Planet Rating
THE GLOBAL MICROFINANCE RATING AGENCY

TYM Fund, Vietnam

Founded in 1992 by the Vietnam Women's Union (VWU) as a replication of the Grameen Bank model, TYM Fund became an official department in 1998 before obtaining its own independent legal status in 2006 as an income generating unit (IGU), all still within the VWU. Operating in the peri-urban and rural areas of ten provinces around Hanoi in Northern Vietnam, the organization offers credit (for business, investment and consumption/emergency purposes), savings products, and insurance services. As of March 2010, TYM operated through 43 branches and maintained 46,347 active borrowers with an outstanding loan portfolio of 12.7 M USD.

GIRAFE Rating

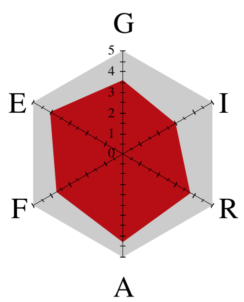
Rating
B++

Outlook
Stable

Date of the rating
May 2010

Valid until April 2011

Rating per evaluation area



Governance – **I**nformation – **R**isk – **A**ctivities – **F**unding – **E**fficiency

Planet Rating Contact
Dina Pons
dpons@planetrating.com
+632 897 7992

MFI Contact
Ms. Ho Thi Quy
20 Thuy Khue, Hanoi
+84 4 3728 1070
tymfund@vnn.vn

REF:JS/020710

Rating highlights

- TYM has shown strong profitability over the years with an adjusted ROA (excluding expenses for Social Fund) close to 5% in 2009.
- With PAR 30 less than 0.5% over the years, credit risk remains low as a result of exceptional portfolio
- TYM Fund enjoys a relatively high level of autonomy within the VWU and expects to gain further independence thanks to the upcoming LLC licensing anticipated by the end of the year. Although having politically appointed BOD members remains an inherent governance risk, the liaison with the VWU has been beneficial to TYM Fund's operations.
- Management capacity has significantly increased over the past years thanks to continuous leadership development of the management, headed by an experienced and competent Managing Director (MD).
- The main challenges of TYM will be to strengthen its governance and become regulated under the new law, while taking advantage of strong market potential littered with government distortions.

Outlook

The Stable outlook reflects Planet Rating's opinion that TYM will solidify its governance through expansion of its board of directors and spin off into an LLC. Market distortions place limits on its strong growth potential, however. Expected increase in economies of scale from more intensive growth balances with planned staff salaries increases at market levels, unrealized productivity gains from fully implementing the ASA credit methodology, and further recourse to commercial funding at market rates once licensed.

Performance indicators

USD	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009	Apr. 2010
Assets	3,886,671	4,699,811	5,626,146	10,347,395	11,988,082	13,148,095
Loan portfolio	3,233,844	3,473,841	4,450,730	8,217,170	9,812,577	12,693,750
Active borrowers	20,238	21,355	25,429	33,932	40,157	46,347
Avg. outstanding loan per client	160	163	175	242	244	274
Outstanding deposits	1,528,848	1,895,808	2,071,070	1,991,951	2,421,708	2,684,196
Active savers	21,303	22,479	26,767	34,464	40,431	46,774
Staff	137	145	157	187	231	256
ROE	14.8%	12.0%	11.1%	19.4%	22.3%	25.8%
ROA (without donations)	8.7%	6.7%	5.8%	7.4%	7.8%	9.5%
Liabilities / Equity	0.74x	0.82x	0.97x	2.15x	1.64x	1.77x
Portfolio yield	22.5%	22.9%	22.2%	21.3%	24.9%	22.1%
Operating expense ratio	9.4%	11.9%	12.3%	10.5%	11.7%	10.7%
Funding expense ratio	2.7%	3.1%	3.2%	3.1%	4.1%	1.2%
LLP expense ratio	0.6%	0.0%	0.5%	(0.2%)	0.2%	0.6%
PAR 31-365	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
PAR > 365	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
Write-off ratio	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%

Planet Rating Asia
444 EDSA, 21st floor– Guadalupe Viejo
Makati 1211– Manila – Philippines
t/f:+632 897 7992

A branch of Planet Rating SAS
Société par Actions Simplifiée au capital de 667 000 EUR
Immatriculée sous le n° 483 538 369 R.C.S. Bobigny
rating@planetrating.com www.planetrating.com

Microfinance sector

The traditional market for microfinance services encompasses 24 million poor and low-income people,[1] out of a population of 86 million. From the early 1990's, the microfinance sector in Vietnam has developed with the support of both international NGOs and government initiatives. Operating in a crowded but fragmented market characterized by uneven competition, microfinance institutions (MFIs) fall broadly into three categories:

- ***Formal institutions*** regulated by the Law on Credit Organizations and supervised by the State Bank of Vietnam (SBV) - The Vietnam Bank for Social Policies (VBSP) and the Vietnam Bank for Agriculture and Rural Development (VBARD), both government owned development banks, dominate this sector, with services to an estimated 8 million borrowers and 10 million households (thereof about 50% low income) respectively.[2] In addition, over 1,000 People Credit Funds (PCFs) make up a smaller portion of the formal sector, serving an estimated 1.7 million clients.[3] Together these regulated entities account for over 95% of the country's market share for micro-loans;
- ***Semi-formal organizations*** with broad social agendas and political affiliation – Government programs, specialized microfinance funds related to mass-organizations, and programs of international NGOs fall under this category. The largest ones include CEP Fund, TYM Fund (belonging to the Vietnam Women's Union - VWU), and the VWU itself. While not subject to prudential regulation, this market segment serves an estimated 400,000 borrowers; and
- ***Informal initiatives*** making up the rest of the market – This category includes various types of financial assistance given unofficially, such as aid from family, friends, moneylenders, and traditional structures.

Regulation of the microfinance sector in Vietnam has slowly but gradually improved, yet lacks a clear roadmap to encourage the industry's growth and sustainability under market-led principles. Nonetheless, efforts to formalize the sector continue, in particular with two SBV Decrees over the past four years (Nos. 28 and 165) and a related circular on microfinance. These new regulations allow for licensed and non-licensed MFIs[4]. Some MFIs have already applied for their license. ***Licensed MFIs*** will be able to mobilize and intermediate voluntary savings, require a minimum capital of 5 billion VND (300,000 USD), and must have at least a 25% ownership stake from a local socio-political organization as its largest owner. Foreign ownership cannot exceed 50%. Additional requirements include professional staff (as determined by SBV), a business plan, audited financial statements, and an organizational chart. ***Non-licensed MFIs*** can only mobilize compulsory deposits up to 50% of their equity and will find it difficult – but not impossible – to borrow from international sources. Still, these regulations fail to address such areas as prudential norms and reporting requirements.[5]

Constrained on various fronts, the sector's liberalization faces numerous challenges, most notably from the slow deregulation of interest rates and subsidized lending from the large formal institutions. Financial institutions cannot lend at interest rates which exceed 150% of the prime rate published by the SBV.[6] While semi-formal organizations and regulated MFIs under Decree 28/165 will not be subject to this cap, the predominant market share of formal institutions places an effective ceiling on interest rates for the entire sector. These economic distortions create uneven competition that greatly impedes the development of a healthy and sustainable market-led financial sector for the poor. Nonetheless, recent reforms have begun to introduce market discipline into the sector, most notably efforts at VBSP to professionalize, manage costs, and align interest rates more closely with market signals. In February 2009, the SBV proposed additional changes to the status of semi-formal organizations and has supported the development of a Vietnam Microfinance Association to promote the sector's growth. Established in 2004 to advance the interest of the sector and its members, the Microfinance Working Group plays an important role not only as a network to facilitate information sharing but also as an advocate of favorable legislative initiatives. The group currently counts more than 50 MFIs as members.

In terms of funding, the formal microfinance sector (VBSP, PCF) enjoys the backing of the Vietnamese government, which channels low-cost funds to meet an array of social objectives. Meanwhile, various international NGOs (such as ActionAid, Save the Children, SNV, and Plan International, among others) support the semi-formal sector. Specialized funds, such as CEP and TYM, have received strong support from their founding mass-organizations but have also relied on funds from NGOs and donors such as IFAD, Oxfam America, the Belgium Cooperation, and AusAID.

[1] Or 5.4 million low-income households. Vietnam Industry Assessment, Banking With The Poor and SEEP Networks, August 2008.

[2] According to the MixMarket (VBSP) and corporate website (VBARD). With broad outreach, VBSP engages in directed-lending at low interest rates, enjoys a tax-exempt status, and is guaranteed by the Government.

[3] As of December 2007. These PCFs began operation in 1993 as savings and credit cooperatives with initial support from CIDA.

[4] So far, three erstwhile semi-formal organizations have applied for this transformation: CEP, TYM Fund, and one of the M7 NGOs. Other semi-formal organizations can operate as non-deposit taking MFIs or chose to transform to social funds.

[5] See Planet Rating's initial comments on the Vietnam Microfinance Industry Note, December 2007.

[6] At the end of 2008, this prime rate stood at 8.5%, capping the maximum lending rate to 12.8% p.a.

Political & economic environment

Good resilience to the crisis with strong growth expected this year: Economic growth remained satisfactory in 2009 thanks to expansionary monetary and financial policies. But private consumption suffered from the growth of unemployment, the drop in remittances, and the slowdown of FDI. Net export made a positive contribution to economic growth, however, with imports contracting more than exports. On the supply side, while agriculture achieved stable performance, manufacturing, services, and construction suffered slowdowns. Besides, oil production increased sharply thanks to the good performance of new fields. Finally, inflation eased in a context of a decline in raw material prices compared to 2008 and less dynamic domestic demand. However; in the 2009 fourth quarter, the upward pressure on prices increased and the Central Bank raised its key rate by one basis point in November.

Economic growth could accelerate in 2010, buoyed by a rebound of investment and private consumption thanks to the expected decline in unemployment and growth of incomes. Inflation could rise again as a result of the excess liquidity generated by the interest rate reductions and the expected increase in raw material prices. The tightening of monetary policy could thus be accentuated in 2010. In this context, Coface monitoring records of corporate payment behaviour are expected to remain stable. There are nonetheless persistent deficiencies in terms of financial data transparency and claim collection.

Weak financial position: After increasing sharply in 2009 as a result of the economic slowdown and the stimulus plan, the fiscal deficit will likely remain substantial in 2010. The public debt will likely grow and half of it is denominated in foreign currency, which makes it vulnerable to exchange rate risk. Sovereign default risk increases in consequence.

The current account deficit is moreover expected to remain high in 2010 with only 50% covered by FDI. Vietnam will thus remain very dependent on financial markets. The high volatility of portfolio investments that developed in the wake of the Lehman Brothers bankruptcy will likely remain limited in 2010. And loans from the Asian Development Bank and the World Bank are expected. However, the low level of foreign exchange reserves makes the country very vulnerable to sudden capital flight.

In this context, exchange risk has tended to grow. In 2009, dong was subject to downward pressures. Government authorities thus increased the dong fluctuation band several times (plus or minus 5% as of March 2009) and devalued the currency four times: in June 2008 (by 2.4%), in December 2008 (by 3%), in November 2009 (by 5%) and in February 2010 (by 3,3%). Moreover, the authorities decided in November 2009 to reduce the dong fluctuation band in order to anchor exchange-rate anticipations. On the black-market, however, the dong is still traded far below official parity. Government authorities could thus devalue the dong again in 2010. Vietnamese banks are very vulnerable to exchange rate risk as a result of their extensive dollarization. They have been weakened moreover by a high rate of non-performing loans and a lack of transparency and oversight, notwithstanding recent progress including an increased openness to foreigners and initial privatization of state banks.

Strengths

- The economy benefits from a quality and low-wage workforce attractive to foreign investors
- Solid agricultural and natural resources development potential
- Successful development strategy based on strengthening the tertiary sector, opening and diversifying the economy

Weaknesses

- Specialisation of the country too focused on price competitiveness and low value-added products
- Persistent deficiencies in the business environment
- Lack of infrastructures
- Public sector reform unfinished
- Growing inequality

COFACE Country Rating – B: Political and economic uncertainties and an occasionally difficult business environment can affect corporate payment behavior. Corporate default probability is appreciable.

COFACE Business Climate Rating – C: The business environment is difficult. Corporate financial information is often unavailable and when available often unreliable. Debt collection is unpredictable. The institutional framework has many troublesome weaknesses. Intercompany transactions run major risks in this difficult environment.

	2007	2008	2009 (3)	2010 (3)
Economic growth (%)	8.5	6.2	5.3	6.2
Public sector balance (%GDP)	-5.3	-4.7	-8.2	-6.5
Current account balance (%GDP)	-9.8	-11.9	-9.7	-9.4
Foreign debt (%GDP)	33.3	29.7	31.9	32.0
Foreign currency reserves (in months of imports)	3.6	3.2	3.5	3.1

Source: COFACE's Country Risk Rating Guidebook 2010. (e) estimate, (f) forecasts. Disclosure Statement: Data is provided with authorization from COFACE - a shareholder of Planet Rating.

Institutional presentation

Legal form, supervision and audit

Founded in 1992 by the VWU, TYM Fund [7] initially operated as a project before transforming into an official department in 1998. In 2006 TYM became a separate legal entity as an Income Generating Unit (IGU) under the VWU. As IGU, TYM is subject to the supervision and control of the Central VWU as well as to regular audits by the Ministry of Finance, At present TYM remains unregulated but has submitted its application to become licensed as a microfinance institution by the SBV. The regulation requires TYM to transform to a limited liability company (LLC). For the years under review, PNT International Auditing Co.[8]has provided audited financial statements to TYM Fund. At no time have the auditors qualified their opinions. Audited financials follow the calendar year.

Ownership

As an IGU, TYM is part of the VWU. When TYM transforms to an LLC it still will be wholly owned by the VWU, but also be subject to Decree 28/165 on Microfinance and thus enjoy a higher level of autonomy. Prior to 2006 TYM did not have its own Board of Directors (BOD) but was governed by the presidium of the VWU. The current BOD is made up of three individuals: the Vice President of the VWU, the Deputy Head of the Finance and Planning Department of the VWU and the Managing Director of TYM Fund. BOD members are elected for a five year term and are open for reelection. A recently set up Control Committee responsible for Finance and Audit complements the work of the board.

Donations

Since its establishment, TYM Fund has received the majority of its donations from Oxfam America for a total of 1.4 M USD. Most recently TYM has received support from the German Savings Bank Foundation for International Cooperation including a full time resident technical advisor and 200 K USD worth of grants. TYM has also received a grant of over 200 K EUR from Cordaid focused on the strengthening of its micro-insurance activities and the pilot of ASA branches.

Funding composition

As of April 2010, TYM's funding structure was composed for 36% of equity, 20% of deposits and 44% of debt. Debt totaled 96.4 billion VND (5.1 M USD) from various national and international sources. All debt is in local currency except for the funds from Kiva.

Management team

The management team is composed of the MD, three Deputy Directors (Operations, Finance & Planning, and Admin and Personnel), and Head of Internal Audit. A management board is composed of the MD and the Deputy Directors.

- Ms. Ho Thi Quy has been the MD of TYM Fund since January 2006. Prior to this she has held other positions within the VWU and was a Deputy Director with TYM since 2003. She holds a BA in Law and a Certificate in Public Management. Besides having participated in various microfinance trainings she holds a Masters in Microfinance Management from the Southeast Asia Interdisciplinary Development Institute in cooperation with CARD-MRI.

Organization

The head office (HO) of TYM Fund is located in Hanoi and centralizes all back office functions such as credit administration, accounting, IT, HR and audit. Its credit operations are divided in ten areas headed by an Area Manager (AM) who is supported by one to two Area Accountants (AA). Each area has two to four branches headed by a Branch Manager (BM) and comprising three to five Loan Officers (LO) each.[9] Up to April 2010, some branches still had a Branch Manager Assistant (BMA) who also functioned as a cashier. With the transition to the ASA model, the cashier function was transferred to one of the LO on a rotating basis. Loan approval is carried out by the BM and AM where the former can approve loans up to 15 M VND (606 USD) and the AM those above. Loans are disbursed either at the branch or in a central location in town. Repayments are collected by the LO during the group meetings and handed over to the cashier in charge upon return to the branch.

TYM currently uses a computerized MIS called TMS developed by a local IT company (Nghia Hung Ltd.) specifically for TYM. The MIS is integrated with terminals at Area Offices connected to the central database at HO through a VPN. The branches will retain their manual reports, but can receive daily reports generated by the MIS from the Area Office. Consolidation of data at HO level is still pending as well as the reporting modules to be used for management.

Market penetration

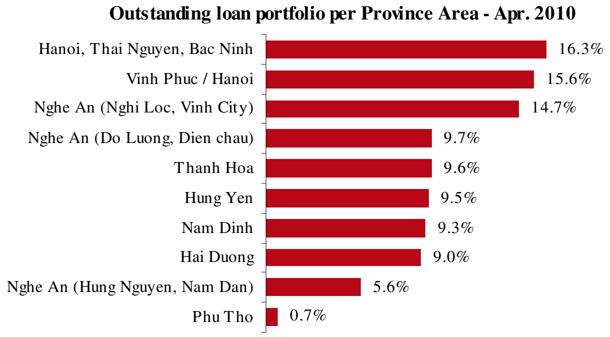
As of April 2010, TYM Fund was active in 10 provinces in Northern Vietnam through a network of 43 branches

[7] TYM Fund is the international name for Quy Tinh Thuong which means *Affection Fund*'.

[8] Up to FY05 TYM was audited by Capital Auditing Consultancy Co.

[9] TYM internally uses the word Technical Officer rather than Loan Officer.

grouped into areas. TYM operates in and around the smaller cities outside of Hanoi, the Red River Delta, and Central Coastal areas. Its main competitors in the region are VBSP, VBARD and PCF.



Products and services

TYM offers three loan products, a voluntary savings product and micro-insurance. [10] The loans are characterized as follows:

- The General Loan can range from 1-25 M VND (530-1.3 K USD) and has a term of 50 weeks. The interest rate is 1.0% flat per month since March 2009 and was the same for many years, with the exception from August 2008 - February 2009, when it was 1.3% because of high inflation. The Effective Interest Rate (EIR) is 23.6% without the cost of savings and 29.2% with savings.
- The Long Term Loan can range from 3-10 M VND (182-606 USD) and has a term of 100 weeks. The interest rate is 1.0% flat per month as of June 2008, or an EIR 23.0% without savings and 25.3% with savings.
- The Multi-Purpose Loan can range from 500 K – 2 M VND (30-121 USD) and can have a term of 10, 15, 20, 25 or 30 weeks. The interest rate is 0.3% flat per week (deducted up front) resulting in an EIR of 31.0% (without savings) and 35.0% (with).

All loans are implemented using a modified ASA approach with centers of around 40 members. After 3 months of repayment of a General Loan, clients are allowed to borrow one additional, simultaneous loan, either the long-term or the multi-purpose loan. All payments are made weekly, although most centers only meet once a month. The guarantee mechanism is through one co-guarantor. TYM is also piloting a Monthly Loan with amounts ranging 7-10 M VND (374 – 534 USD) with terms of six months to two years and monthly repayments of capital and interest

From the moment of joining, TYM members have to make compulsory weekly savings of 5,000 VND (0.26 USD). Starting from the second year, each loan requires that the saving balance be 10% of the loan amount prior to loan disbursement; if the current balance is less, clients have to deposit the difference Both compulsory savings and voluntary savings earn an interest rate of 3.6% per annum. Withdrawals can be made with one week notice.

Micro-insurance in the form of the Mutual Assistance Fund (MAF) is offered to members of TYM for a flat fee of 1 K VND (0.05 USD) per week, plus 0.4% of outstanding loan amounts. The insurance provides life insurance coverage up to 3 M VND (160 USD), loan redemption, and hospitalization (surpassing seven days) assistance up to 1 M VND (53 USD). In preparation of its regulation, TYM has spun-off its micro-insurance activities in a separate project under the VWU. During the first 2 years, TYM members make an additional, refundable capital contribution of 1 K VND, which will form the legal capital when the MAF registers as a Mutual Insurance in future.

Networks

TYM Fund is a member of the Vietnamese Microfinance Working Group where TYM's Deputy Director for Operations Ms. Duong Thi Ngoc Linh is the current President.

▪ Governance

Governance and Decision making is rated **"b"**

Decision making

While under the umbrella of the politically oriented mass-organization VWU, TYM exercises an effective decision making. Historically the support of the VWU has been conducive of the smooth development of TYM. VWU's backing has been very instrumental in TYM's development (e.g., political support during the opening of new branches, free offices reducing operating costs.). Furthermore, TYM's decision making expects to gain further independence thanks to the upcoming LLC licensing anticipated by the end of the year.[11]

However, at present, while the set-up in 2008 of a Control Committee (mandatory under the SBV regulation), has been enhancing the level of governance overall, there is still limited separation between the roles of management and strategic guidance at TYM, as exercised by the BOD. Membership in the BOD remains limited to only three members, with the MD occupying one seat. Nonetheless, the mandate and strategic orientation of the VWU are aligned

[10] Since April 2010, all new loans are based on individual responsibility (ASA).

[11] This license will put the organization under the supervision of the SBV, allow it to diversify its equity basis, and to enlarge its BOD composition to at least five members.

with TYM's plan and mission and are likely to remain this way in the near future.[12]

Board members have appropriate skills in social development, management and finance, but even the BOD Chairwoman recognizes the need to enhance TYM Fund's decision making further by adding expertise in banking and microfinance. The organization continues to explore the possibility of creating an external Advisory Committee as well as expanding the number of BOD members in preparation for the change of legal status.[13]

Board meetings are held frequently and the BOD receives sufficiently detailed information from management to make well informed decisions. Detailing meaningful BOD discussions in the exercise of effective ownership, board minutes are well formalized to allow systematic follow-up of decisions (with responsible tasks and deadlines) and to track their implementation.

Planning

Through its business plan (for 2008-2014), TYM Fund initially outlined a reasonable strategy and plans to open 10 branches per year, with the goal of reaching 135,976 clients and an outstanding loan portfolio of 661 B VND by 2014 , equivalent to an average growth rate of 60% per year for the next four years. In light of its good performance in 2009, TYM Fund revised the plan in March 2010 to the more ambitious goal of opening at least 15 new branches per year, reaching 170,536 clients with an outstanding portfolio of 826 B VND by 2014. This revision was possible thanks to a careful scenario planning analysis included in the business plan in 2008, along with consolidation of systems and processes.[14]

Overall, TYM Funds's business plan is comprehensive, with a good identification and description of planned institutional changes (LLC licensing, MIS customization, staff capacity building, product diversification) and thorough/transparent SWOT analysis. A review of the environmental challenges to meeting strategic objectives could be enhanced, however, by including a deeper analysis of the competition and a detailed assessment of poverty profile per province. Description of key projects per department could be enhanced by detailing specific work plan timelines (with responsible parties to track and monitor progress towards organizational goals).

Coherent financial projections take into account sophisticated assumptions such as staff increases and administrative costs due to branch openings, inflation, costs of savings due to higher emphasis on savings mobilization once licensed, and growth of the outstanding portfolio disaggregated by loan product. Prepared yearly, detailed budgets are closely monitored on a monthly basis at the Area and HO levels through management meetings, with adjustments made quarterly as necessary.

The planning process is participatory with a good mix of input from field staff and control at HO level ensuring full ownership and buy-in of the organization's strategy. Contributing their local knowledge of areas in need for financial inclusion, the BOD of VWU plays a role in the definition of the medium term strategy.

Management team

TYM Fund's management capacity has significantly increased over the past years thanks to continuous leadership development of the management, headed by an experienced and competent MD. The recent appointment of two new Deputy Directors on top of the already existing First Deputy Director help to mitigate potential key person risks. Exposure to extensive trainings (e.g., microfinance, product development, risk management, market research) provide for enhanced leadership capacities. The creation of a finance management position (separated from accounting responsibilities), along with the nomination of an HR manager, have also strengthened overall management capacity.

Monthly management team meetings in addition to management board meetings allow for good communication at the HO level. Formalized management meetings minutes allow for clear follow-up of decisions taken. Promoted through the ranks, middle managers show strong execution and monitoring capacity while also proving their independence and pro-activeness.

Human resource management

Through the leadership of a competent Deputy Director, the HR department runs professionally, with up-to-date and comprehensive manuals. In line with the business plan, the HR team follows an independent HR plan, which includes a recruitment/promotion plan and a training plan with a corresponding budget. Conducted on a frequent basis, staff satisfaction and exit surveys also track staff turn over, which has trended downwards from 8.5% in 2006 to 1.4% at the end of 2009.

TYM Fund continues to apply appropriate recruitment and training policies. Taking into account both written tests and

[12] TYM's BOD Chairman explained to Planet Rating that among all the microfinance programs that the VWU supports, TYM is collectively considered as the most successful one and that in the medium term, VWU plans to transform TYM into a Joint Stock Women's Bank.

[13] This discussion was already pending at the moment of the last rating in September 2008.

[14] Yearly revisions of target are based on a good SWOT analysis, to be done in case this type of growth is reached.

oral interviews, the recruitment process involves both HO and field managers and allows for an efficient identification of appropriate field staff profiles. Initial LO training includes one month of field exposure, six days of class training, and a probationary period lasting six months. On top of the induction training for new hires, TYM Fund has set up a comprehensive training plan. Based on training needs collected though feedback from quarterly staff evaluations, staff capacity building events incorporate a mix of internal and external trainings (e.g., SBFIC, CARD-MRI).[15]

Overall, staff exhibit good morale and loyalty at all levels, in part due to adequate compensation package (in relation to other microfinance providers), a well designed incentive scheme (even though bonuses are only paid every six months), a work environment conducive to teamwork, clearly perceived career path favoring internal promotions, and sufficient communication and feedback of performance.

Information

Information is rated **"b"**

TYM Fund maintains a cost-effective and customized computerized MIS, which nonetheless shows some gaps and inefficiencies in need of streamlining. All Area offices are fully equipped with an integrated portfolio management and accounting system, which allows for the production of reliable information centralized at the HO. Consolidated data at the area level (three to four branches) is automatically produced and accessible from the HO at any point in time. However, monthly portfolio information and financial statements at the HO level still require manual and time consuming consolidation by the Accounting Department.

Field reports are produced by the BM on a weekly basis, some information being generated by the software, others still require manual intervention. TYM is currently working on the design of a module that would allow the automatic production of such reports. Operational reports highlight clients drop out, portfolio information per product, PAR, savings, insurance. Information per LO is known but not summarized in reports. Financial reports provide a breakdown of income statements, balance sheets, and cash flow projections. Overhead costs are not distributed among branches, and each branch is therefore treated as a cost center, preventing a proper financial analysis of their sustainability. Nonetheless, profit center analysis has been conducted in the past during product pricing exercises by the Finance team.

[15] Five MT members already completed a Master in Organizational Development in Microfinance at the Southeast Asia Development Institute (SAIDI), while five new staff are currently registered.

TYM Fund maintains adequate data security. Anti-virus software are installed on all computers and frequently updated. The server is located in a separate – although unlocked – room at the HO. Data back-ups, with off-site storage, take place on a daily basis. A minimum password complexity policy with monthly update is ensured thanks to an automatic message sent by the MIS on every computer at the start of each month. Different levels of data access according to job positions are possible through view-only functions. Paper data at branches and area offices are stored securely in closed cabinets – although unlocked during business hours.

The current MIS does not meet all operational requirements of TYM Fund. Aware of this limitation, the organization severed its IT support contract with Nghia Hung Ltd (after obtaining the source codes). With the help of CARD MIS manager, TYM conducted a thorough and participatory gap analysis listing all the desired MIS enhancements. And after extensive investigation, TYM selected a new local IT provider and is currently finalizing a 23-week IT development/upgrade contract detailing expected improvements and outcomes[16] Internally, TYM Fund MIS officer has sufficient skills and knowledge of the system to conduct basic daily maintenance and to monitor the work of the newly hired IT provider.

Risk Management

Risk Management is rated **"b"**

Procedures and internal controls

TYM Fund has set up comprehensive and efficient operational procedures that help mitigate potential risks. Procedures are formalized, regularly updated, well known by all staff, and thoroughly applied throughout the network. Following the roll-out of the ASA credit methodology to all branches, all operation manuals have been updated and all field staff substantially trained to understand the need for a different risk analysis during loan appraisal.

The organization has instituted adequate internal controls to minimize risks, including (i) separation of incompatible tasks (e.g. loan decision is made by the BM and or the AM while the data entry is under the responsibility of the AA); (ii) checks at different levels (BMs & AMs conduct numerous field and center meetings visits to check the work of the LOs); and staff rotation policy requiring LOs to transfer their portfolios every 1 - 2 years.

[16] e.g. creation of a consolidation module, customization of the products features to fit the new loan products, enhancement of features on members accounts (including social indicators, improvement of filters and search functions, creation of a savings module to track savers only accounts, planning module for loan disbursement, among others).

At the branches, the cashier position currently assigned to LOs on a rotational basis could ideally be a distinct position. However, cash counts and disbursements are strictly supervised by the BM at the branches. Cash collection at center meetings are only conducted by one staff member, even though center leaders and treasurers ensure the transparency of the repayment process. With a zero cash-on-hand policy in branches, all cash must be deposited to the banks on a daily basis. Overall, cash security at the branches and the area offices is sufficiently ensured, particularly with a two person policy to monitor the safes.

Data reliability is also adequately ensured. Multiple levels of checks at the branches and HO mitigate manual mistakes in data entry. Data saved by the AA can no longer be changed. Needed data changes at the Area level requires HO clearance. The MIS has various embedded parameters (e.g., maximum amounts, existing clients, fixed interest rates), which limits potential mistakes when computing loan information. For ASA loans, no MIS function recognizes existing guarantors, however.

Internal audit

The Internal Audit (IA) department has significantly increased the scope and depth of its work and now conducts annual audits of all branches and HO departments.[17] The frequency of audits meets the minimal standard of once per year, and weaker/new branches are subject to a second audit according to a detailed risk mapping analysis. Branch audits rely on a thorough and standardized audit methodology, including file checks and client visits. Field staff are not informed in advance of audit visits. The IA department has greatly contributed to the very good portfolio quality and excellent staff behaviour with almost no incidents of fraud. In addition, IA makes useful suggestions on development of services and procedures.

Besides the operational risks an IA department is also expected to focus on regulatory risk, legal risk, reputation risk, liquidity, and other financial risks, through the creation of a Risk Management unit/department. In order to develop such functions, the capacity of the IA department would need to be strengthened through participation in trainings. The IA manager is currently part of the SAIDI Master Program on Microfinance, which is expected to increase his knowledge of best practices in microfinance risk control. While including findings and recommendations for follow-up, audit reports could be more comprehensive in adding sections on management responses and corrective measures being implemented.

There is sufficient independence of the IA department although inherently limited by the presence of the MD on the BOD. The set up of a control committee, composed of two members of the Finance and Audit Departments of the VWU, has also strengthened the supervisory support function of the IA from a governance perspective. Through monthly meetings and memos on its main findings, the control committee reports to the BOD.[18]

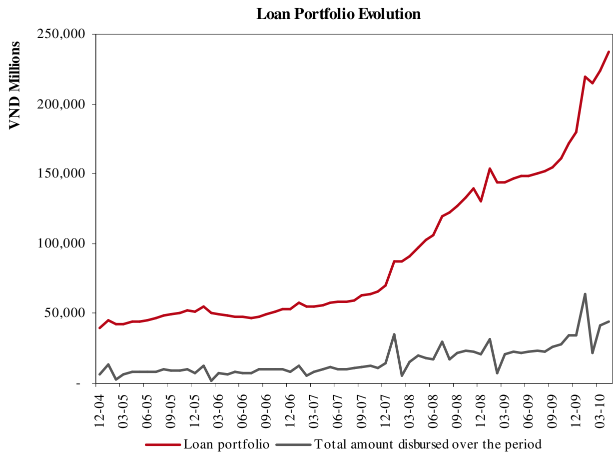
While currently sufficiently staffed, given the speed of expansion of TYM, the recruitment of a fourth internal auditor has been planned before the end of the year. Moreover, basic support has been provided by the external auditors even though TYM is also looking at recruiting a more experienced and well-known international audit firm for next year. Further support can be expected in 2011 from supervisory audits by SBV once TYM becomes licensed.

▪ Activities

Activities: products and services is rated **"a"**

Financial services evolution

In the recent past, the loan portfolio has shown fast evolution, with growth percentages between 31% and 100% with an exception in 2006 (only 4%).[19] As a result of the increase in funding available towards the end of 2007 and into 2008, a significant increase in the portfolio evolution occurred. An increase in the average loan outstanding per client with 38.4% in 2008 (as a result of high inflation), coupled with a surge of 33.4% in active borrowers, fueled this growth.

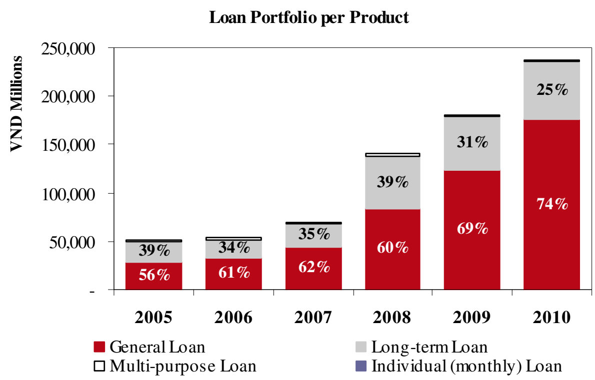


[17] In April 2010, the IA conducted for the first time an audit of the Finance and Accounting Department, the Administration and Personnel Department (including IT) and the Operation and Training Department. This comprehensive audit highlighted instances of non compliance to internal rules and allowed each department head to work on areas for improvement, such as liquidity management, data security, adaptation of operations to the newly adopted ASA methodology, among others.

[18] Ideally, the control committee could also widen its composition by adding a banking and a microfinance experts.

[19] The relatively slow growth is mainly due to the fact that TYM had limited sources of funding.

Over the years, the General loan, which is the main instrument for financing income generating activities, has taken a larger proportion of the loan portfolio, from 56% in 2005 to close to three-fourths in April 2010. This shows the focus of TYM on strengthening the economic life of its members. The lower share of the long-term loan, which can be used for investments and household assets, reflects the fact that many new clients have joined, who are not eligible for this loan yet during their first cycle, as well as the impact of the economic crisis. Meanwhile, the Multi-purpose loan for consumption and emergencies has remained small by comparison, with less than 5% of the total loan portfolio.[20]



The evolution of the savings is characterized by a stable growth pattern. Over the years compulsory savings have made up over 90% of total deposits.

Financial services management

Developed through extensive pilot testing and well thought-out roll-out (via focus group discussions), TYM has transformed its credit methodology from modified Grameen group to ASA individual lending, currently applied for all new loans. With cash flow analysis properly allowing an in-depth analysis of business and household income/expenditures, the loan appraisal (validation) process of the new credit methodolgy has been refined since initial piloting.

TYM employs an effective delinquency management. As a result most late payments are resolved before month end and only very few cases lead to PAR 30. Cross-indebtedness is checked through cross-checks with other MFIs and local officials and included in the repayment capacity analysis. The reasonable repayment threshold (net weekly income > 1.2x weekly repayments) provides a sufficient buffer to ensure good portfolio quality.

Experienced LOs in older branches have adequate knowledge of their clients, which have established good working relationship with them for a long time. Experienced BMs staff the new branches and provide good oversight to recently hired LOs under their supervision. Benefiting from refresher trainings focused on improved business analysis, LOs on the whole possess sufficient skills to implement the new credit methodology. There is good monitoring of the portfolio evolution and adequate supervision of LOs by BMs and AMs.

Credit risk

With PAR 30 less than 0.5% over the years, credit risk remains low as a result of exceptional portfolio. Loan write-offs have similarly been low although the write-off policy does not follow international best practice. Still, PAR 365 remains low at 0.05%. TYM Fund applies a prudent approach to loan rescheduling, which anyhow remains very limited, even with rescheduled loans treated as past due.

Governed by clear and adequate rules, staff loans are kept at a reasonable level (at less than 1% of assets). TYM Fund does not institute a formal policy to limit exposure of the loan portfolio to certain sectors. Nor does it actively monitor outstanding loans by sector. Concentration risk is expected to be relatively low, however, although animal husbandry makes up 26% of loans disbursed.

Credit risk coverage

TYM enjoys high credit risk coverage of over 1000% (PAR 30), a result of low PAR coupled with provisioning of the healthy portfolio at 0.75%.[21] In the Vietnamese context, furthermore, the group guarantee works sufficiently well for existing loans, as well as the guarantors in ASA for all new loans.

▪ Funding and liquidity

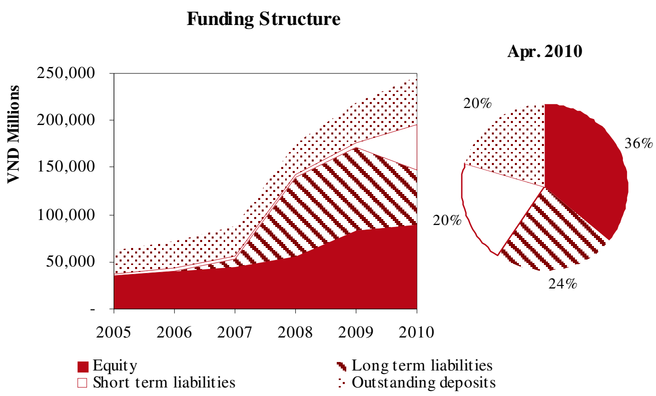
Funding and liquidity is rated **"b"**

Capitalization and funding strategy

With a Core Capital Adequacy Ratio of 36.9%, TYM Fund remains well capitalized (although less than at its peak of 72.7% in 2006). Compliance with minimum capital requirements is ensured for the years to come. TYM Fund still has low leverage (1.77x), allowing sufficient room for additional debt capacity.

[20] It should be noted that on average each client of TYM has two active loans.

[21] It should be noted that the loan loss provision is not sufficiently conservative if portfolio at risk would increase as it only contains a 20% cover for PAR 91-180; 50% for PAR 181-365 and 100% for PAR > 365.



The organization has a balanced funding structure (liabilities, cash collateral, and equity), which also shows increasing diversification from lenders (both domestic and international). Cash flow projections have identified precise funding requirements for the coming years. There is adequate identification of funding needs for the years to come and sufficient funding until the end of 2010 has been contracted or in discussion.[22] Additional funding for 2011 is in the pipeline.

With a dedicated accounting staff in charge of monitoring compliance to loan covenants and required reporting, TYM has strengthened its capacity to manage specifics of funding contracts and reporting. Its communication and growing negotiating skills reflect good relationship management with current and potential fund providers/donors, as evidenced by some loan renewals with less restrictive covenants (e.g. Triple Jump).

Liquidity risk

Asset & Liability Management (ALM) has gradually developed at TYM Fund. The organization monitors ALM (even though not fully following SBV rules), although no minimum or maximum amounts (via quick and current ratios) are set. The likelihood of maturity risk will increase with increasing leverage, even more so when TYM further develops its voluntary savings. Although the short-term nature of assets and longer term nature of liabilities partially mitigate liquidity risks, portfolio assets are subject to seasonality when clients show higher demand (prior to the Tet New Year) for loans and have contributed to low cash position in the first quarter of each year. In terms of maturity matching, both quick ratios (one month) and current ratio (one-year) surpass 200%. Most likely, TYM will have to adopt liquidity guidelines set by SBV once licensed.

[22] For 2010, the organization anticipates needing 81.9 B VND, of which 56.9 M VND have already been secured to fuel its growth. The remaining 25 B VND is expected to come from Oikocredit, Cordaid, or local commercial sources.

Liquidity risk has remained low. The Finance department is well organized and staffed with experienced professionals and a competent Deputy Director for Financing and Planning (recently promoted in early 2010), who together closely monitor TYM Fund's cash position on a weekly basis. Weekly reporting of cash position and cash flow projections (updated quarterly) sufficiently monitor internal liquidity risks at TYM Fund, which also benefits from a policy of keeping 20% of all deposits in cash. Idle cash currently covers about three months of operating expenses, down from a high of 25 months at the end of 2009. Although there are no policies in place to handle situations of cash shortages, TYM Fund expects to have recourse to the VWU in cases of liquidity shortfalls.

Market risk

TYM Fund has limited and decreasing exposure to FX risk, with an open position in USD accounting for 0.7% of its tier 1 capital as of April 2010. TYM Fund has decided not to pursue loan renewals with the source of this risk (Kiva loans), which will completely disappear with final loan repayment in September of this year.

Interest rate risk comes in the form of existing and future Oikocredit loans, subject to SBV refinancing rates every six months. TYM Fund's current open position stands at 29.0% of equity in April 2010 and will increase with expected loan renewals from Oikocredit. Yet, a 100 basis point increase in the SBV's prime rate would only result in a minimal drop of the current ROA by 0.1 percentage points.

▪ Efficiency and Profitability

Efficiency and Profitability is rated **"a"**

Profitability analysis

TYM has shown strong profitability over the years with an adjusted ROA (excluding expenses for Social Fund) close to 5% in 2009.[23] ROE closely follows the same pattern. The yield has remained relatively stable over the years and closely resembles the theoretical yield.

TYM possesses good revenue quality and brand recognition in its areas of operation. The market has ample room for growth, especially with recent changes at VBSP. With solid systems in place and improved capacity at product development, TYM is well positioned to expand quickly.

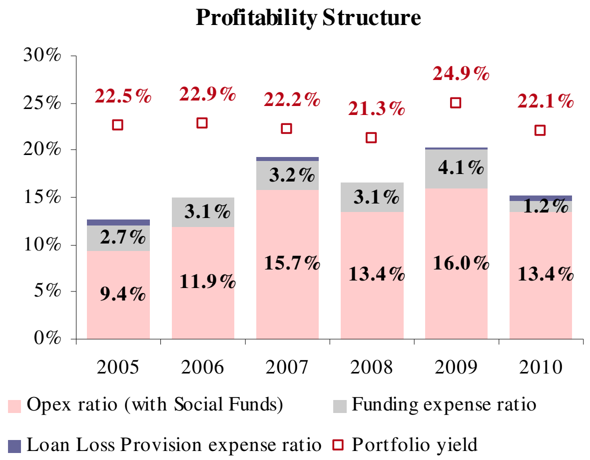
[23] Under Vietnamese accounting rules, from net profit TYM Fund must create various compulsory reserve funds - for social welfare, bonuses, business development, which under international accounting standards would be recognized as expenses. Only the balance after deductions to these funds is transferred to retained earnings. In following international accounting standards, Planet Rating excludes proceeds of these Social Funds from net income and includes them in operating expenses.

However, the market is dominated by the government-subsidized VBSP creating an uneven playing field, particularly with local units of the VWU acting as conduits of various microfinance lending programs (including those for VBSP itself).

At 13.4%, the Opex ratio remains within industry standards for Vietnam, although continued government subsidies of Opex for VBSP distorts overall benchmarks.[24] Average outstanding loans per client gradually increased from 160 USD (in 2005) to 274 USD (April 2010). Meanwhile, LO productivity peaked at 317 (in 2008) and currently stands at 290 clients/TO. The overall decrease is due to the high number of new branches opened and new LO's hired in 2009. In older branches LO's have already achieved TYM Fund's target of 400 members/LO. With the full implementation of the ASA methodology to all branches, productivity gains have been achieved without sacrificing portfolio quality in appropriate loan appraisal.

With better liquidity management in the recent past, resource optimization has greatly improved (to a high of 95.8% in April 2010) from its low of 72.5% in 2006. Expected economies of scale from streamlined operations under revised credit procedures should maintain overall profitability, even with expected increases in Opex (from staff remuneration more in line with market rates and further recourse to commercial funding).

The profitability outlook for TYM Fund is stable. Expected increase in economies of scale from more intensive growth balances with planned staff salaries increases at market levels, unrealized productivity gains from fully implementing the ASA credit methodology, and further recourse to commercial funding at market rates once licensed.

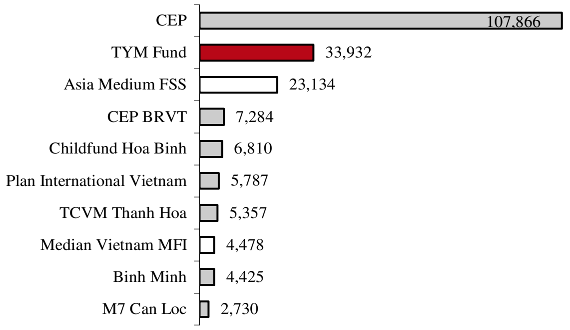


The opinions expressed within this report are valid for one year after the rating mission. Beyond one year, or in case of a major change during this period affecting the institution's performance, that change due to the institution itself or its operating environment, Planet Rating does not guarantee the validity of the opinions contained herein, and recommends that a new rating evaluation be undertaken. Planet Rating cannot be held responsible for investments/financings that are made based on this report.

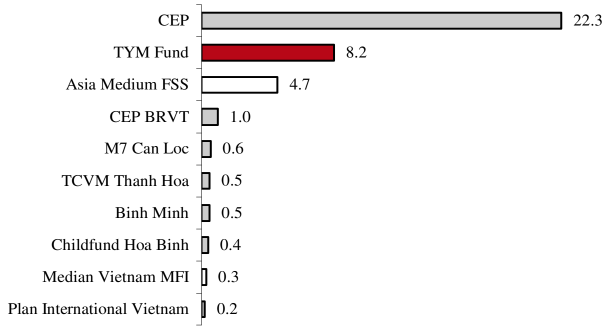
[24] Portion of the operating costs are subsidized by the VWU, in the form of access commune infrastructure for center meetings.

Benchmarking

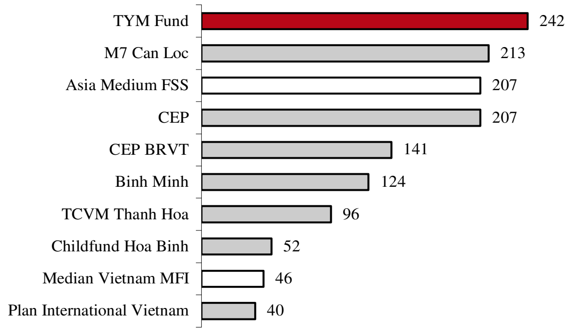
Active borrowers



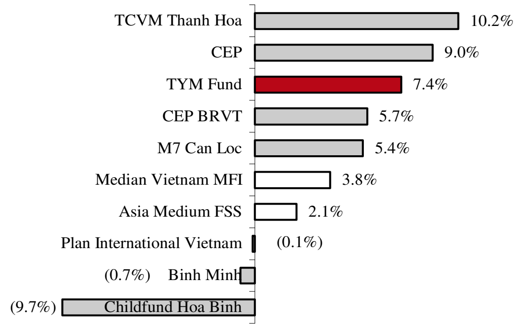
Loan portfolio (M USD)



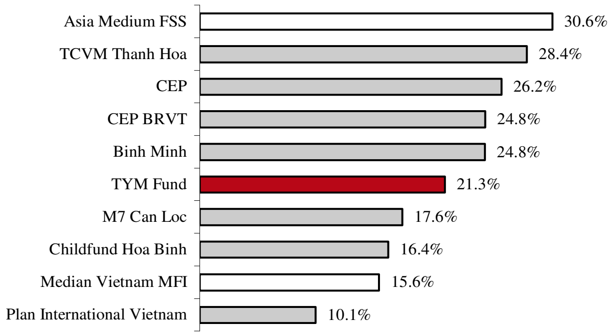
Average outstanding loan per client (USD)



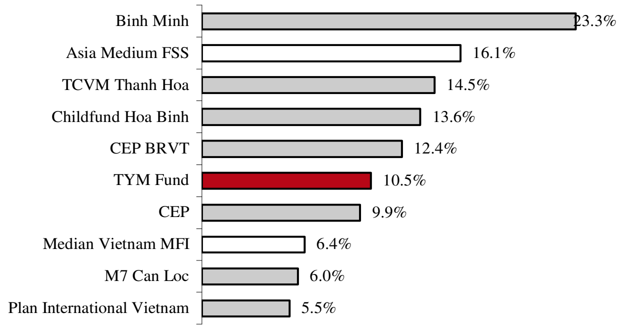
ROA



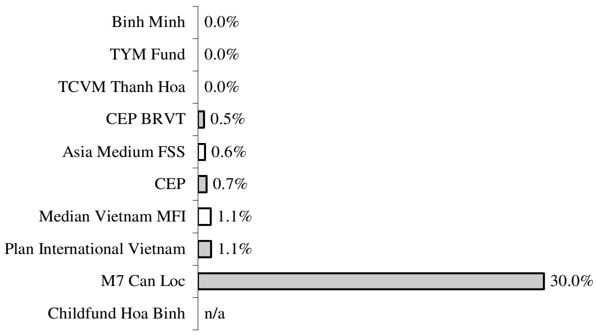
Portfolio yield



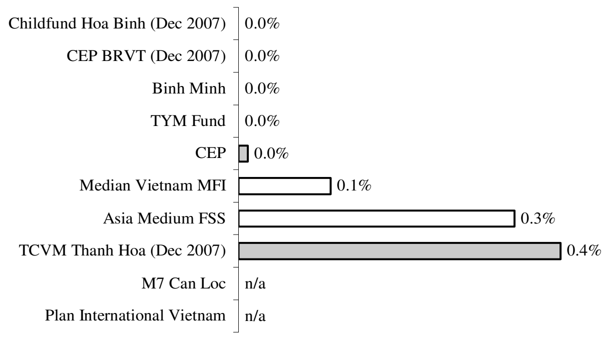
Operating expense ratio



PAR 31-365



Write-off ratio



Source: Planet Rating data as of Dec 08 for TYM Fund and Binh Minh; MixMarket figures for Vietnam MFIs as of Dec 2008, except otherwise indicated; MIX peer group: Asia Medium FSS (2 M USD < GLP < 8 M USD; Financial Self-sufficiency >100%; Median values for MFIs in 2008). Vietnam Median MFI as of Dec 2008.
Note: TYM Fund's peer group in Vietnam include: Binh Minh, CEP (Capital Aid Fund for Employment of the Poor), CEP BRVT (CEP Ba Ria - vung Tau), Childfund Hoa Binh, M7 Can Loc, Plan International Vietnam, and TCVM Thanh Hoa (Microfinance Program in Thanh Hoa Province).

▪ Performance indicators

Data in USD, unless otherwise stated

Loan Portfolio	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009	Apr. 2010
Loan portfolio evolution		1.8%	7.6%	38.4%	0.9%	12.1%
Loan portfolio	3,233,844	3,473,841	4,450,730	8,217,170	9,812,577	12,693,750
Loan portfolio (‘000 VND)	51,418,123	53,462,418	70,036,680	140,184,921	180,030,371	237,710,786
Growth	31.1%	4.0%	31.0%	100.2%	28.4%	32.0%
Active borrowers	20,238	21,355	25,429	33,932	40,157	46,347
Growth	6.9%	5.5%	19.1%	33.4%	18.3%	15.4%
Average outstanding loan per client	160	163	175	242	244	274
% of GDP per capita	25.2%	21.7%	20.6%	24.1%	22.3%	23.0%
Average amount disbursed per loan	207	199	188	256	294	403
% of GDP per capita	32.6%	26.6%	22.1%	25.5%	26.9%	33.8%
Portfolio quality						
Rescheduled loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PAR 31-365	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
PAR > 365	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
Write-off ratio	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Credit risk coverage						
Risk coverage ratio (PAR 30)	20,224.8%	1,501.4%	1,568.9%	1,879.3%	2,165.0%	3,511.3%
PAR 30 net of loan loss provision / Equity	(2.9%)	(2.4%)	(2.7%)	(1.9%)	(1.6%)	(2.0%)
Savings	**Dec. 2005**	**Dec. 2006**	**Dec. 2007**	**Dec. 2008**	**Dec. 2009**	**Apr. 2010**
Outstanding deposits	1,528,848	1,895,808	2,071,070	1,991,951	2,421,708	2,684,196
Outstanding deposits (‘000 VND)	24,308,682	29,176,487	32,590,355	33,982,680	44,430,838	50,265,864
Growth	35.4%	20.0%	11.7%	4.3%	30.7%	13.1%
Voluntary savings (%)	6.4%	6.8%	6.4%	4.4%	6.3%	8.1%
Cash collateral (%)	93.6%	93.2%	93.6%	95.6%	93.7%	91.9%
Active savers	21,303	22,479	26,767	34,464	40,431	46,774
Growth	6.9%	5.5%	19.1%	28.8%	17.3%	15.7%
Average outstanding deposit per saver	72	84	77	58	60	57
Voluntary savings	51	39	45	29	20	18
Cash collateral	67	79	72	55	56	53
Staff	**Dec. 2005**	**Dec. 2006**	**Dec. 2007**	**Dec. 2008**	**Dec. 2009**	**Apr. 2010**
Total number of staff	137	145	157	187	231	256
% Credit officers	51.8%	54.5%	51.6%	57.2%	60.6%	62.5%
Turnover	4.5%	8.5%	7.3%	4.7%	1.4%	0.8%
Profitability analysis	**Dec. 2005**	**Dec. 2006**	**Dec. 2007**	**Dec. 2008**	**Dec. 2009**	**Apr. 2010**
ROE	14.8%	12.0%	11.1%	19.4%	22.3%	25.8%
Liabilities / Equity	0.74x	0.82x	0.97x	2.15x	1.64x	1.77x
Core capital adequacy ratio	69.4%	72.7%	62.3%	38.6%	44.9%	36.9%
Total capital adequacy ratio	69.4%	74.3%	63.5%	39.5%	45.7%	37.0%
ROA	8.7%	6.7%	5.8%	7.4%	7.8%	9.5%
ROA (without donations)	8.7%	6.7%	5.8%	7.4%	7.8%	9.5%
ROA (microfinance operations)	8.7%	6.7%	5.8%	7.4%	7.8%	9.5%
ROA (less deductions for Social Funds)	8.7%	6.7%	3.3%	5.0%	4.5%	2.3%
Profitability structure						
Total revenue ratio	23.1%	24.0%	23.8%	22.4%	26.2%	22.7%
Portfolio yield	22.5%	22.9%	22.2%	21.3%	24.9%	22.1%
Operating expense ratio (with Social Fund)	9.4%	11.9%	15.7%	13.4%	16.0%	13.4%
Cost per borrower	14	18	18	20	24	27
Staff productivity	148	147	162	181	174	181
Loan officer productivity	285	270	314	317	287	290
Average outstanding loan per client (USD)	160	163	175	242	244	274
Funding expense ratio	2.7%	3.1%	3.2%	3.1%	4.1%	1.2%
Cost of savings	5.8%	5.8%	5.8%	3.6%	3.6%	3.5%
Cost of borrowings	n/a	n/a	2.7%	5.0%	6.1%	0.7%
Loan Loss Provision expense ratio	0.6%	0.0%	0.5%	(0.2%)	0.2%	0.6%
PAR 31-365	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Write-off ratio	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Resource optimization						
Outstanding Loan Portfolio / Assets	81.5%	72.5%	77.6%	78.8%	81.2%	95.8%
Revenue from investment as a % of financial revenues	2.4%	4.8%	6.8%	2.4%	3.3%	1.4%
Liquidity						
Cash to demand deposits	677.8%	954.2%	864.1%	2,327.7%	1,364.3%	149.8%
Liquidity / Total assets (LAR)	17.0%	26.2%	20.2%	19.8%	17.2%	2.5%
Current ratio (1 year)	234.3%	219.9%	242.6%	471.1%	447.7%	247.4%
Exchange rate 1 USD= xx VND	**15,900.0**	**15,390.0**	**15,736.0**	**17,060.0**	**18,346.9**	**18,726.6**

Financial statements – VND

Income Statement (VND Millions)	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009	Apr. 2010
Interest and fee income on loan portfolio	10,417	11,424	13,145	23,272	37,976	15,959
Interest and fee income on investments	257	575	959	578	1,313	229
Interest and other financial expenses	1,232	1,552	1,876	3,443	6,252	845
Net inflation adjustment expense	-	-	-	-	-	-
Net foreign exchange income (expense)	-	-	-	-	-	-
Net financial income	**9,442**	**10,447**	**12,228**	**20,408**	**33,037**	**15,343**
Fees and commissions on other financial services	-	-	-	-	-	-
Other operating income	5	6	4	669	607	219
Operating expenses	4,366	5,941	7,271	11,515	17,820	7,734
Personnel expenses	*2,178*	*3,578*	*4,390*	*7,406*	*11,291*	*5,411*
Administrative and other expenses	*2,054*	*2,014*	*2,538*	*3,763*	*5,661*	*2,323*
Depreciation	*134*	*349*	*342*	*345*	*868*	-
Non operating income (net)	-	-	-	-	-	-
Gross operating income	**5,081**	**4,512**	**4,962**	**9,562**	**15,824**	**7,829**
Net loan loss provision expense	266	14	293	(200)	299	441
Net operating income	**4,815**	**4,498**	**4,670**	**9,762**	**15,525**	**7,388**
Extraordinary income (net)	-	-	-	-	-	-
Net income before tax	**4,815**	**4,498**	**4,670**	**9,762**	**15,525**	**7,388**
Income Tax	-	-	-	-	-	-
Net income before donations	**4,815**	**4,498**	**4,670**	**9,762**	**15,525**	**7,388**
Donations	-	-	-	-	-	-
Net Income	**4,815**	**4,498**	**4,670**	**9,762**	**15,525**	**7,388**
less Deductions for Social Funds	*4,815*	*4,498*	*2,635*	*6,640*	*8,941*	*5,455*

Balance Sheet (VND Millions)	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009	Apr. 2010
ASSETS	**61,798**	**72,330**	**88,533**	**176,527**	**219,944**	**246,219**
Liquid assets	10,492	18,954	17,913	34,891	37,903	6,077
Net loan portfolio	50,378	52,440	68,722	139,086	178,632	235,872
Gross loan portfolio	*51,418*	*53,462*	*70,037*	*140,185*	*180,030*	*237,711*
(Loan loss reserve)	*1,040*	*1,022*	*1,315*	*1,099*	*1,398*	*1,839*
Interest receivable	-	-	-	-	-	-
Financial investments	-	-	-	-	-	-
Net fixed assets	422	441	1,382	1,322	1,215	1,408
Intangible assets	-	-	-	-	-	-
Other assets	506	494	516	1,227	2,193	2,862
LIABILITIES AND EQUITY	**61,798**	**72,330**	**88,533**	**176,527**	**219,944**	**246,219**
Liabilities	**26,192**	**32,685**	**43,674**	**120,515**	**136,785**	**157,275**
Demand deposits	1,548	1,986	2,073	1,499	2,778	4,057
Time deposits	-	-	-	-	-	-
Cash collateral	22,761	27,190	30,517	32,484	41,653	46,209
Borrowings	-	-	5,499	76,745	79,495	96,361
Subordinated debt	-	-	-	-	-	-
Other liabilities	1,883	3,509	5,584	9,788	12,859	10,649
Equity	**35,606**	**39,645**	**44,859**	**56,011**	**83,159**	**88,944**
Core capital	35,606	38,790	43,978	54,657	81,732	88,563
Paid-in capital	-	-	-	-	*14,000*	*14,000*
Donated equity	*23,622*	*24,972*	*25,175*	*27,892*	*27,915*	*28,890*
Retained earnings	*11,984*	*13,818*	*18,803*	*26,765*	*39,817*	*45,673*
Other equity accounts	-	854	882	1,355	1,427	381

Off Balance Sheet Accounts	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009	Apr. 2010
Portfolio under management	-	-	-	-	-	-
Written-off loans under collection	-	-	-	-	-	-
Guarantees	-	-	-	-	-	-

Balance Sheet Averages	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009	Apr. 2010
Gross loan portfolio	46,238	49,938	59,219	109,472	152,412	216,731
Assets	55,111	67,064	80,432	132,530	198,235	233,082
Deposits	21,162	26,772	31,074	31,834	37,962	46,698
Borrowings and subordinated debt	-	-	2,749	41,122	78,120	87,928
Equity	32,422	37,625	42,252	50,435	69,585	86,052

Financial statements – USD

Income Statement (USD)	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009	Apr. 2010
Interest and fee income on loan portfolio	655,126	742,285	835,328	1,364,154	2,069,879	852,220
Interest and fee income on investments	16,176	37,360	60,956	33,899	71,563	12,239
Interest and other financial expenses	77,454	100,829	119,189	201,804	340,771	45,123
Net inflation adjustment expense	-	-	-	-	-	-
Net foreign exchange income (expense)	-	-	-	-	-	-
Net financial income	**593,848**	**678,816**	**777,095**	**1,196,250**	**1,800,672**	**819,336**
Fees and commissions on other financial services	-	-	-	-	-	-
Other operating income	288	398	280	39,197	33,094	11,699
Operating expenses	274,588	386,041	462,030	674,970	971,263	412,969
Personnel expenses	*136,952*	*232,509*	*279,006*	*434,125*	*615,406*	*288,935*
Administrative and other expenses	*129,201*	*130,864*	*161,283*	*220,599*	*308,571*	*124,034*
Depreciation	*8,436*	*22,668*	*21,741*	*20,246*	*47,286*	-
Non operating income (net)	-	-	-	-	-	-
Gross operating income	**319,548**	**293,172**	**315,345**	**560,477**	**862,503**	**418,065**
Net loan loss provision expense	16,743	916	18,600	(11,726)	16,298	23,548
Net operating income	**302,805**	**292,256**	**296,745**	**572,203**	**846,206**	**394,517**
Extraordinary income (net)	-	-	-	-	-	-
Net income before tax	**302,805**	**292,256**	**296,745**	**572,203**	**846,206**	**394,517**
Income Tax	-	-	-	-	-	-
Net income before donations	**302,805**	**292,256**	**296,745**	**572,203**	**846,206**	**394,517**
Donations	-	-	-	-	-	-
Net Income	**302,805**	**292,256**	**296,745**	**572,203**	**846,206**	**394,517**
less Deductions for Social Funds	*302,805*	*282,882*	*165,717*	*417,627*	*562,314*	*343,084*

Balance Sheet (USD)	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009	Apr. 2010
ASSETS	**3,886,671**	**4,699,811**	**5,626,146**	**10,347,395**	**11,988,082**	**13,148,095**
Liquid assets	659,865	1,231,590	1,138,362	2,045,222	2,065,922	324,527
Net loan portfolio	3,168,440	3,407,418	4,367,167	8,152,739	9,736,368	12,595,539
Gross loan portfolio	*3,233,844*	*3,473,841*	*4,450,730*	*8,217,170*	*9,812,577*	*12,693,750*
(Loan loss reserve)	*65,404*	*66,423*	*83,562*	*64,431*	*76,209*	*98,212*
Interest receivable	-	-	-	-	-	-
Financial investments	-	-	-	-	-	-
Net fixed assets	26,532	28,684	87,801	77,518	66,249	75,190
Intangible assets	-	-	-	-	-	-
Other assets	31,834	32,118	32,816	71,917	119,544	152,839
LIABILITIES AND EQUITY	**3,886,671**	**4,699,811**	**5,626,146**	**10,347,395**	**11,988,082**	**13,148,095**
Liabilities	**1,647,300**	**2,123,801**	**2,775,397**	**7,064,201**	**7,455,474**	**8,398,502**
Demand deposits	97,351	129,069	131,738	87,863	151,426	216,625
Time deposits	-	-	-	-	-	-
Cash collateral	1,431,497	1,766,739	1,939,332	1,904,088	2,270,282	2,467,570
Borrowings	-	-	349,449	4,498,507	4,332,900	5,145,668
Subordinated debt	-	-	-	-	-	-
Other liabilities	118,452	227,993	354,878	573,743	700,866	568,639
Equity	**2,239,371**	**2,576,010**	**2,850,749**	**3,283,194**	**4,532,608**	**4,749,593**
Core capital	2,239,371	2,520,491	2,794,728	3,203,789	4,454,826	4,729,272
Paid-in capital	-	-	-	-	*763,072*	*747,600*
Donated equity	*1,485,655*	*1,622,605*	*1,599,830*	*1,634,932*	*1,521,537*	*1,542,726*
Retained earnings	*753,716*	*897,886*	*1,194,898*	*1,568,857*	*2,170,218*	*2,438,947*
Other equity accounts	-	55,519	56,021	79,405	77,782	20,321

Off Balance Sheet Accounts	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009	Apr. 2010
Portfolio under management	-	-	-	-	-	-
Written-off loans under collection	-	-	-	-	-	-
Guarantees	-	-	-	-	-	-

Balance Sheet Averages	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009	Apr. 2010
Gross loan portfolio	2,908,021	3,244,838	3,763,293	6,416,854	8,307,249	11,573,432
Assets	3,466,128	4,357,640	5,111,309	7,768,453	10,804,842	12,446,554
Deposits	1,330,937	1,739,580	1,974,681	1,866,022	2,069,149	2,493,678
Borrowings and subordinated debt	-	-	174,724	2,410,418	4,257,935	4,695,357
Equity	2,039,096	2,444,795	2,685,059	2,956,351	3,792,755	4,595,149

Formulas

Return on assets (ROA):	Net operating income / Average assets
ROA (without donations):	Net operating income before donations / Average assets
Return on equity (ROE):	Net operating income before donations / Average equity
Leverage:	Liabilities / Equity (end of period)
Capital adequacy ratio:	Capital / Risk weighted assets (end of period)
Total revenue ratio:	Total revenue / Average gross outstanding portfolio
Portfolio yield:	Portfolio revenue / Average gross outstanding portfolio
Operating expense ratio:	Operating expense / Average gross outstanding portfolio
Cost per borrower:	Operating expense / Active borrowers (end of period)
Staff productivity:	Active borrowers / Total personnel (end of period)
Funding expense ratio:	Interest and fees paid on funding liabilities / Average gross outstanding portfolio
Cost of savings:	Interest and fees paid on deposits / Average deposits
Cost of borrowings:	Interest and fees paid on borrowings / Average borrowings
Loan loss provision expense ratio:	Net loan loss provision expense / Average gross outstanding portfolio
Write-off ratio:	Loans written off / Average gross outstanding portfolio
Risk coverage ratio:	Loan loss reserve / Portfolio at risk > 30 days
Cash to demand deposits:	Instantly available liquid assets / Demand deposits (end of period)
Current ratio (1 year):	Short term assets / Short term liabilities (end of period)

Rating scale

Rating	Rating summary	
A++	Current institutional, operational and financial performances are optimal. There is no downside risk in the short-term. Medium and long-term plans are well-designed, execution capacity is excellent and goals are very likely to be achieved. Short and medium term risks are minimal and/or well-managed. Long-term risks are adequately monitored and anticipated. Changes in the economic, political or social environment should only minimally affect the institution's financial condition given its high resilience.	INVESTMENT GRADE
A+ A A-	Current institutional, operational and financial performances are excellent when compared to industry standards. Medium and long-term plans are well-designed, execution capacity is very good, and goals are very likely to be achieved. Short and medium term risks are minimal and/or well managed. Long-term risks are adequately monitored and anticipated. Changes in the economic, political or social environment should have a limited impact on the institution's financial condition given its ability to quickly adjust its strategies and/or take corrective actions.	INVESTMENT GRADE
B++ B+ B	Current institutional, operational and financial performances are satisfactory when compared to industry standards. Medium and/or long-term plans are adequately designed, execution capacity is good and goals are likely to be achieved. Short and medium term risks are low and/or well managed. Areas for improvements have been identified and are being addressed. Changes in the economic, political or social environment might have an impact on the institution's financial condition that should however remain moderate.	INVESTMENT GRADE
B-	Current institutional, operational and financial performances are close to industry standards. Short and medium term risks are moderate but are not fully addressed. Most areas for improvements have been identified, but medium and long term plans miss one or several critical elements, execution capacity is uneven and some goals are unlikely to be achieved. The institution is vulnerable to major changes in the economic, political or social environment.	SPECULATIVE INVESTMENT
C++ C+ C C-	Current institutional, operational and financial performances are below comparable industry standards. Short and medium term risks are moderate-high but are not fully addressed. Most areas for improvements have been identified, but medium and long-term plans miss one or several critical elements, execution capacity is weak and many goals are unlikely to be achieved. Most management processes and systems are in place but need to be refined or updated. The institution is vulnerable to major changes in the economic, political or social environment	SPECULATIVE INVESTMENT
D	**High risk**: Important weaknesses in operational and financial areas result in high institutional vulnerability and potential risk of default. Performance is very poor in several important evaluation areas.	TECHNICAL ASSISTANCE REQUIRED
E	**Immediate risk of default:** Existing operational and/or financial and/or strategic weaknesses create an outstanding risk of default. Performance is very poor in most evaluation areas.	TECHNICAL ASSISTANCE REQUIRED