

The Dariu Foundation 2010 Annual Report



ENDING POVERTY IN VIET NAM

OUR MISSION

The mission of The Dariu Foundation is every household of low income can have access to affordable and readily available microfinance services, enabling them to improve their employment, income and financial management skills, and making them understand the importance of and realize investment in their children's education.





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2010 KEY STATISTICS

Expanding outreach to the poor

- 14,500 active borrowers, *impacting the lives of*
- 60,000 family members, *representing a*
- 21% growth in clients, 2009 to 2010, *served by a*
- \$1.75 million loan portfolio, *disbursing*
- 15,500 loans in 2010, *with a total of*
- \$3.2 million lent in 2010

Securing children at schools

- 1,074 scholarships granted, *valuing a total of*
- \$132,000 covering textbooks, notebooks, pens, uniforms, and rice

Bridging future from foundation

- 2 schools built every year, *creating access to kindergartens for*
- 550 children every day, *increasing to a total of*
- 1,500 children, age 2 to 5, accommodated by TDF-donated schools

LETTER FROM THE PRESIDENT

As one of the leading microfinance service providers in Vietnam, we are pleased to announce that we have reached the target of reaching out to nearly 15,000 clients in Vinh Long and Dong Nai provinces. This is a remarkable accomplishment after three and a half years of our official operation in Vietnam. Thanks to generous support by the donors and partners, we can reach out to and help thousands of rural women get out of poverty.



Mr. Thomas Trueb, *the President*

It is believed that microfinance will continue playing a larger role in the developing countries, especially in increasing access to financial services for the unbankable, poverty reduction and women empowerment. In return, the MFIs should fortify themselves with qualified services, and sustainability both operational and financial. The Dariu Foundation goes along with that strategy over the last years and in the coming years.

At The Dariu Foundation, we work to enable households of low income to have access to affordable and readily available microfinance services, enabling them to improve their employment, income and financial management skills, and making them understand the importance of and realize investment in their children's education. This mission leads us to the most difficult and poorest areas in the rural and mountainous communes in Dong Nai and Vinh Long provinces.

Our goal is to continue our mission of increasing access to financial services for the poor women, and education for the kids among those families. We have seen many moving stories of the clients who succeed in making handsome profit on the small loans offered by the foundation, thus improving their life quality. In addition, many talented students have been supported by the foundation's scholarship program without which they might be dropped out of schools at their early age.

Since its official operation in Vietnam in 2007, The Dariu Foundation has maintained its continued, stable growth and an enviable reputation. It is recognized as one of the best MFIs in Vietnam in 2010, and this is the fourth consecutive year it receives the award, and as one of top 100 INGOs for its significant contributions to poverty reduction and development in Vietnam. This is thanks to our generous supporters and partners, determined and dedicated staff, committed professionals and courageous micro-entrepreneurs who played such important a role in making their own successes.

We hope that you the generous supporters will continue your trust and confidence in our foundation to help tens of thousands women of low income to raise their hands up, step out of their poverty and shape brighter futures.



Mr. Thomas Trueb in a site visit to Vietnam



MICROFINANCE IN VIETNAM

Vietnam's microfinance sector represents great opportunities and challenges. Out of a total population of 89 million, less than 25% of Vietnamese have access to official banking services, less than 20% with a bank account. The country's poverty rate remains at around 15% in 2010 while the per capita income is of \$1,200 per year.

With around 20 Vietnamese MFIs listed on www.themix.org in 2009, which only one of them is the regulated MFI licensed in 2010, the total number of active borrowers are approximately 260,000 clients, served by a gross loan portfolio of less than \$100 million. This number increases to around 400,000 clients in total in 2010. However, the number is too far below the number of around 3.3 million poor households in the country.

Microfinance was introduced into the country in the late 80s and early 90s, but only began growing in recent years while it continued to be popularly considered as a social policy tool rather than a commercial tool for poverty reduction. Until late 2010, only one organization was licensed to become a regulated MFI whose ownership belongs to the Central Vietnam Women's Union.

Microfinance in Vietnam is characterized by small scale, low level of profitability and professionalism, and strong focus on credits only. Most of the MFIs have starting point as a funding project, or operated by mass organizations that lack both financial and managerial skills in microfinance. Furthermore, these institutions can hardly get financed by foreign financial sources due to both its internal capability to mobilize and the legal regulations by the Government, and they would often, instead, get financed by grants, donations and savings.

The legal framework has so far been available with the promulgation of the Decree 28/2005 and 165/2007, but not encouraging foreign and private sectors to play. It has been criticized as not practical and progressive with the concurrent situations and backgrounds. In a recent move, the State Bank of Vietnam has organized a workshop on the future development of microfinance sector in Vietnam, with full of valuable contributions and recommendations by popular scholars, specialists and practitioners.

With around 3 million households of low incomes in the country, there is enormous room for the concerned MFIs, new and existing, local and foreign, to play. It is expected that the new strategy on microfinance would consider to give foreign MFIs a competitive position to join the market.

ENDING POVERTY IN VIETNAM

2010 witnessed severe economic difficulties in the country and facing up the rural households of low income. There are 3,855 new clients joining the microfinance program of The Dariu Foundation, increasing to nearly 15,000 in total. There are over 15,500 loans disbursed with a total value of 58.7 billion Vietnam dong, or increasing 67% as compared to the same period last year.

There are over 1,000 clients existing the program in 2010, with 51% of them can self finance their future investments by their own savings and profits made from the previous loans by the foundation, 17% can get loans from alternative sources, 9% not satisfied with loan value, quality of services, repayment frequency and staff.

In 2010, there is a change in ratio of loan rounds disbursed to clients as compared to the year 2009. For example, the loan value of 3 million VND occupies 32% in 2010 while at 44% in 2009, or 4.5 million VND increases to 26% in 2010 from 16% in 2009. Notably, the loan value in range of 15 to 30 million VND increases to 0.6% from just 0.1% in 2009. Therefore, the average loan value disbursed increases from 2.9 million VND in 2009 to 3.8 million VND in 2010, showing a trend of 'more loyal' clients and increase in need of loans and value.

The total PAR is 0.01% as compared to 0.29% in 2009, while PAR less than 30 days is 0.04%. Operational self sufficiency increases to 175% in 2010 as compared to 130% in 2009. In 2007 there was only 50% of the total clients with regular voluntary savings, this number increases to 71% in 2010 and tenfold in value of total savings outstanding.

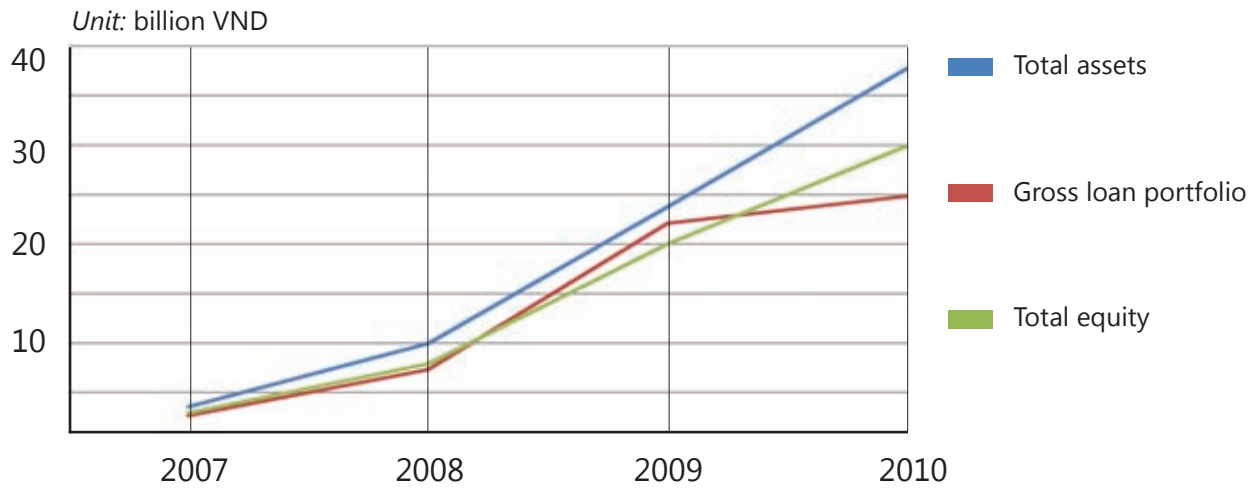
In terms of loan use, 40% of loans is invested in animal husbandry, such as pig, livestock, cows..., 19% in agriculture in general, 33% in small trade and business, and 8% in consumption, education and others.

Estimation shows that there are over 18,000 households of low income in the targeted project communes while TDF has reached out to 80% of the total households in the regions, offering them with access to financial services and other supports.

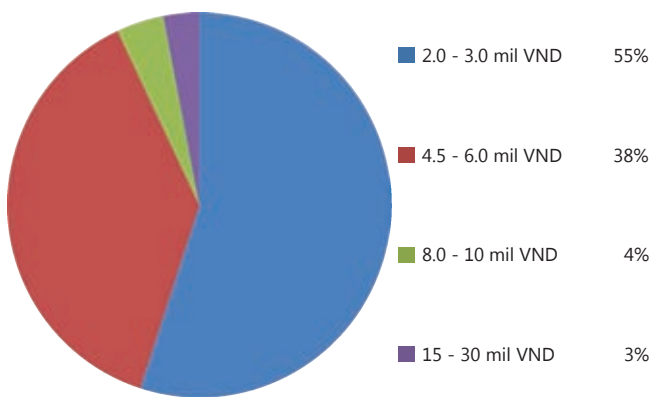
In 2010, The Dariu Foundation was awarded with the prize of top-7 MFIs in Vietnam and this is the fourth consecutive year the foundation has been awarded with the prize since 2007, and among one of top-100 INGOs acknowledged by the Vietnam Union of Friendship Organizations (VUFO) for its significant contributions to poverty reduction and development in Vietnam.



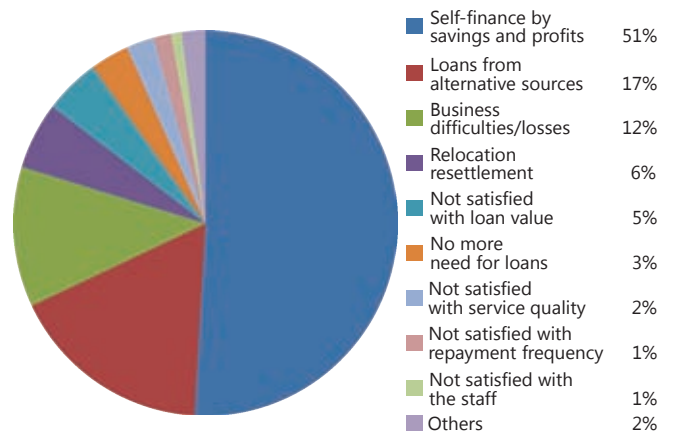
AT A GLANCE



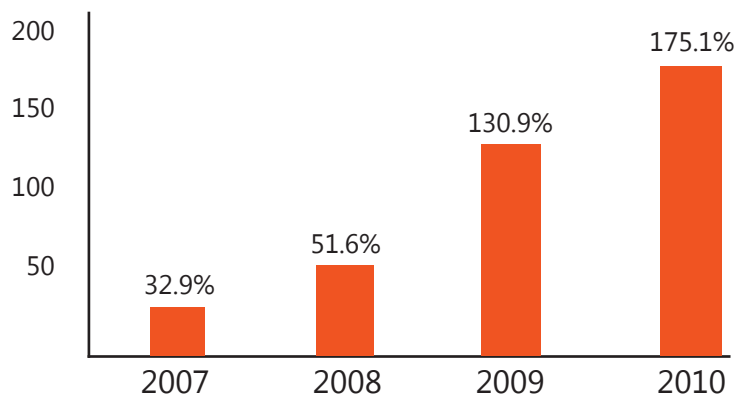
LOAN VALUE ALLOCATION IN 2010



EXISTING CLIENT ASSESSMENT IN 2010



OPERATION SELF-SUFFICIENCY



FROM PENURY TO PROSPERITY – IT'S A PIG TALE

Pham Thi Ngoc and her husband once didn't have enough money to put food on the table. Three years later she becomes a successful pig breeder, thanks to the small loans offered by The Dariu Foundation. In the closing days of 2010, Ngoc were named among the 50 top micro-entrepreneurs in Vietnam.

Mrs. Ngoc worked as a worker on a farm near her house, and Mr. Khuong, her husband, worked as a mason, but together earning just less than \$2 a day. When they had children, life took a turn for the worse and they were the poorest family in the commune. "Sometimes I did not have a single cent in my pocket. I would run around trying to borrow money but no one would lend because I was so poor and they feared I could not repay." Their parents and relatives were equally poorly off and could hardly help them. "I felt ashamed that my husband and I were treated like that because of our poverty. But it created the motive for us to work around the clock to earn money."

But all of these began to change three years ago and she is now one of the wealthiest people in the commune in Vung Liem District in the Mekong Delta, 200 km west of Ho Chi Minh City. The rise to prosperity began in 2007 and Ngoc has not forgotten the day a loan officer from The Dariu Foundation visited her and offered a loan to help develop her business.

With the first loan of \$75 and savings of \$30, they bought a pair of pigs. Little did the couple think that the pigs would completely change their lives. Four months later, she sold one for \$150 and kept the other to breed a litter. Within months, her sow gave birth to seven piglets. In another four months she sold some of the pigs and earning \$1,500. Ngoc said every time she sold pigs, she would keep four sows for breeding. The Dariu Foundation then offered her a loan of \$1,500 to develop her business. Now, she sells pigs twice a year, earning more than \$10,000 each time. Her farm has 150 pigs and 15 sows.

She remembers the first time receiving money from a trader: "We had never seen such a large sum of money in our life. The night after we got the money, my husband came to me and asked me to show him the money. He told me he has never touched such a large amount of money in his life." Ngoc said they will soon build a new house and buy a motorbike to provide a better life for their children.





THE FIRST FRUITS OF TDF LOANS

When unable to access loans from the local banks to invest in doing the lemon garden, she cried her eyes out. But when collecting the first fruits of lemon for sale, she cried for joy. It is an inspiring story of Mrs. Tran who ends her poverty life thanks to the microfinance services by The Dariu Foundation.

"In 2008, I wanted to rent a small plot of land but the owner required me to pay the rental for the whole year. I started knocking the doors of the local banks, neighbors, friends and family to ask for a loan, but all I received were refusals and I felt totally desperate," Mrs. Tran starts her story with soft tears. On that very day when she felt all the doors to future closed to her, the neighbor called her to attend the meeting chaired by the loan officer who introduced the microfinance program of The Dariu Foundation. She continued "I was at the meeting and felt like I found something in the end. I immediately registered to the joining list. Only three weeks later I were recruited to the program and starting my first loan of \$70. And the new chapter of my life started from this first loan with TDF."

Prior to joining TDF's microfinance program, the couple just earned their living by irregular part-time jobs, and her husband's driving motor-taxi in the commune. Until 2008, they could save only \$60. She invested her little savings and first loan of \$75 with TDF in the lemon garden. The husband bought young lemon trees for their garden, but also retailing young trees to some other families in the commune, too. One year later, they first harvested lemon fruits and could save around \$50 per months. When the lemon trees grew up, they engrafted young lemon trees from the mother trees for expanded planting in the garden and for sale.

She continued her larger loans at the foundation and renting more land for cultivating papaya. "My husband used to work for a lemon gardener, thought with low payment, he learnt the skills and techniques in planting the trees," Mrs. Tran expressed with pride. In 2010, the couple earned more and could save over \$100 (as net profit) per month. Their garden planting lemon and papaya now covers an area of 5,000 sqm, and they expect double the net profit in 2011.

Tran and Nguyen were born in 1974, used to be one of the poorest families in Thien My commune in the Mekong province of Vinh Long. Their life has turned over a new leaf since Tran's participation into the microfinance program of The Dariu Foundation in 2008. She is now in her third year of membership, with a total accumulated loan of \$850.





EDUCATION ACCESS FOR THE VULNERABLE

With its continued efforts, The Dariu Foundation offered scholarship support to over 1,000 students among the poorest and most vulnerable families in the rural and mountainous areas of Vietnam, with a total value of \$132,000 in 2010. Scholarships are allocated to primary, secondary and high-school students with 22%, 57% and 21%, respectively.

The parents among the families of scholarship recipients are characterized by average range of age from 35 to 38: education level of 50% primary, 42% secondary, only 7% high-school education and 3% of illiteracy. Their employment is allocated to agriculture, small business, part-time or irregular jobs and others with 53%, 20%, 21% and 6%, respectively. The number of households with total assets less than \$250 occupies 47%, while that with total assets over \$1,000 accounts for just 4%. Those households with total annual income less than \$250 are of 45%, \$250-500 per year of 30% and \$1,000-1,250 per year of 2%.

Our preliminary data shows that the students' schooling performance before their receiving scholarships in the previous school year is 19% excellent, 48% good, 24% satisfactory and 8% need improvements. The year-end schooling performance survey among the scholarship-awarded students shows that excellent students increase to 27%, good 50%, satisfactory and need improvements decreases to 22% and 1%, respectively.

It is well noted that most of the dropout cases are consequences of the family's economic difficulties and/or poor schooling performance while the kids among these families participate actively in earning incomes without paying any attention to their learning and schooling performance. Therefore, with the support by TDF, hundreds of students are prevented from early-age dropout due to either their family's economic difficulties and/or poor schooling performance.

Students are often shortlisted by our loan officers who comprehend very well their clients' circumstances and the local women union. Only kids from grade 3th to 12th among the eligible membership families are granted with TDF's scholarships that include school-books, notebooks, ball pens, uniform and 10kg of rice every month in nine months of a school-year, or a bicycle for those living very far from school.

We will continue our efforts in supporting the kids among the most vulnerable families, improving the schooling performance among the scholarship-awarded students, and access to education for the poor students, especially the female. We hope that another 2,000 students will get access to our services in 2011.





GIVE HELPING HAND TO A HANDLESS BOY

Ho Huu Hanh set out into the world, despite his having no hands. Hanh was born in 2000, in a poor family of 6 members in Dong Nai province, 150 km northeast of Ho Chi Minh city, Vietnam. Though without hands, he always strives to be an excellent boy both at home and at school.

On the other day in the 1980s, the young boy Ho Huu Than, 1970, and his friend were working in a farm and they dug a box of chemical, breaking it and falling into a faint. Unluckily, he exposed to the chemical which was later known as Agent Orange.

In 1995, he got married to Bui Thi Hop, 1975. They have 4 children of whom Hanh, the second boy, has no hands. "When he was small baby, he crawled across the floor like a measuring worm," Ms. Hop remembered. "Most people would think that he would continue like this forever." Luckily he grew up as other boys, except without hands.

Hanh uses his feet in writing, driving bicycle, doing housework, looking after his smaller sisters, and he can even swim very well. He is very good at writing and mathematics. His teacher said "He is a talented student who is good at mathematics and swimming."

The family is living in a small piece of land owned by Ms. Hop's mother. They could hardly earn enough to feed the family while their incomes mostly come from cultivating vegetables and irregular part-time jobs.

In 2010, Hanh was granted with a scholarship by The Dariu Foundation. The scholarship helped the family to relieve financial burdens and encouraging him to stay at school for a brighter future. After this school-year, Hanh will enter grade 6th. He dreams of becoming a computer engineer.





INCREASE ACCESS TO KINDERGARTENS

Since its official operation in Vietnam in 2007, The Dariu Foundation invested in building 6 kindergartens, with a total net grant of \$184,000 in the rural villages of Dong Nai and Vinh Long province. In 2011, TDF will continue its efforts to create opportunities and access for the kids in the rural areas to kindergartens by building two more school houses.

More than a decade ago, the Government of Vietnam focused its attention on and investment in construction and facilities for high school level only. At this period, the secondary and primary education levels are seemingly neglected until when the Government could mobilize resources, including private sector. The 2000s witnessed the construction of new and good facilities for primary and secondary schools which meet the national standards in many parts of the country. The Dariu Foundation in this period also donated \$73,000 to build 14 classrooms at four primary schools, normally located in the remote areas.

Since 2005 to-date, the Government realized little investment has been made into the kindergarten and pre-school levels.



Consequently, the current facilities of this level are in poor conditions. In many rural areas, children at 2-6 have no access to kindergartens at all, or if any very poor-quality and unsafe ones. And their parents have to stay at home taking care of the kids instead of working and earning incomes for the family. So the Government began its mobilization of all resources possible to this area but the country still lacks capability to fulfill the needs.

The Dariu Foundation realized and acknowledged the difficulties and challenges facing the local governments and residents, thus working closely with the local partners and supporting communes to build kindergartens. It can be said that TDF is one of the leading organizations in promoting and supporting upgrading the facilities for kindergartens in the rural areas where it works. Our model is to build a kindergarten of three classrooms, one dining room, one kitchen and toilets. Each school may cost \$45,000 to \$55,000, and we donate \$30,000 (net) and the remaining is contributed by the local governments. Construction often takes 90 days and the school will be under operation right after completion, creating access for around 120-180 kids in the surroundings.

Two schools have been built every year by the foundation since 2008, including two kindergartens built in 2010. We expect that another two new kindergartens will be built in 2011, and that we will continue to receive more generous support and investment to build more schools in the coming years, contributing to the improvement of access as well as education quality for the kids in the poor rural areas of Vietnam.

2010 FINANCIAL POSITION



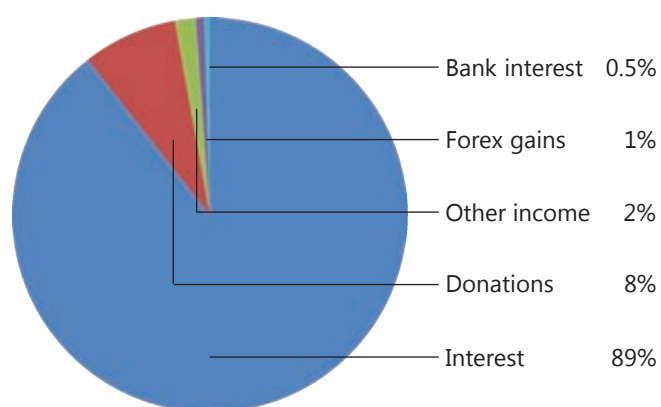
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

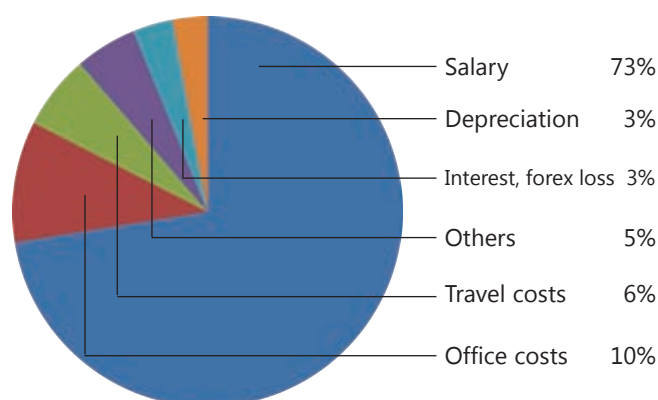
Unit: VND

	MICROFINANCE ACTIVITY	CHARITY ACTIVITIES	2010	2009
ASSETS				
Current assets				
Cash in hand	83,338,539	-	83,338,539	336,651,307
Cash at bank	279,057,155	-	279,057,155	434,132,114
Cash in transit	1,326,560,586	-	1,326,560,586	-
Loans receivables	24,836,324,000	-	24,836,324,000	17,476,737,000
Provision for doubtful debts	(4,451,980)	-	(4,451,980)	-
Accrued interest income	95,000,000	-	95,000,000	-
Advances to suppliers	275,485,000	-	275,485,000	178,190,000
Provision for doubtful debts	674,805,659	-	-	-
Receivables from Microfinance activity	-	-	-	-
Other receivables	2,310,870	-	2,310,870	349,972,000
Other current assets	379,681,666	-	379,681,666	62,997,500
Total current assets	27,948,111,495	-	27,273,305,836	18,838,679,921
Non-current assets				
Loans receivable	9,254,944,000	-	9,254,944,000	4,621,742,000
Property, plant and equipment	372,347,359	-	372,347,359	220,744,640
Construction in progress	124,863,000	-	124,863,000	50,019,000
Other non-current assets	30,000,000	-	30,000,000	30,000,000
Total non-current assets	9,782,154,359	-	9,782,154,359	4,922,505,640
TOTAL ASSETS	37,730,265,854	-	23,761,185,561	23,761,185,561
EQUITY AND LIABILITIES				
Current liabilities				
Accounts payable - compulsory savings	5,153,732,084	-	5,153,732,084	2,646,190,919
Accounts payable - voluntary savings	1,198,871,597	-	1,198,871,597	699,951,082
Payables to employees	373,247,171	-	373,247,171	178,000,000
Payables to Microfinance activities	-	674,805,659	-	-
Payable to Charity activities	-	-	-	-
Payables to suppliers	34,052,073	-	34,052,073	-
Accrued liabilities	117,975,000	-	117,975,000	-
Other payables	940,573,875	-	940,573,875	197,655,769
Total current liabilities	7,818,451,800	674,805,659	7,818,451,800	3,721,797,770
Equity				
Paid-in capital of owners	22,526,600,892	-	22,526,600,892	16,407,469,060
Donated equity	2,589,157,326	-	2,589,157,326	1,980,674,526
Retained earnings	4,796,055,836	-	4,796,055,836	1,608,851,228
Not asset of charity activities	-	(674,805,659)	(674,805,659)	42,392,977
Total equity	29,911,814,054	(674,805,659)	29,237,008,395	20,039,387,791

2010 REVENUE



2010 EXPENSES



CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2010

Unit: VND

	MICROFINANCE ACTIVITY	CHARITY ACTIVITIES	2010	2009
INCOME				
Loan interest income	7,022,705,500	-	7,022,705,500	3,455,337,500
Donation from Dariu Swiss	-	3,728,402,168	3,728,402,168	2,941,614,000
Bank interest	37,145,132	-	37,145,132	11,873,875
Foreign exchange gains	51,285,050	17,095,017	68,380,066	199,266,154
Other donations	608,482,800	-	608,482,800	1,609,497,000
Other income	134,837,125	-	134,837,125	473,244,855
TOTAL INCOME	7,854,455,607	3,745,497,185	11,599,952,791	8,690,833,384
EXPENSES				
Staff salary and benefits	2,909,716,507	736,898,968	3,646,615,475	2,674,400,720
Office rental	166,476,375	55,492,125	221,968,500	184,550,000
Telephone, fax and internet	43,021,511	14,340,504	57,362,014	47,210,566
Electricity and water	20,487,375	6,829,125	27,316,500	20,657,963
Travel and transportation	149,395,138	85,184,713	234,579,850	190,846,912
Car rental	97,962,625	61,490,875	159,453,500	102,315,000
Trainings and seminars	26,880,563	6,575,188	33,455,750	21,899,100
Scholarship awarded	-	1,558,967,582	1,558,967,582	1,049,240,676
School building	-	1,770,246,500	1,770,246,500	812,565,000
Expenses for love fund	-	-	-	270,140,000
Stationary and other office cost	173,072,926	56,764,309	229,837,234	253,927,284
Assets investments	-	-	-	24,053,889
Interest expenses	128,910,160	-	128,910,160	52,469,160
Foreign exchange losses	6,179,239	-	6,179,239	-
Bank charges	13,332,662	4,444,221	17,776,883	10,736,010
Depreciation expenses	114,798,789	38,266,263	153,065,052	89,483,371
Provision for doubtful debts	4,451,980	-	4,451,980	85,394,323
Other expenses	204,082,350	67,195,450	271,277,800	204,563,430
TOTAL EXPENSES	4,058,768,199	4,462,695,821	8,521,464,019	6,094,453,404
EXCESS OF REVENUE OVER EXPENSES	3,795,687,408	(717,198,636)	3,078,488,772	2,596,379,980

SOCIAL INVESTMENT

Thank you for your interest in the activities of The Dariu Foundation. We would be delighted if you were able to join us in supporting its aims. There are a number of ways in which you can do so:

Overall project:

You support our projects and we will put your social investment to work for the overall project according to the needs.

School-building:

The construction of a kindergarten with three classrooms costs around US\$ 30,000.

Scholarship:

For US \$70, we can send a needy child to school for one year. This amount covers books, notebooks, pens, a school uniform and 10 kilos of rice per school month.

For US \$90, we can buy a bicycle for a kid who often has to walk a distance of 5-8 km to school every day.

Microfinance:

The lowest credit level per member is currently around US \$150 and rises to a maximum of US \$1,700.

Should you make an investment of US \$10,000 in microfinance, we can disburse your investment to 100 poor households, creating jobs for at least 200 and impacting on lives of more than 400 family members a year.





AWARDS

Top seven MFI 2010



Top 100 INGO 2010



Top five MFI 2009



Top three MFI 2008



Top ten MFI 2007



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