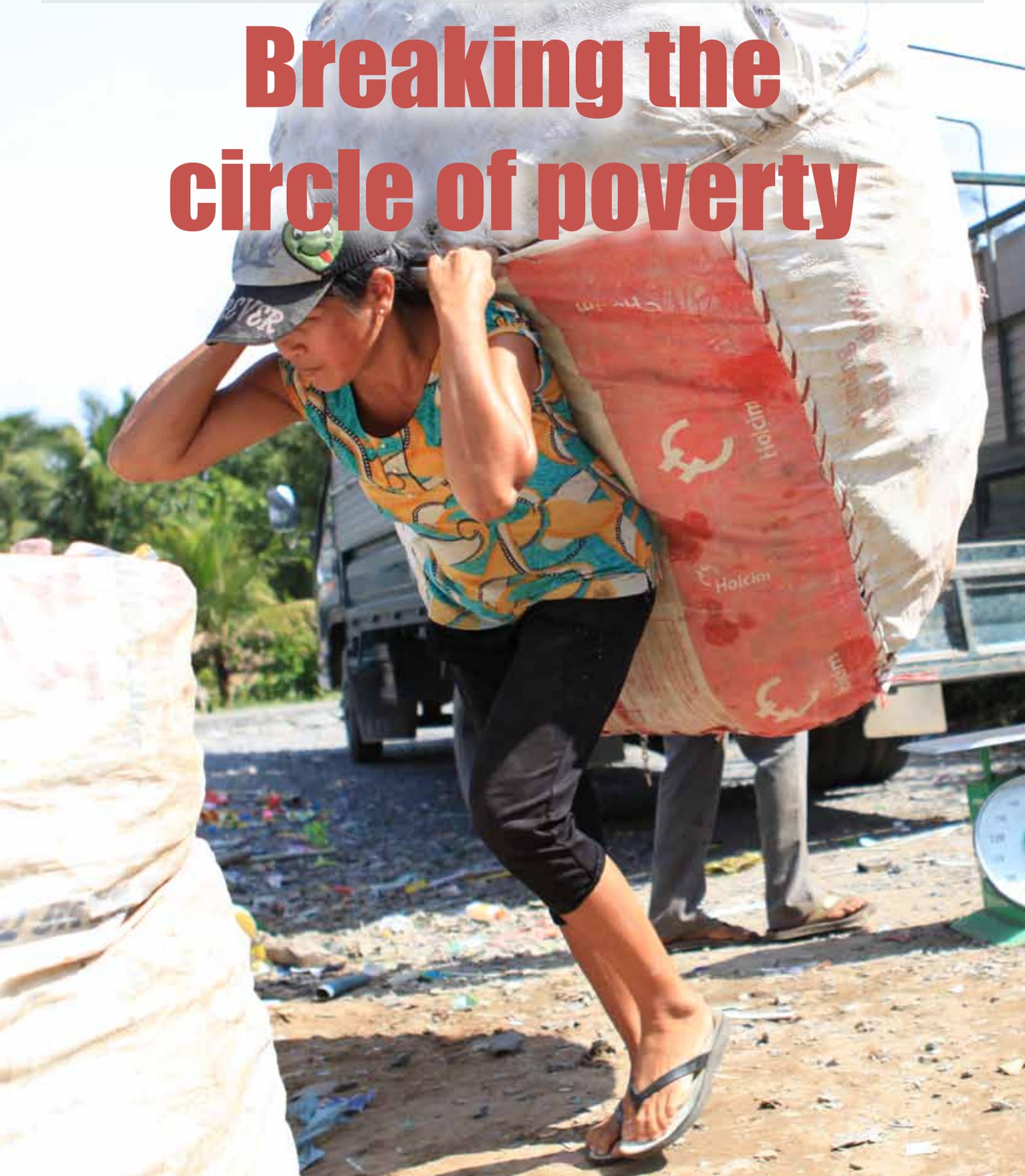


Breaking the circle of poverty





TDF Mission

The mission of The Dariu Foundation is every households 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.

Table of contents

Letter from the President	3
-----	-----
Breaking the vicious circle of poverty	5
-----	-----
Turning waste into wealth	9
-----	-----
Corner store success	11
-----	-----
Helena's Mobile School Project	13
-----	-----
Impact assessment findings	15
-----	-----
Client satisfaction findings	17
-----	-----
Information for donors	19
-----	-----
2011 Financial position	21
-----	-----
Awards	23
-----	-----





Letter from the President

The Dariu Foundation was established in 2002 in Switzerland with its mission to help the poor help themselves and enable them to lead a better life and better education for their children. Ten years later, we continue to fulfill the mission by providing access to affordable and readily available microfinance services and education support programs for the rural poor families, enabling them to improve their living conditions and investment in their children's education.

In 2011 we continue to expand in depth the microfinance program by granting improved loan and savings products to nearly 15,000 rural women who are at the bottom of the pyramid and unbankable. Thanks to its good governance and dedicated professionals, the foundation is recognized as one of the seven best microfinance service providers in the country in 2011, and this is the fifth consecutive year it has been awarded since 2007.

We are also proud this year to launch the first ever MOBILE SCHOOL of its kind in Vietnam, enabling the rural poor kids to access training on computers and internet which is a far more unaffordable luxury for most of them. The launching of three mobile schools within the Helena's Mobile School project attracts a lot of attention, both domestically and internationally.

This year is also marked by the visit by the former Chancellor of the Federal Republic of Germany Gerhard Schröder and the President of Ringier AG - Mr. Michael Ringier, attending the special ceremony of opening of Mrs. Doris Schröder's schoolhouse built in Vinh Long province and launching the second mobile school donated by Ms. Ines Kaindl. Mr. Gerhard Schröder is deeply impressed by what the foundation is doing in Vietnam to assist the poor to combat poverty.

In 2011, we are also confronted with a number of great challenges, including a slight reduction of donations, higher loan requests by growing and more mature clients while TDF remains as an INGO not a registered MFI in Vietnam, and the country's economic difficulties.

Over the past five years, our team in Vietnam has tried their best to make the brand name – The Dariu Foundation – and its quality of work corresponding to Swiss reputation. And it is your generosity that enables our work here in the country. While donating to The Dariu Foundation, you are giving valuable chance to thousands of people we serve every day. Thank you for your keeping faith with us in helping the poor and the children.

In the next ten years, we will continue to fulfill our vision of becoming one of the leading microfinance service provider and mission of helping the poor help themselves and enabling them to lead a better life and better education for their children.

Thomas Trueb, President,

2011 KEY STATISTICS

Expanding outreach to the poor

- 15,000 active borrowers, *impacting the lives of*
- 60,000 family members, *served by a*
- \$2.3 million loan portfolio, *representing a*
- 28% growth in loan portfolio, *disbursing*
- 14,600 loans in 2011, *with a total of*
- \$4.0 million lent in 2011

Securing children at schools

- 2,000 scholarships granted, *valuing a total of*
- \$100,000, *covering*
- Textbooks, notebooks, pens, uniforms, rice and bicycles

Bridging future from foundation

- 8 kindergartens built so far, *creating access to kindergartens for*
- 1,000 children to TDF-donated schools every year since 2008
- Launching 3 mobile schools capable of training 3000 students a year on basic computer and internet.

Name: **Nguyen Thi Dung**
 Age: **46**
 Member since: **2003**
 Initial loan size: **US \$25**
 Current annual income: **US \$50,000**
 Location: **Tan Phu, Dong Nai**
 Occupation: **Apuilaria plantation**



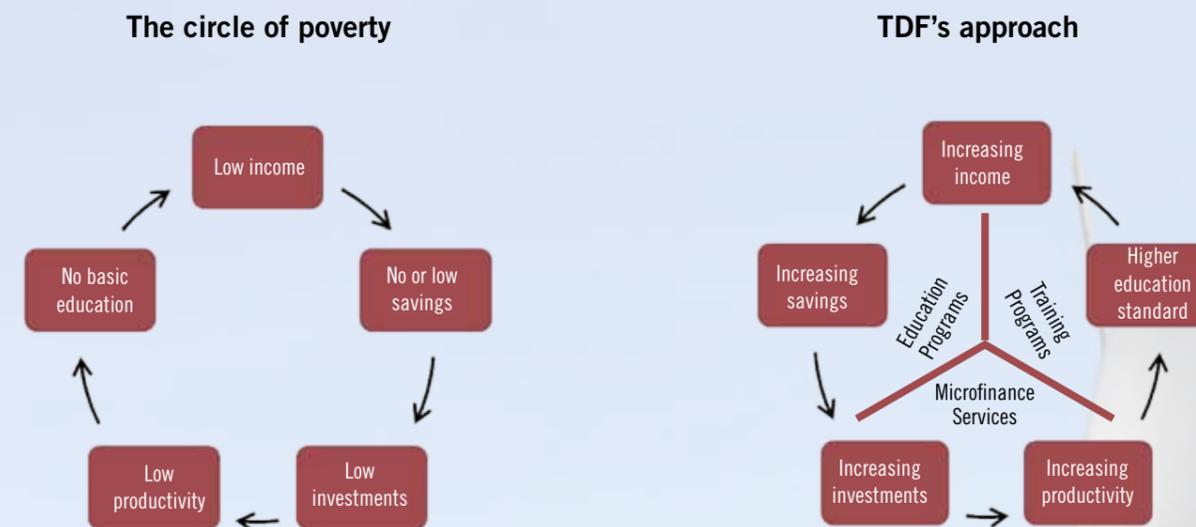
Breaking the vicious circle of poverty

The Dariu Foundation achieves excellent results in 2011 though facing more challenges

- Total income reaches VND 12.1 billion, or increase 55% as compared to 2010
- Loan portfolio increasing to VND 47 billion from VND 34 billion in end 2010
- Disbursing nearly 15,000 loans with a total value of VND 80 billion, increasing 38% in value as compared to 2010
- Building two new kindergartens, increasing to 8 schools completed since 2008
- Providing 2000 scholarships to the extremely poor and disadvantaged students
- Launching a fleet of three Mobile Schools under the project of the Helena's Mobile School, capable of training over 3,000 rural students a year on computer and internet skills

Microfinance pillar

The Dariu Foundation has been working in Vietnam since 2003, but officially since 2007 with some major projects of microfinance, building kindergartens, providing scholarships to the disadvantaged students and training courses on computer and internet for the rural disadvantaged kids.



We attack poverty by three pillars: microfinance, education and training, aiming at turning around the circle of poverty. We offer microfinance for income improvement, scholarships for the disadvantaged students to prevent them from dropping out of schools, building kindergartens to improve education quality and standards.

Today The Dariu Foundation is serving 15,000 clients in rural areas of Dong Nai and Vinh Long provinces. It generated a total income of VND 12.1 billion in 2011, with an excess of income over expenses worth nearly VND 6 billion.

With around 15,000 loans disbursed in 2011, 37% was invested in animal and live stocks, 32% in small business and/or trading, 24% in farming and 7% in education and others. The mostly applied loans fall in 3, 4.5, 6 and 8 million dong with 27%, 29%, 24% and 10%, respectively. The total PAR over 30 days and rescheduled loans is 0.36% as compared to 0.01% in 2010. The voluntary deposits increases from 50% in 2009 to 71% in 2010 to 95% in 2011, or increasing 240% in value of the total voluntary deposits.

We also have training programs for clients, helping them to better save their money and invest their loans. Then we provide them with small loans to realize their business plans, aiming at job generation and income improvement. Once they have more income, they save more, and in return invest more in their children's education. Every year, we help thousands of the disadvantaged families access to loan, generate jobs for themselves and escape poverty. Around 10% of the total clients have excelled their peers in using loans, improving their income and life quality, thus becoming better off, and 20% of the total clients breaking their poverty every year, thanks to the small loans by the foundation.



Breaking the vicious circle of poverty

Education and training pillars

In 2011, we built two new kindergartens, one donated by Martin and Vreni Trueb – Egger and the other by Family Annette and Christian Unger, providing 2000 scholarships to the rural disadvantaged children among the poorest membership families and launching three mobile schools, with a total expense of 6.2 billion VND (or equal to around US \$300,000).

Each kindergarten has three classrooms, one dining room, one kitchen and toilets, costing around US \$45,000 to US \$55,000, and we donate US \$30,000 (net), and the remaining is contributed by the local governments. Construction often takes 90 days, each school creating access for around 120-180 kids in the surroundings.

A total of 8 schools and one library have been constructed by TDF's donations with a total value of US \$260,000 since 2008, thus creating access to kindergartens for more than 1,000 kids aged of 3-5 years old every day. Another school will be built in Vinh Long province, but there remains huge need for donations to build new schools in those rural areas to provide the kids access to kindergartens. One generous action of yours creates hundreds of chance for others. Therefore, we look forward to receiving your greater support for our projects.



Not only building schools, TDF invested hundreds of thousands of dollars in granting scholarships to the poorest and most disadvantaged students among the membership families. 2012 saw a peak in number of scholarships granted since its establishment in 2002. A scholarship package includes school-books, notebooks, pens, uniforms and/or bicycles for those living very far from school. More than 45% out of total of US \$300,000 was spent on scholarships expenses.

On average, school dropouts in the districts where we work reduce significantly from 6-8% to less than 3% per annum, as a result of scholarship support by the foundation. There are 16 out of 2000 students receiving scholarships from TDF dropping out of schools in 2010 - 2011. We also distributed over 650 bicycles in 2012, of which 560 are donated by the Pedals for Progress (P4P - a US non-governmental organization), thus enabling hundreds of families on the move for progress. We plan that in 2012 another 600 bicycles will be granted to the poor in the rural areas of Vietnam.

Thanks to its successful achievements, The Dariu Foundation is awarded with the prize of top-7 MFI in Vietnam in 2011, and this is the fifth consecutive year it has been awarded with since 2007, and the second year with award of top-100 INGOs acknowledged by the Vietnam Union of Friendship Organizations (VUFO) for its significant contributions to poverty reduction and development in Vietnam.



Name: **Tran Thi Thuy Nga**
 Age: **37**
 Family: **3 children; ages 1, 8, 12**
 Member since: **2008**
 Initial loan size: **US \$50**
 Location: **Vung Liem district, Vinh Long province**
 Occupation: **Waste management, plastic recycling**

Turning Waste into Wealth



Prior to joining TDF, Mrs. Nga struggled to maintain stable work and made a living working for other families and conducting small agricultural activities. Looking to change her situation, she saw a niche in the rural market for plastic recycling.

She used her initial TDF loan of US \$50 to buy materials, including various plastics, which she collected from around town on her bicycle. Nine months later, she had paid off her first loan and was able to hire three people to help with sorting. By 2009, she had collected enough material and purchased a machine for grinding the plastic down into powder, which could then be sold for new plastic production. This year, 2011, she bought her second machine and employs over 15 people. Mrs. Nga continually strives to employ more people, as she understands the hardships of poverty.

While her life has improved dramatically since joining TDF, she continues taking loans in hopes of expanding her business and continue saving.



The TDF savings program is one of her favourite aspects of the program. Through TDF's saving program she is able to save between US \$10-15/week.

When asked what her dream is, Mrs. Nga simply replied, "to expand my business and provide a better environment for both my employees and family". She envisions better working conditions, creating an environment safe from the outside elements, and employing more community members.

As well, she hopes to move her home to a separate plot of land, creating a safer and healthy environment for her children, and ultimately, send them to university. She already has a plot of land in mind, about 100m², close to the road and the children's school; she is simply waiting to save enough money. Perhaps, TDF will help her realize this dream.



Name: **Nguyen Thi Thuong**
 Age: **59**
 Family: **No children, takes care of her disabled brother**
 Member since: **2008**
 Initial loan size: **US \$100**
 Location: **Tra On district, Vinh Long province**
 Occupation: **Corner store owner**



Corner Store Success



Prior to joining TDF, Ms. Thuong's shop was limited and sales were small. When asked what's for sale today, she replies cheerfully, "Now, almost anything you want". Today her corner store is a one-stop shop for milk, bread, coke, and other small foodstuffs.

Thus far, Ms. Thuong has taken out three loans from TDF, her most recent loan of US \$225 in 2010. Prior to TDF, she was forced to buy goods at expensive retail prices and her income was small. Today, she can purchase products wholesale and even sell wholesale. In 2009, Ms. Thuong was able to buy a freezer to help expand her shop and products offered. She now sells frozen treats and dairy products as well.



When asked if she has noticed a difference in lifestyle, Ms. Thuong replied with a definite yes. Her income is greater now and she is living more comfortably. She lives with her disabled brother, and is now able to help pay for his medical bills. Prior to joining TDF in 2008, they ate mostly vegetables and rice. Today their diets are more diverse, enjoying proteins such as fish, shrimp, and other meats. Moreover, with her income she has been able to purchase a new television, an addition to her home she was extremely proud to show off.

Looking towards the future, Ms. Thuong hopes to continue as a TDF client. Her dream is to expand her shop and raise enough capital to renovate her home, making life more comfortable for both her brother and her.





Helena's Mobile School Project

Future Plans

In 2012, Helena's Mobile School Project will be capable of providing technical education to 3000 students. Looking towards the future, TDF plans to have 5 mobile schools in operation by 2014, teaching 5000 students each year. If you are interested in donating to Helena's Mobile School Project please refer to our donation page.



In the rural areas of Vietnam, access to internet and computers are limited; computer literacy remains an unaffordable luxury for most children. With the slogan "Investment in education", TDF's newest focus has been mobile technical education. As the first of its kind in Vietnam, the Helena's Mobile School Project, primarily funded by the donations of Ms. Ines Kaindl, provides low-cost education in computer and internet literacy for disadvantaged youth in the rural regions of the Mekong Delta. The mobile schools are brought to youth in rural locations, where access to IT training is limited or non-existent.

Mobile School Facts

- Each course is 12 weeks in duration with three 1.5hr sessions/week, covering basics of Microsoft Office Suite and internet use
- The mobile schools are stationed in central community locations such as school or community centre
- Two mobile school designs:
 - Small school (Mekong Mobile School): 25' container holds 18 students and will train 600 students per year
 - Large school (Sapa and Ha Long Mobile Schools): 40' container holds 30 students and will train 1200 students per years
- School fee: US \$2-3 per course*



Progress Report Card

	Course 1	Course 2	Course 3	Course 4
Date of completion	Sept 2011	Dec 2011	April 2012	May 2012
Number of students enrolled	144 59% female 41% male	144 51% female 49% male	144	240 First course held in Sapa School
Location	Vung Liem	Vung Liem	Tra On	Vung Liem
Results	140/144 completed Final examination 58% Excellent 37% Good 5% Satisfactory	133/144 completed Final examination 25% Excellent 51% Good 24% Satisfactory	To be announced	To be announced

*Family of TDF's clients and those living on less than US \$2/day pay only US \$2



Impact Assessment Findings

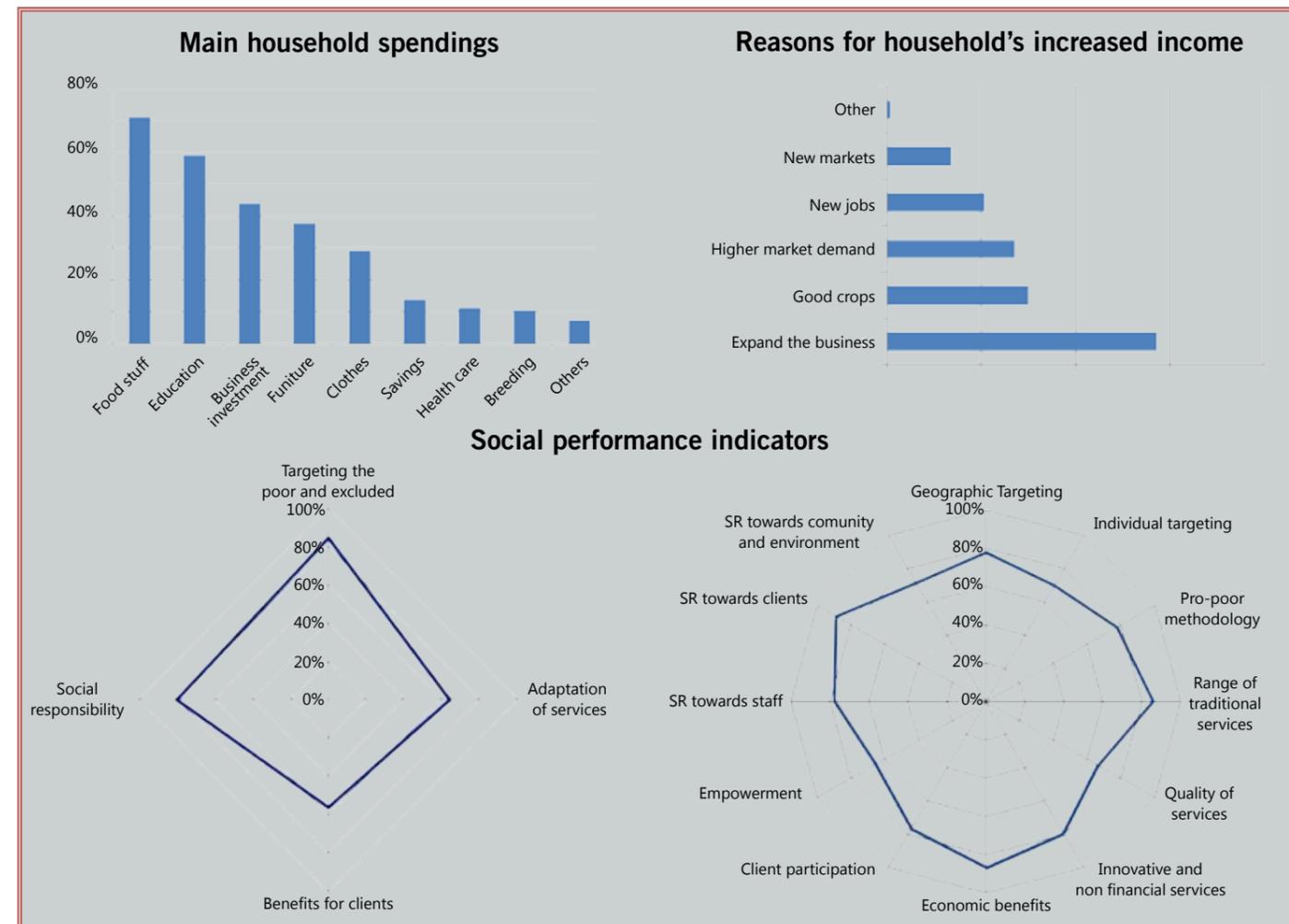
Earlier this year, an impact assessment was conducted to explore both the economic and social impacts of TDF's microfinance program. The information for this study was gathered from 400 members, randomly chosen to fill out surveys focusing on their current economic situation, changes in income, expenses, savings, investment, nutrition, and children's education.

Overall, the results were positive, and it is clear that the program has contributed to improving clients' livelihoods. The impact of the program is not limited merely to the provision of loans, savings, and technical support; evidence shows that it contributes to the health, nutrition, food supply and educational level of recipients' families, making them less susceptible to unanticipated economic shocks. Below is a summary of the findings.

- Income: 75% of interviewed households have generated a higher income over the last twelve months

- Savings: 75% of respondents have savings accounts or set aside an amount of cash for use in case of emergency. More than half of these have been members of the program for more than three years.

- Household spending: Living and foodstuffs is the largest household expenditure; however, closely following is payment for education. Even families within the malnourished income bracket realize the importance of education



- Investment in children's education: There was a positive association between the education of children and participation of members in microfinance program. Higher enrolment in high school and further education was prevalent among the children of mature clients.

- Business expansion: Nearly 80% of clients have expanded their business operations and level of activities in the last 12 months. Production tools have been the primary category of investment, 80% of clients purchased small value tools for their businesses (cooking facilities, hoes, ploughs and containers).

- Home renovations: 58% of clients have spent > 5 million VND on households repairs/upgrades; 90% of clients said home upgrades were made possible from profits created by loans from TDF

- Improvement in nutrition: 70% of households surveyed can now afford to have better nutrition and diversified diets while 28% remained unchanged.

- Management skills: More than 80% were able to calculate their profit based on business revenue and expenses. 61% of interviewees made a clear distinction between the money for business and money for household expenses and almost all of these clients (94%) learnt to do so after participation in the program.

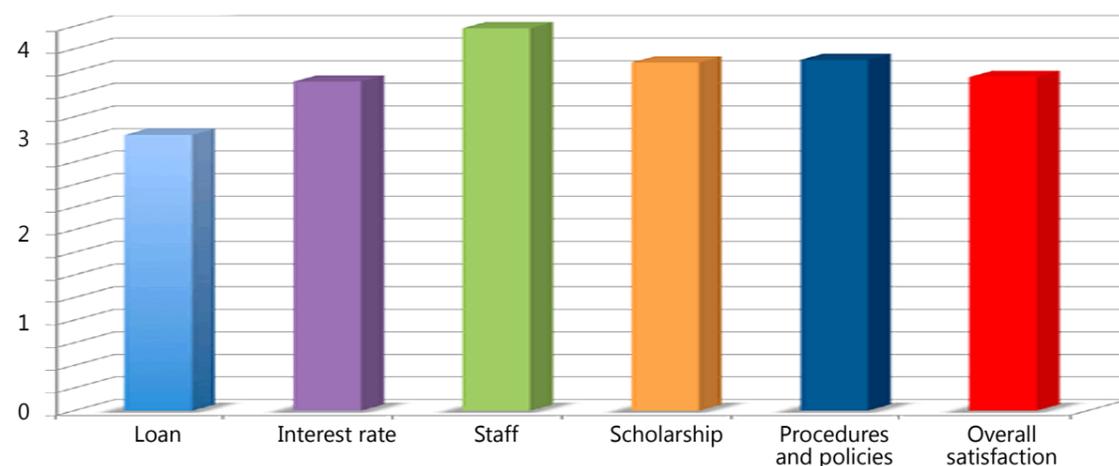


Client Satisfaction Findings

230 clients from Tan Phu and Vung Liem provinces were surveyed to test satisfaction of the microfinance program, including satisfaction of loans, interest rates, staff, scholarship programs, policies and procedures.

Overall, the levels of satisfaction among the five variables range from the low end of satisfied, 3.05/5 (loan variable) to very satisfied, 4.23/5 (staff variable). While the majority of clients are satisfied with the MF program and its components, there is always room for improvement.

Client satisfaction



Lessons learned

- Maintain strong staff: 95% of clients “agree” or “strongly agree” to the following statement, “staff provides guidance and answers questions friendly and enthusiastically”. These high levels of satisfaction illustrate the success of TDF’s current HR and training programs, providing encouragement to maintain a strong staff.

- Exploring larger loans: While microfinance assists low-income people to obtain small loans, as the clients climb the ladder out of poverty they will require larger loans. The majority of members agreed that the loan amount received is too small compared to their needs and future business plans. Further study on client demand for larger loans can help TDF better address client needs. TDF could use this knowledge to collaborate with financial institutions, assisting clients to successfully graduate from the program and obtain larger sums of capital.

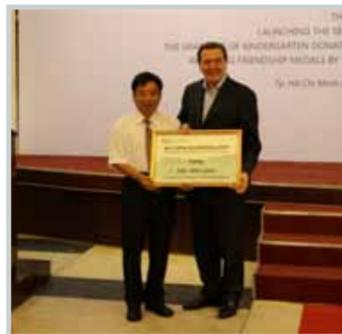
- Policies and procedures: While this category received high levels of overall satisfaction, clients expressed frustrations with policies concerning required group numbers and capital restrictions for the elderly. Both policies exist to ensure the sustainability of the organization; however, efforts will be made to improve the current situation.



"Giving others a chance is something that my wife wishes to do. I hope that the school will help to create opportunity for the youth and their families."

Gerhard Schröder,
Former Chancellor of the Federal Republic of Germany.

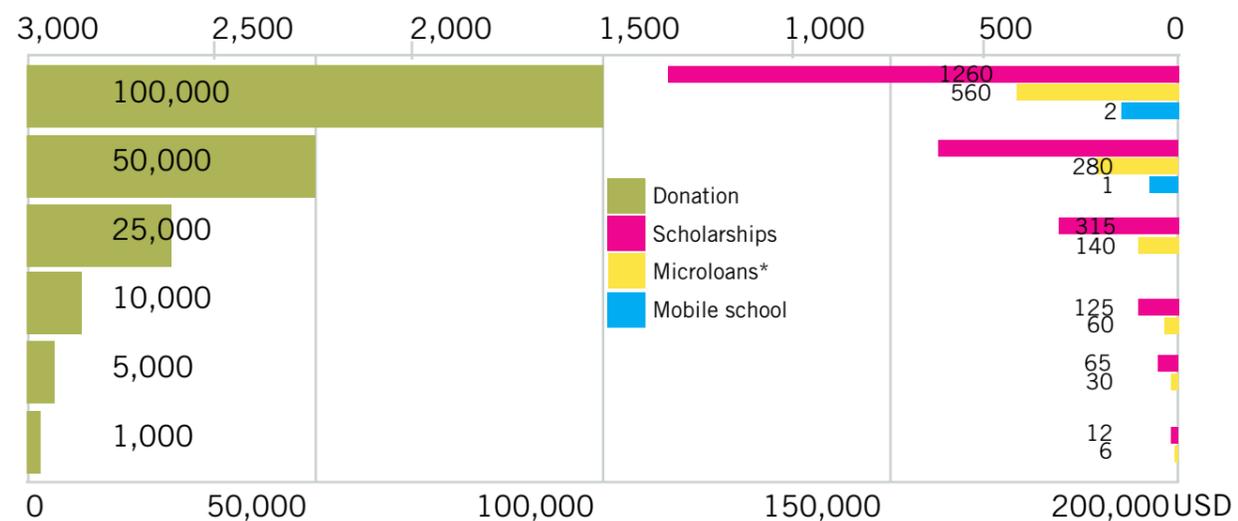
Information for Donors



The Dariu Foundation has extended its microfinance services tremendously in the past years, resulting in a growth of microloans disbursed from approximately 128,000 USD in 2008 to 2.27 million USD in 2011. However, The Dariu Foundation's growth and support for the poor can only expand with the funds provided by donors.

Impact of your donations to TDF

Number of Scholarships given/Microloans



Information we provide our donors

- Yearly annual report of TDF
- Impact reports about their investment
- Field trip visits

We support an open communication to all of our stakeholders because we know that only with their help we can continue to excel in serving the poor. We therefore invite you to have an open conversation with us and you are warmly welcome to visit The Dariu Foundation in Vietnam, join us on a field trip visit and make up your own opinion. We are convinced that we will find good solutions to form a fruitful partnership. Please feel free to contact TDF's country director, Mr. Nguyen Van Hanh, with any questions or for additional information on TDF and its programs. See last page for contact details.

Seven key reasons to donate in TDF

- TDF combines microfinance with additional services for its clients, ensuring your donation creates a high degree of social value
- Loan default rates are extremely low, with 0.13% of the loan portfolio at risk in 2010.
- TDF has a variety of projects to donate to, including the microfinance, scholarship and mobile school programs.
- Due to our effective reporting system you can easily track the impact of your donation online.
- TDF has a lean cost structure which guarantees a high effectiveness of your donation.
- Even small amounts of money can move mountains, as seen in the graph above.
- TDF sustainably covers all operation costs by the interests earned from the microfinance program. Therefore, 100% of all donations will be directly invested to community projects.
- TDF is recommended by the German Business Association in Vietnam as an organization donations can be entrusted to.

Account details: Stiftung Dariu, c/o Ringier AG, Brühlstrasse 5, 4800 Zofingen:
 IBAN: CH42 0076 1016 0925 6205 7; CHF-Account number: 0160.9256.2057; Clearing: 76160
 IBAN: CH29 0076 1016 1116 2725 3; USD-Account number: 0161.1162.7253
 BIC/SWIFT: KBAGCH2248A; Bank: Aargauische Kantonalbank, Zofingen

2011 FINANCIAL POSITION



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2011

Unit: VND

	MICROFINANCE ACTIVITY	CHARITY ACTIVITIES	2011	2010
ASSETS				
Current assets				
Cash in hand	1,191,625,667	-	1,191,625,667	83,338,539
Cash at bank	1,420,026,020	-	1,420,026,020	279,057,155
Cash in transit	-	-	-	1,326,560,586
Loans receivables	32,216,623,000	-	32,216,623,000	24,836,324,000
Provision for doubtful debts	(57,417,120)	-	(57,417,120)	(4,451,980)
Accrued interest income	-	-	-	95,000,000
Advances to suppliers	85,718,840	-	85,718,840	275,485,000
Provision for doubtful debts	107,867,877	-	-	-
Other receivables	68,093,400	-	68,093,400	2,310,870
Other current assets	258,712,759	-	258,712,759	379,681,666
Total current assets	35,291,250,443	-	35,183,382,566	27,273,305,836
Non-current assets				
Loans receivable	14,876,255,000	-	14,876,255,000	9,254,944,000
Property, plant and equipment	397,017,616	-	397,017,616	372,347,359
Construction in progress	124,863,000	-	124,863,000	124,863,000
Other non-current assets	160,976,000	-	160,976,000	30,000,000
Total non-current assets	15,559,111,616	-	15,559,111,616	9,782,154,359
TOTAL ASSETS	50,850,362,059	-	50,742,494,182	37,055,460,195
EQUITY AND LIABILITIES				
Current liabilities				
Accounts payable - compulsory savings	6,432,905,855	-	6,432,905,855	5,153,732,084
Accounts payable - voluntary savings	2,885,759,883	-	2,885,759,883	1,198,871,597
Payables to employees	269,819,003	-	269,819,003	373,247,171
Payables to Microfinance activities	-	107,867,877	-	-
Payable to Charity activities	-	-	-	-
Payables to suppliers	-	-	-	34,052,073
Accrued liabilities	141,437,680	-	141,437,680	117,975,000
Other payables	272,951,725	-	272,951,725	940,573,875
Total current liabilities	10,002,874,146	107,867,877	10,002,874,146	7,818,451,800
Equity				
Paid-in capital of owners	27,517,764,532	-	27,517,764,532	22,526,600,892
Donated equity	3,630,303,216	-	3,630,303,216	2,589,157,326
Retained earnings	9,699,420,165	-	9,699,420,165	4,796,055,836
Not asset of charity activities	-	(107,867,877)	(107,867,877)	(674,805,659)
Total equity	40,847,487,913	(107,867,877)	40,739,620,036	29,237,008,395



CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2011

Unit: VND

	MICROFINANCE ACTIVITY	CHARITY ACTIVITIES	2011	2010
INCOME				
Loan interest income	10,624,994,500	-	10,624,994,500	7,022,705,500
Donation from Dariu Swiss	-	6,578,277,360	6,578,277,360	3,728,402,168
Bank interest	29,290,741	-	29,290,741	37,145,132
Foreign exchange gains	7,193,726	-	7,193,726	68,380,066
Other donations	1,041,145,890	200,600,000	1,241,745,890	608,482,800
Other income	423,816,565	-	423,816,565	134,837,125
TOTAL INCOME	12,126,441,422	6,778,877,360	18,905,318,782	11,599,952,791
EXPENSES				
Staff salary and benefits	4,138,940,128	822,768,800	4,961,708,928	3,646,615,475
Office rental	227,880,750	52,160,250	280,041,000	221,968,500
Telephone, fax and internet	50,422,540	13,109,325	63,531,865	57,362,014
Electricity and water	30,687,407	5,269,125	35,956,532	27,316,500
Travel and transportation	219,996,419	142,589,931	362,586,350	234,579,850
Car rental	195,081,341	143,909,889	338,991,230	159,453,500
Trainings and seminars	118,894,663	27,057,387	145,952,050	33,455,750
Scholarship awarded	-	1,915,416,500	1,915,416,500	1,558,967,582
School building	-	2,715,135,969	2,715,135,969	1,770,246,500
Stationary and other office cost	151,392,139	34,755,341	186,147,480	229,837,234
Assets investments	-	-	-	-
Interest expenses	217,137,875	-	217,137,875	128,910,160
Foreign exchange losses	54,255,241	648,492	54,903,733	6,179,239
Bank charges	19,172,480	4,910,756	24,083,236	17,776,883
Depreciation expenses	152,085,903	22,528,886	174,614,789	153,065,052
Provision for doubtful debts	68,311,140	-	68,311,140	4,451,980
Other expenses	537,673,177	311,678,927	849,352,104	355,519,300
TOTAL EXPENSES	6,181,931,203	6,211,939,578	12,393,870,781	8,521,464,019
EXCESS OF REVENUE OVER EXPENSES	5,944,510,219	566,937,782	6,511,448,001	3,078,488,772

Awards

Top seven MFI 2011



Top 100 INGO 2011



Top seven MFI 2010



Top 100 INGO 2010



Top five MFI 2009



Top three MFI 2008



Top ten MFI 2007





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