in a positive bottom line by end of the year.

	Target	Actual	% Achieved
New Members	7,905	5,255	66%
Exits	634	2,463	388%
Total Membership	32,572	29,172	90%
Active Members	30,177	25,385	84%
% Active Members	93%	87%	94%
Loan Releases	443,480,949	375,972,832	85%
Collections -Principal	382,394,845	348,487,426	91%
PAR 30	2.0%	3.6%	Under-achieved
Productivity Ratios:			
Members/DO	228	200	88%
LOS per DO (P'000)	1,962.44	1,895.09	97%

	2013	2014	% Growth
Branches	26	26	0%
Current Members	27,058	29,172	8%
Loan Disbursement	359,622,304	375,972,832	5%
Loan Portfolio (LOS) -GB only	244,317,228	276,682,807	13.25%
Exits	2,708	2,463	-9%
Attendance rate	75%	83%	11%
Collection Rate	99%	99%	0%
Repayment Rate	92%	96%	4%
Exit rate	10%	8%	-20%
PAR 30 Rate	8.4%	3.6%	Improved

MFI FACTSHEET: PERFORMANCE INDICATORS

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	Year 2010	Year 2011	Year 2012	Year 2013	Year-to-date 2014-12
Variations to previous year					
in Total Assets	Previous year needed	20.6%	3.6%	2.4%	4.4%
in Net Portfolio	Previous year needed	10.9%	-2.1%	-3.2%	13.9%
in value of loans disbursed	Previous year needed	13.0%	6.8%	-14.2%	4.5%
in Equity	Previous year needed	18.2%	14.2%	-10.0%	-2.9%
in Total Deposits	Previous year needed	16.3%	-4.7%	10.7%	10.8%
in Total Borrowed Funds	Previous year needed	24.4%	0.9%	3.2%	8.3%
in Operational Income	Previous year needed	23.0%	-3.5%	10.7%	7.2%
in Operating Expenses	Previous year needed	19.2%	19.7%	8.5%	13.0%
in Nbr. of Staff	Previous year needed	12.1%	7.6%	11.1%	17.6%
in Nbr. of Clients	Previous year needed	9.3%	5.4%	6.5%	7.8%
Currency Variation	Previous year needed	-2.3%	-4.1%	12.4%	-11.3%
Portfolio Quality					
Portfolio at risk					
1-30 days	0.1%	0.2%	0.9%	0.9%	0.7%
31-60 days	0.2%	0.4%	1.8%	0.6%	0.4%
61-90 days	0.2%	0.2%	0.0%	0.4%	0.1%
91-180 days	0.0%	0.0%	2.1%	1.3%	0.3%
181-365 days	0.0%	0.0%	0.0%	1.8%	0.3%
+ 365 days	1.4%	1.8%	5.5%	3.5%	1.8%
Rescheduled (no current arrears)	0.0%	0.0%	0.0%	0.0%	0.0%
Total > 1 day (PAR1-rescheduled)	1.9%	2.5%	10.3%	8.4%	3.6%
Total > 30 days (PAR30-rescheduled)	1.8%	2.3%	9.4%	7.5%	2.9%
Total > 30 days + rescheduled (PAR30)	1.8%	2.3%	9.4%	7.5%	2.9%
Protection					
Loan loss reserve ratio	3.0%	3.0%	5.4%	5.0%	4.6%
Risk coverage ratio (of PAR30 + rescheduled)	166%	128%	57%	67%	155%
Provision expense ratio	Previous year needed	0.5%	2.9%	1.3%	0.0%
Write-Off					
Write-off Ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Portfolio at risk write-off index	0.0%	0.0%	0.0%	0.0%	1.5%
Financial Structure					
Earning capacity of assets					
Gross Loan Portfolio / Total Assets	59%	54%	53%	50%	54%
Non-earning assets / Total Assets	7%	9%	12%	20%	17%
Solvency					
Capital Adequacy	37%	36%	41%	34%	31%
Leverage	2.7	2.8	2.4	2.9	3.2
Working Capital	39%	43%	48%	45%	36%
Liability Composition					
Total Client Deposits / Total Liabilities	21%	20%	19%	20%	21%
Borrowed funds / Total Liabilities	74%	76%	77%	74%	75%
ST Liabilities / Total Liabilities	60%	25%	57%	54%	64%
Gross Loan Portfolio / Total Clients Deposits	383%	365%	385%	335%	343%
Donated equity / Total equity	18%	15%	14%	7%	8%
Efficiency & Productivity					
Portfolio Yield	Previous year needed	36.6%	34.1%	35.3%	39.6%
Operating expense ratio	Previous year needed	26.0%	29.5%	32.6%	35.1%
Portfolio Rotation	Previous year needed	164%	166%	145%	144%
Average disbursed loan size	12,295	12,515	14,651	11,037	11,364
Cost per loan	Previous year needed	1933	2065	1988	2116
Number of loans per loan officer	254	240	236	232	200
Number of loans per staff member	182	187	190	198	165
Credit staff as % of staff	72%	78%	80%	85%	82%
Sustainability					
Return on Equity (ROE)	Previous year needed	17.7%	11.1%	2.3%	1.3%
Return on Equity (ROE) excluding donations	Previous year needed	13.8%	8.4%	-0.3%	1.1%
Return on Assets (ROA)	Previous year needed	4.7%	3.1%	0.6%	0.3%
Return on Assets (ROA) excluding donations	Previous year needed	3.7%	2.3%	-0.1%	0.3%
Operational self-sufficiency (OSS)	123.1%	124.9%	97.4%	104.9%	104.2%
Profitability Analysis					
Net Margin	15.1%	18.7%	14.0%	2.7%	1.3%
Interest Margin	Previous year needed	27.0%	24.1%	24.9%	29.0%
Operating Margin	17.8%	20.2%	-1.1%	4.7%	4.1%
Net Financial Margin	76.4%	77.3%	70.4%	74.6%	77.8%
Cost ratio	77.4%	74.2%	101.5%	93.8%	94.8%
Cost of funds					
Cost of Client Deposits	Previous year needed	0.0%	0.0%	0.0%	0.2%
Cost of Borrowed Funds	Previous year needed	9.9%	9.7%	9.8%	9.7%
Funding expense ratio	Previous year needed	9.7%	10.0%	10.5%	10.6%

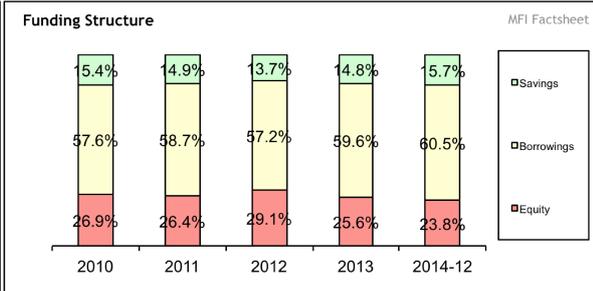
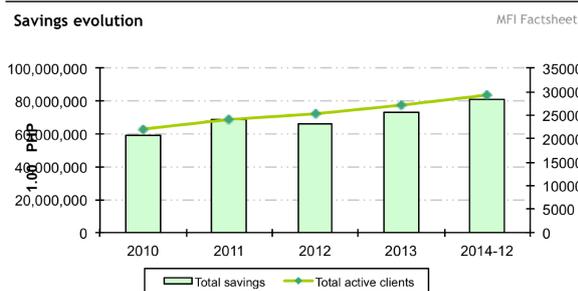
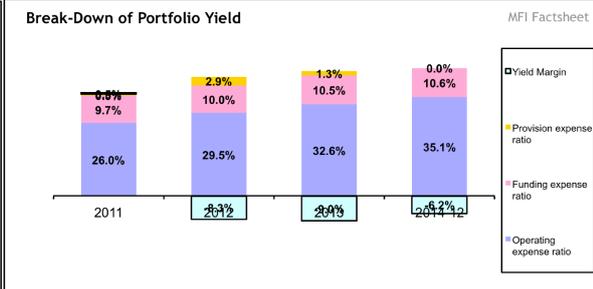
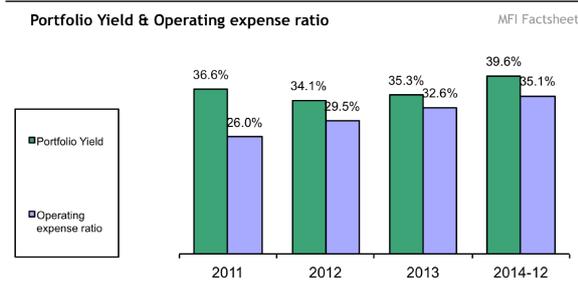
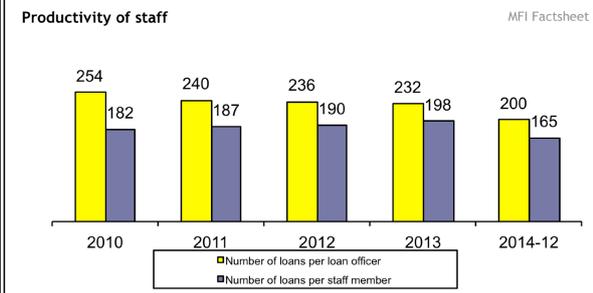
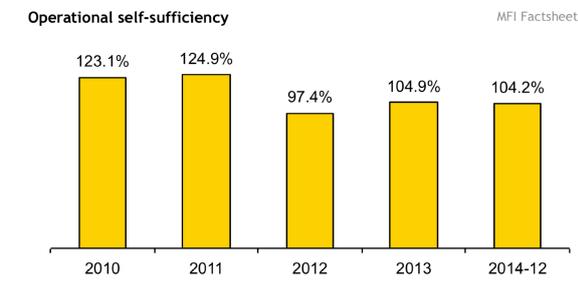
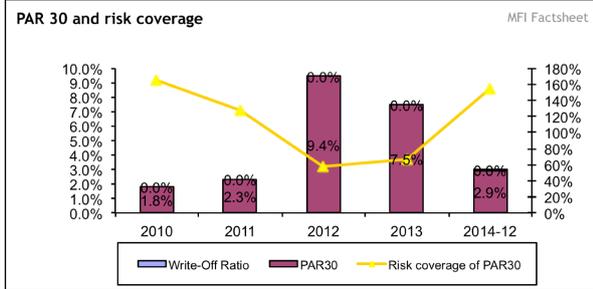
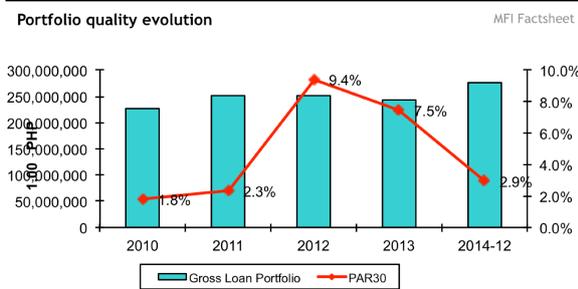
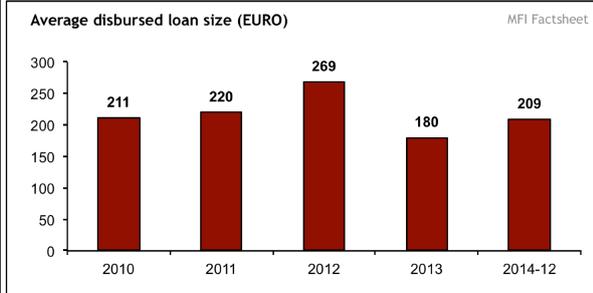
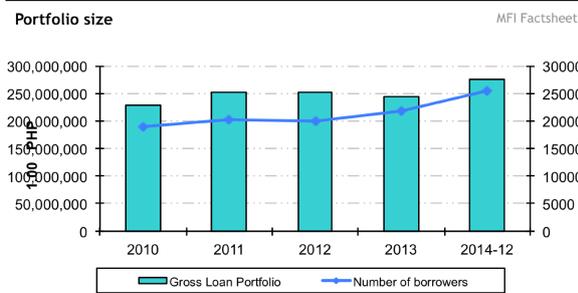
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P.E.S.O. RATING

Ahon Sa Hirap, Inc. (ASHI)

As of December 31, 2014

	<i>Best</i>	<i>Actual</i>	<i>Weight</i>	<i>Score</i>	Dec-13
		<i>Characteristics</i>			
Portfolio Quality			40%	40.00%	25.00%
Portfolio-at-Risk (PAR)	< 5%	3.62%	20%	20.00%	15%
Loan Loss Reserve Ratio	≥ 100%	128.15%	20%	20.00%	10%
Efficiency			30%	8.00%	6.00%
Administrative Efficiency	≤ 10%	36.74%	10%	0.00%	0%
Operational Self-Sufficiency	≥ 120%	100.82%	10%	2.00%	0%
Loan Officer Productivity	300/ 150	228/0	10%	6.00%	6%
Sustainability			15%	8.00%	6.00%
Financial Self-Sufficiency	≥ 100%	97.42%	10%	8.00%	6%
Loan Portfolio Profitability	≥ IR	0.41%	5%	0.00%	0%
Outreach			15%	15.00%	15.00%
Growth in Number of Active Clients	≥ 5%	7.81%	5%	5.00%	5%
Growth in Loan Portfolio	≥ 5%	13.38%	5%	5.00%	5%
Depth of Outreach	≤ 20%	6.25%	5%	5.00%	5%
Total Score			100.00%	71.00%	52.00%
Overall Adjectival Rating -				'Satisfactory'	NI

Note: PESO and PCFC Ratings are per PCFC Audit Report

DETAILS OF SCALE RATING (Used by Funders)

As of December 31, 2014

	Best Characteristics	Actual Characteristics				Weight	Score	Dec-13
		Dec-14	2013	2012	2011			
STABILITY						15.00%	8.33%	11.00%
Fund Balance Growth	≥ 20%	-3.21%	-10.03%	11.78%	22.82%	8.00%	1.33%	4.00%
Fund Balance to Risk Assets Ratio	≥ 14%	27.22%	29.09%	30.63%	40.46%	7.00%	7.00%	7.00%
COMPETENCE						30.00%	26.61%	26.57%
Management and Human Resources						12.00%	10.85%	11.05%
Compliance								
Systems and Procedures						4.00%	3.27%	3.26%
Risk Management						8.00%	7.04%	7.12%
Others						6.00%	5.45%	5.14%
ASSET QUALITY						25.00%	25.00%	24.00%
Net Past Due Rate (Overall)	≤ 3%	-0.30%	2.89%	-0.02%	-0.13%	12.00%	12.00%	12.00%
Loan Loss Provision	≥ the required provision	107.47%				4.00%	4.00%	3.00%
Non-performing Assets to Total Assets Ratio	< 15%	2.59%	4.54%	2.91%	1.37%	5.00%	5.00%	5.00%
Fixed Assets to Fund Balance Ratio	< 20%	18.20%	13.03%	12.29%	11.55%	2.00%	2.00%	2.00%
Acquired Assets to Total Loans Ratio	< 5%	0.00%				2.00%	2.00%	2.00%
LIQUIDITY						15.00%	14.67%	15.00%
Quick Assets / Total Deposits	> 25%	188.10%	197.09%	229.43%	211.08%	8.00%	8.00%	8.00%
Current Ratio	> 2	1.85	2.19	2.14	2.04	7.00%	6.67%	7.00%
EARNINGS						15.00%	10.34%	13.00%
Financial Self-Sufficiency	> 90%	100.31%	101.67%	94.11%	116.57%	2.00%	2.00%	2.00%
Operational Self-Sufficiency	> 120%	100.00%	98.70%	89.56%	121.20%	5.00%	2.67%	3.67%
Spread	> 60%	73.28%	70.37%	70.68%	73.14%	5.00%	5.00%	5.00%
Return on Assets	More than 3 of IR	-1.42%	-1.68%	-4.15%	2.86%	3.00%	0.67%	2.33%
Score						100.00%	84.95%	89.57%
Classification						'B+'		AS

APPENDIX 2 – Please refer to Separate Audited Financial Statements

APPENDIX 3 : BASIS FOR REPORTING

This report covers the period from January 1 to December 31, 2014. The physical data shows comparative figures and trends for the past five years.

The report is guided by the Global Reporting Initiative (GRI) and the Social Performance Management (SPM) Framework, as well as the Smart Campaign Principles. The contents are organized around the main issues of sustainability and social performance management.

It follows the GRI 3 guidelines at a C level.

Report Application Level	C	C+	B	B+	A	A+
Standard Disclosures	Profile Disclosures Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	Disclosures on Management Approach Not Required		Management Approach Disclosures for each Indicator Category		Management Approach disclosed for each Indicator Category	
	Performance Indicators & Sector Supplement Performance Indicators Report fully on a minimum of any 10 Performance Indicators, including at least one from each of: social, economic, and environment.**		Report fully on a minimum of any 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.***		Respond on each core and Sector Supplement* indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

* Sector supplement in final version

** Performance Indicators may be selected from any finalized Sector Supplement, but 7 of the 10 must be from the original GRI Guidelines

*** Performance Indicators may be selected from any finalized Sector Supplement, but 14 of the 20 must be from the original GRI Guidelines

Standard Disclosures	Sustainability Dimension	Disclosure in this report
Profile Disclosures	1.1	President's Message, Ch 4
	2.1, 2.2, 2.3, 2.4, 2.5, 2.6	Ch 1, 2, 3
	3.1, 3.3, 3.4	Ch 4, Appendix 1,2
Disclosure on Management Approach	Not required	
Performance Indicators & Sector Supplement Performance Indicators	EC1, EC3	Appendix 1, 2, 4
	LA1, LA2, LA8, LA10, LA13, LA14	Ch 2, 5
	PR3, PR5	Ch 5, 6, 7

Appendix 4 –Stakeholders’ Dialogue

Stakeholder	Form of engagement	Issues discussed	Outcome
Members	-Regular weekly meeting	-group and center concerns -institutional information or announcements -new programs	-Immediate resolutions to issues and concerns -Awareness and updates on institutional direction or policy changes
	-Monthly leaders meeting	-member and staff issues and concerns, including programs for implementation	-Exposure of members to improve leadership -Participatory approach in resolving problems and conflicts
	-Internal trainings/workshops	-Leadership -Managing conflicts -Member participation	-Capacity building of leaders and giving of voluntary support -Developed values and good credit discipline
	-Member representation to the Board	-Deliberation for policy making -Feedback from general membership	-Members’ voices heard at the highest level of governance
Staff	-Regular branch meeting	-member and center performance -issues encountered within the week -branch staff relationship -programs and activities for implementation	-Immediate responses to issues and challenges -Awareness on the common issues of the branch and how everyone will resolve to support -Planning to organize and implement activities and programs -Actual exposure to leadership challenges
	-Area-wide staff meeting	-performance of staff and the branch -uniformity of policy implementation Common issues and concerns of the area	-Updating and awareness of staff of the overall branch and of area performance to improve strategies on what needs improvement
Management	-Regular Department Heads meeting	-complementation issues -updating of institutional performance -activities and programs to be conducted	-Discussion and resolution of operational issues and concerns -Planning to improve strategies
	-Conduct of Quarterly Evaluation and Planning	-branch and institutional performance	-Assessed progress of branch and the whole institution; planned and decided on alternative strategies to correct underachievement
	-Regular Board meeting	-institutional direction; decision points	-On time resolutions to important institutional concerns and policies

Stakeholder	Form of engagement	Issues discussed	Outcome
Local Government Units (LGU)	-written agreement on partnership through MOA	-support for farmers	-Provision of technical support to farmers and access to other benefits for farmers
	-participation in various activities and programs	-involvement of members -impact of ASHI	-Recognition of ASHI as an existing and functional organization in the community
Other National Government Agencies (DSWD, SSS, PHIC, DOST, DTI)	-coordination	-duplication of services and benefits to the people	-Provision of clear processes and strategies to ensure spread out of benefits and support to communities
Private institutions (JGF-FEP, Accenture)	-provision of grants and technical assistance	-bouncing back of members from the effect of disaster; sustainability of ASHI as an institution	-Support to non-financial services of ASHI and helps in risk mitigation
Academe	-formal and written partnership	-documentation of best practices in Agricultural program	-Assistance in documentation and technical inputs
Non-ASHI members	-informal discussion and feedback	-impact of ASHI's programs and services on the members and the community	-Awareness of others regarding ASHI -Source of input for improvement of ASHI's programs and services
Other NGO's (MCPI, AFON, AKKAPKA, MOM, Medical Foundations)	-partnership in network and federation	-complementation of services	-Potential support on other programs and services not covered by ASHI
Funding Partners (PCFC, OIKOCREDIT, NLDC, TRIAS)	-provision of loan and operating funds under a financing agreement	-terms of financing and minimizing risk exposure	-ASHI sustainability and a balanced financial and social performance
Banking Partners (RCBC, EWB, Union Bank, UCPB, ABC, PNB, LBP, BPI)	- banking and centralized treasury management	-effective ways of speeding up releases to members and strategies of mobile financial services	Minimized need for bank depository maintaining balance (ADB) and therefore brought down costs of borrowed funds

APPENDIX 5 : GLOSSARY OF TERMS

AGAP	ASHI Grameen Agricultural program
BDS	Business development services
CGAP	Consultative Group to Assist the Poor
CTM	Centralized Treasury Management
DH	Department Head
FAD	Finance & Administrative Department
HRD	Human Resource Division
IAU	Internal Audit Unit
ITD	Information & Technology Department
KRA	Key Result Area
LED	Local Economic Development
LGUs	Local Government Units
MDD	Members' Desk Department
MIDAS	Microfinance Data Sharing System
MIS	Management Information System
MOM	Mothers Overcoming Malnutrition
MPD	Members Protection Department
OD	Operations Division
OIKOCREDIT	European Funding Agency, ASHI funder
OM	Operarions Manager, Head of Operations Department
PAR	Portfolio at Risk
PAR 1	PAR with 1-day missed payments
PAR 30	PAR with past 30 days missed payments
PCFC	People's Credit & Finance Corporation
PD	Personnel Department
PPI	Progress out of Poverty Index
RDD	Research & Development Department
SDP	Social Development Program
SPM	Social Performance Management
TDD	Training and Development Department
TRIAS	Belgian Funding agency, ASHI donor