

## TYM Fund, Vietnam

TYM Fund was founded in 1992 by the Vietnam Women's Union (VWU) as a replication of the Grameen Bank model. In 1998 it became an official department of the VWU before obtaining its own legal entity in 2006 as an income generating unit under the VWU. TYM Fund operates in the peri-urban and rural areas of nine provinces around Hanoi in Northern Vietnam. It offers business and consumption loans, savings and insurance services. As of June 2008 TYM operates through 26 branches and has 31,379 members with an outstanding loan portfolio of 106 billion VND (6.4 M USD).

### GIRAFE Rating

#### Rating

**B**

The GIRAFE methodology has been revised in January 2008. Changes do not affect the meaning of the grade. More info at [www.planetrating.com](http://www.planetrating.com)

#### Outlook

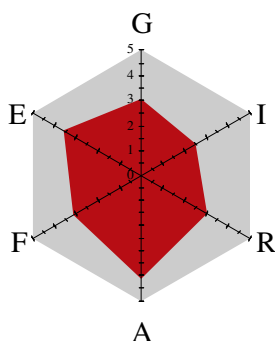
**Positive**

#### Date of the rating

**September 2008**

Valid until August 2009

#### Rating per evaluation area



Governance – Information – Risk –  
Activities – Funding – Efficiency

#### Planet Rating Contact

Otto Wormgoor

[owormgoor@planetrating.com](mailto:owormgoor@planetrating.com)

+33 1 49 21 26 30

#### MFI Contact

Ms. Ho Thi Quy

20 Thuy Khue, Hanoi

+84 4 3728 1070

[tymfund@vnn.vn](mailto:tymfund@vnn.vn)

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#### Rating highlights

- TYM Fund has shown strong profitability with ROA above 5% since 2004; the declining trend is likely to be stabilized as an increase in interest rates and further economies of scale should compensate higher staff and funding costs.
- Low credit risk as a result of excellent portfolio quality with PAR 30 < 0.5% for all years under review.
- TYM Fund enjoys a relatively high level of autonomy within the VWU and the liaison with the VWU has been beneficial in its operations, although having politically appointed BOD members remains an inherent risk for TYM's governance.
- The management team in place demonstrates adequate skills for the current operations of TYM but will need further strengthening with the increasing complexities of the institution as TYM further expands its operations.
- The main challenges of TYM will be to strengthen its governance, become regulated under the new law and source sufficient debt to finance its growth.

#### Outlook

The Positive 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; further operationalize its MIS for reporting to management; and strengthen its internal audit function through the set-up of a control committee.

#### Performance indicators

USD	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Jun. 2008
Assets	2,301,537	3,076,739	3,893,528	4,495,065	5,494,169	6,640,505
Growth	17.8%	34.8%	27.6%	17.0%	22.4%	23.9%
Loan portfolio	2,146,397	2,492,597	3,239,549	3,322,504	4,346,325	6,424,712
Growth	49.2%	17.1%	31.1%	4.0%	31.0%	51.5%
Outstanding deposits	746,100	1,140,544	1,531,545	1,813,218	2,022,487	1,972,885
Growth	37.5%	54.2%	35.4%	20.0%	11.7%	(0.0%)
Active borrowers	17,965	18,924	20,238	21,355	25,429	31,113
Active savers	18,911	19,920	21,303	22,479	26,767	31,379
Staff	130	129	137	145	157	178
ROE	10.8%	14.9%	14.8%	12.0%	11.1%	**22.8%
ROA	3.7%	9.1%	8.7%	6.7%	5.8%	**10.8%
Liabilities / Equity	0.60x	0.66x	0.74x	0.82x	0.97x	1.22x
Portfolio Yield	20.8%	21.5%	22.5%	22.9%	22.2%	20.1%
Operating expense ratio	13.7%	8.9%	9.4%	11.9%	12.3%	**7.8%
PAR 31-365*	n/a	n/a	n/a	0.12%	0.02%	0.02%
PAR > 365*	n/a	n/a	n/a	0.05%	0.10%	0.05%
Write-off ratio	0.00%	0.00%	0.00%	0.06%	0.00%	0.00%

\* Until 2006 no detailed ageing of the portfolio was prepared. PAR 30 was below 0.5% in all years.

\*\* June 2008 financial statements do not include all HR costs (see Information).

## Microfinance sector

The microfinance sector in Vietnam has developed from the early 1990's, supported both by international NGOs and by local authorities. The industry can be divided in three main categories:

- Formal institutions regulated by the Law on Credit Organizations and regulated by the State Bank of Vietnam (SBV). This sector is led by the Vietnam Bank for Social Policies (VBSP) and the Vietnam Bank for Agriculture and Rural Development (VBARD), two development banks owned by the State. Officially, these institutions dominate the sector with an estimated 5.6 and 4.9 million borrowers respectively (Dec. 2007). However, a large part of their portfolio is directed to consumption and the target population is served through government intermediaries with specific selection procedures. A smaller part of the formal sector is composed of around 900 People Credit Funds (PCFs), established in 1993 as savings and credit cooperatives following the model of Développement International Desjardins (DID). Their total number of clients is estimated at 1.2 million as of December 2007.
- Semi-formal organizations that are not subject to financial regulation, like government programs, specialized microfinance funds related to mass-organizations and programs of international NGOs. CEP Fund is by far the largest semi-formal institution, followed by the TYM Fund (belonging to the Vietnam Women's Union - VWU) and the VWU itself (through the Vietnam-Belgium Credit Project). These institutions serve an estimated 285,000 borrowers (Dec. 2007).
- The rest of the market is composed of informal initiatives, including all types of financial assistance given unofficially like aid from family, friends, moneylenders and traditional structures.

Regulation of the Vietnamese microfinance sector has slowly but surely materialized. In March 2005 the Government issued a decree on the organization and operation of microfinance institutions with the support of the Asian Development Bank (ADB), called Decree 28. This decree is amended and supplemented by Decree 165 issued in November 2007. In April 2008 a Circular was issued containing the implementation guidelines. However, several areas such as prudential norms and reporting requirements are yet to be established. A draft for this is set to be released in October 2008 by SBV. MFIs have until December 2008 to submit their application if they wish to become licensed.

The new regulation allows for licensed and non-licensed MFIs. Non-licensed MFIs can only mobilize compulsory deposits which are required to be less than 50% of equity. MFIs that will become licensed require a minimum capital

of 5 billion VND (300,000 USD) and are allowed to mobilize and intermediate voluntary savings. They can either be wholly owned by a Vietnamese socio-political organization or require at least a 25% ownership of such an organization. Total foreign ownership must be less than 50%. Furthermore, MFIs that are not licensed will not be allowed to borrow from international sources.

The formal microfinance sector in Vietnam is mainly supported by public funds. The semi-formal sector is supported by various international NGOs (ActionAid, Save the Children, SNV, Plan International, etc.). Specialized funds, like CEP and TYM, have received massive support from their founding mass-organizations but also from NGOs and donors such as IFAD, Oxfam America, the Belgium Cooperation and AusAID. The Microfinance Working Group, established in 2004, gathers more than 50 MFIs. Its main objectives are to create an information sharing vehicle and to advocate in favor of a suitable legal environment.

The sector still faces numerous challenges such as the informal and political pressures to keep interest rates low, but also the uneven competition generated by large public microfinance providers. The latter is set to change slowly and some initial changes can be noted at VBSP to professionalize and bring interest rates slightly closer to the market levels.

*Sources: Vietnam Microfinance Bulletin, Vietnam Microfinance Working Group, Issue 11, July 2008; Vietnam Industry Assessment, Banking With The Poor and SEEP Networks, August 2008.*

## Political & economic environment

Vietnam has enjoyed growth of over eight percent since 2003 thanks to a development strategy (inspired by the Chinese model) based on trade liberalization and marked by admission to the WTO in January 2007 and a high rate of investment. That economic dynamism has engendered signs of overheating, especially since 2007. With the dong pegged to the dollar and the banking system highly dollarized, the overheating has given rise to increased foreign exchange risk. A major dong depreciation could thus be accompanied by a marked growth slowdown – with a 5.0 percent expansion expected for 2008 down from 8.5 percent in 2007 – and an increase in corporate default risk.

After accelerating to 12.6 percent in 2007, inflation has surged thus far in 2008 reaching 25 percent this May year-on-year. That acceleration is attributable to the rapid expansion of credit (up 54 percent in 2007), rising prices for food and oil (with Vietnam a net oil importer since early 2007). Soaring housing and construction prices, and increases in wages have fuelled the inflationary spiral.

Monetary policy has become tighter with mandatory reserves higher and interest rates increased from 8.0 percent to 14 percent. These measures notwithstanding inflation will likely remain high throughout the year, reaching 18.3 percent.

The current account deficit meanwhile has continued to widen. It represented 9.6 percent of GDP in 2007 and could reach 13.6 percent this year – compared to just 0.4 percent in 2006 – amid strong growth of imports, especially capital goods needed for the many investment projects notably in construction. The widening current account deficit prompted the government to devalue the dong by two percent in June 2008. But foreign exchange risk has nonetheless remained substantial with the dong converted on the black market at rates below official parity with a 7 to 15 percent discount. The forwards market has similarly discounted a 30 percent-depreciation. And the banking system is very sensitive to exchange rate risk as a result of its extensive dollarization with 30 percent of deposits and the appreciable proportion of bank intermediation resulting in dollar-denominated loans.

Vietnam's banking system remains weak in general despite some recent reforms that resulted in a more straightforward opening of the market to foreign banks and privatization of three state-owned banks. Seven state-owned banks controlling 70 percent of total bank assets nonetheless continue to dominate the sector. The high proportion of non-performing loans – one in four – associated with the rapid expansion of credit constitutes a major vulnerability. The lack of transparency and the failure to apply international risk management standards are additional sources of weakness.

The growing risk of a liquidity crisis due to the country's limited foreign exchange reserves will also bear watching. The government's decision to stop publishing information on the banking system and the level of foreign exchange reserves has moreover resulted in a lowering of expectations on Vietnam's financial outlook. Vietnamese risks have thus been sharply downgraded – with Standard and Poor's and Fitch notably reducing the outlook for Vietnam from "stable" to "negative".

As of September 2008 are signs of stabilization. The prospects for the rest of 2008 and 2009 are that the Government will continue to give precedence to curbing inflation over stimulating growth until inflation is reduced to single digits; the central bank will continue strengthening prudential supervision of banks; the Government will further improve timely disclosure of economic data to reduce rumors in financial and commodity markets; there will be no sharp adjustments in the reference exchange rate. The

macroeconomic situation is expected to improve further although anti-inflation measures will further slow growth.<sup>1</sup>

## Assets

- The economy benefits from skilled, low-cost labor that has attracted foreign investors.
- The development strategy adopted, based on liberalizing the economy and expanding the tertiary sector (tourism and financial services), seems to be bearing fruit.
- Participation in ASEAN and admission to the WTO in January 2007 attest to Vietnam's good diplomatic and economic relations with its main partners.
- The poverty rate has declined from 58 percent in 1990 to under 25 percent by 2006.
- The privatization of state-owned banks, the opening up of the banking sector to foreign banks, and the project intended to strengthen the independence of the Central Bank augur well for the financial sector's future development.

## Weaknesses

- Vietnam's specialization is still too focused on price competitiveness and low-end products
- The civil service and legal environment continues to lag far behind the major Asian economies.
- Infrastructure (electricity, roads, railway system and ports) is either dilapidated or underdeveloped.
- Public sector reform remains incomplete with the sector still representing 31 percent of GDP and remaining less dynamic than the private sector.
- Social and geographic inequality has increased, particularly between urban and rural areas.

(USD billions)	2005	2006	2007	2008 (f)
Economic growth (%)	8.4	8.2	8.5	5.0
Inflation (%)	8.8	6.6	12.6	18.3
Public sector balance (%GDP)	-1.2	-0.3	-1.9	-2.2
Exports	32.4	39.8	46.7	55.6
Imports	34.9	42.6	51.7	61.5
Trade balance	-4.3	-5.1	-12.4	-17.7
Current account balance	-0.6	-0.2	-6.7	-11.1
Current account balance (%GDP)	-1.1	-0.4	-9.6	-13.6
Foreign debt (%GDP)	32.2	30.2	30.4	29.5
Debt service (% Exports)	5.2	4.8	5.0	5.2
Foreign currency reserves (in months of imports)	2.5	2.8	4.0	4.0

Source: COFACE's Country Risk Rating Guidebook 2008. (e) estimates (f) forecasts. Disclosure Statement: Data is provided with authorization from COFACE - a shareholder of Planet Rating.

<sup>1</sup> See ADB Asian Development Outlook <http://www.adb.org/Documents/Books/ADO/2008/update/>

COFACE Country Rating: B – Rating watch listed with negative implication since June 2008; 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 the difficult environments.

## Institutional presentation

### Legal form, supervision and audit

Tao Yeu May Fund<sup>2</sup> (TYM) was founded in 1992 by the Vietnam Women's Union (VWU). It initially operated as a project under the VWU before becoming an official department in 1998. In 2006 TYM became a separate legal entity as an Income Generating Unit (IGU) under the VWU. At present TYM is not regulated, but is preparing to submit its application to become licensed as a microfinance institution by the State Bank of Vietnam (SBV). The regulation requires TYM to transform to a limited liability company.

TYM has been audited by Auditing – Tax Consultancy (ATC) of Hanoi for FY03 and FY04. For the past three years TYM has been audited by PNT International Auditing Co.<sup>3</sup> Neither of the auditors have qualified their opinion for the years under review. The financial year of TYM starts on January 1<sup>st</sup> and ends December 31<sup>st</sup>.

### Ownership

As an Income Generating Unit, TYM is part of the Vietnam Women's Union. When TYM transforms to an LLC it will be wholly owned by the VWU. Prior to 2006 TYM did not have an 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 Director for Finance of the VWU and the Managing Director of TYM Fund. BOD members are elected for a five year term and are open for reelection. The BOD does not have any sub-committees. Once regulated TYM will have to set-up a Control Committee responsible for Finance and Audit consisting of at least two external members and the Internal Auditor.

<sup>2</sup> TYM Fund is the international name for Quy Tinh Thuong which means Affection Fund.

<sup>3</sup> For the audit of FY05 the audit company operated under the name Capital Auditing Consultancy.

### Donations

Since inception 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 92 K EUR from Cordaid focused on the strengthening of its micro-insurance activities and the pilot of two ASA branches.

### Funding composition

As of June 2008 TYM's funding structure was composed for 44% of equity, 30% of deposits and 18% of debt. Debt totaled 19.7 billion VND (1.2 M USD) from Cordaid, Triple Jump, Kiva, Habitat for Humanity and private individuals in Vietnam. All debt is in local currency except for the funds from Kiva. In July 2008 TYM Fund contracted an additional 50.7 billion VND (3.1 M USD) in debt from Oikocredit, MCE and Cordaid, all in local currency.

### Management team

The management team is composed of the Managing Director (MD), Deputy Directors for Operations and Finance, Head of Operations, Chief Accountant, Head of Admin and Personnel (including IT) and Head of Internal Audit. A management board is composed of the MD and two Deputy Director's, although the position for Deputy Director of Finance has been vacant since January 2007 and will be filled by the end of 2008 through internal promotion.

- 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 is currently pursuing 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 nine areas headed by an Area Manager (AM) who is supported by 1-2 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.<sup>4</sup> Most, but not all, branches also have a Branch Manager Assistant who also functions as a cashier.

<sup>4</sup> TYM internally uses the word Technical Officer rather than Loan Officer.

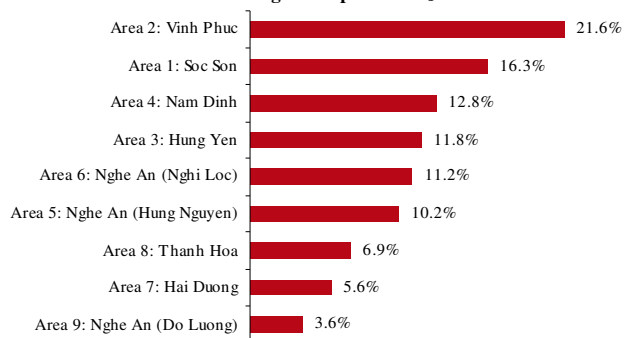
Loan approval is carried out by the BM and AM where the former can approve loans up to 9 M VND (606 USD) and the AM those above. Loans are disbursed either at the branch or in a central location in town. Repayments are collected by the LO during the group meetings and handed over to the Branch Manager Assistant upon return to the Branch.

TYM currently uses a manual and computerized MIS simultaneously as it is in the process to move to the computerized MIS. The MIS called TMS is developed by a local IT company – Nghia Hung Ltd. – specifically for TYM. The final version will be integrated, with terminals at Area Offices connected to the central database at HO through a VPN. The implementation started in the second half of 2007 and is expected to be finalized before the end of 2008. Accounting and operations modules at branch level have been fully implemented. 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 June 2008 TYM Fund is active in 9 provinces in Northern Vietnam through a network of 26 branches grouped in 9 areas. TYM operates in and around the smaller cities outside of Hanoi. Its main competitors in the region are VBSP, VBARD and PCF (cf. Microfinance Sector on page 2). In only two of the districts where TYM is active does it face competition from other MFIs (Binh Minh and World Vision).

Outstanding Loans per Area - June 2008



## Products and services

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

- The General Loan can range from 1-20 M VND (61-1211 USD) and has a term of 50 weeks. The interest rate is 1.3% flat per month as of August 2008, prior to which it was 1.0%. This resulted in an increase in the Effective Interest Rate (EIR) from 23.5% to 30.5%.

- 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, prior to which it was 0.2% per week. This has resulted in an increase in EIR from 19.5% to 23.0%.
- 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%.

All loans are implemented using a modified Grameen approach with groups of five making up a center of around 40 members. Clients were allowed to have three simultaneous loans until August 2008, when TYM reduced this to two loans. All payments are made weekly, although some groups only meet once a month. TYM has piloted the ASA approach in Area 9. The main changes to the loans above are the guarantee mechanism which is no longer through a group guarantee but through one co-guarantor, and in loan appraisal which no longer includes the group approval. Other changes include simplification of forms and procedures.

Starting from the second year, each loan requires 10% compulsory savings to be deposited prior to loan disbursement and another 3,000 VND (0.18 USD) must be deposited weekly. Both compulsory savings and voluntary savings earn an interest rate of 3.6% per annum. Withdrawals can be made with two weeks notice.

Micro-insurance is offered to members of TYM for a flat fee of 1,000 VND (0.06 USD) per week. The insurance covers life insurance (3 M VND; 182 USD), loan redemption and hospitalization assistance. In preparation of its regulation TYM has spun-off its micro-insurance activities in a separate project under the VWU.

## 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

Over the past years TYM has shown an adequately effective decision making process although inherent risks remain as a result of being part of a politically oriented mass-organization. To date its liaison with the Vietnam Women's Union has been more an asset than a disadvantage. It has assisted operations through for example easier access to

political and community leaders or subsidized office rent for some branches. Over the years TYM has gained more independence. Especially since 2006 when TYM became an IGU, which also led to the set-up of its own Board of Directors (BOD). The further change to an LLC and becoming regulated by SBV will give TYM a better legal set-up to fulfill its mission of being a sustainable and professional MFI. However, the risk remains that another BOD chairman or BOD members are appointed with other political and/or financial priorities.

The decision making process is weakened as a result of the limited separation between the roles of management and strategic governance as the size of the BOD is limited to three members of which the MD is one. A plan to expand the size of the BOD to five members, which would partially alleviate this situation, is still pending approval. The set-up of a control committee by the end of 2008, mandatory under the SBV regulation, will likely further enhance the level of governance.

There is a shared strategic vision and mission among the BOD and management team although an area of discussion is likely to revolve around the speed of expansion and commercialization of TYM. The BOD members have appropriate skills in social development and accounting, but lack expertise in microfinance and/or banking and business. Given planned developments, strengthening of the BOD capacity in these areas is urgent. BOD meetings are held sufficiently frequent (quarterly) and the BOD receives sufficient information from management in a timely manner to be able to take informed decisions.

## Planning

TYM has a relevant strategy in place focused on further expansion of the institution, becoming regulated and strengthening of key areas of the institution. The expansion strategy is rather conservative and given the pace of development in Vietnam in general and the expected pace of development in the microfinance sector in the future, current projections could result in a loss of market share for TYM in two to three years from now.

The strategy is detailed in a good business plan (2008-2012) identifying the strategy and key projects to be implemented based on an adequate environmental and SWOT analysis. Implementation of key projects could benefit from a more specific timetable for implementation in the business plan. They are however well captured in detailed annual operational plans. Adequate financial projections are in place, but those presented in the business plan are only multi-year averages of the more detailed underlying yearly projections. The financial projections do not include scenario planning.

The planning process of TYM is participatory with a good mix of input from branch staff and feedback from HO level leading to a good buy in of goals by staff. Detailed budgets are prepared yearly and are monitored sufficiently frequent (monthly) at branch and HO level. Semi-annual updates are made if needed (as in 2008).

## Management team

TYM has a good management team in place, led by a competent Managing Director. The vacancy of the Deputy Director for Finance since January 2007 has not significantly affected operations of TYM. The Head of Departments have adequate capacity for the current operations of TYM but will need further strengthening to keep pace with the planned developments for TYM. Given the present size of TYM and implementation of the MIS, the HR and IT departments should be headed by dedicated managers to be able to manage these departments with the specific expertise they require.

Key person risk within TYM is limited although TYM should take a more proactive approach to succession planning to be adequately prepared for the departure of senior management team members. Monthly management team meetings allow for good communication, review of performance and setting of monthly targets. The management team shows a good track record in terms of execution capacity.

## Human resource management

TYM has an adequate administration of human resources and employs a good strategy for recruitment using both interviews and tests. Furthermore, a good initiation program has been developed for new staff including both on the job training and a 10-day theoretical training at the head office.

A training plan for staff is established yearly as part of the annual plan. Adequate training is provided to staff at branch level both with own funding and supported by donors. There is also support for official training of staff in the form of partial coverage of tuition. Quarterly evaluations are carried out for all staff (with both quantitative and qualitative factors) which is linked to a semi-annual bonus system to adequately steer and motivate staff performance.

There is a strong loyalty of staff to TYM as displayed by the low staff turnover, even though remuneration has been below market levels. Improvements in remuneration have been made since 2006 as TYM gained the independence as an IGU to top-up salaries with bonuses and the addition of other secondary benefits.<sup>5</sup> Only when TYM transforms to an

<sup>5</sup> Both as a department of the VWU and as an IGU under VWU TYM has to adhere to salary levels prescribed by the government.

LLC will it have the full autonomy to offer market rate salaries to ensure fair remuneration levels and ensure that quality staff will remain with TYM.

## ■ Information

Information is rated “c”

The manual MIS has been relatively efficient for TYM Fund but given its growth and upcoming regulation TYM has taken the appropriate step to computerize its MIS. Different forms from TMS (e.g. repayment receipts) have increased efficiencies in the branch operations as well as in branch accounting. When fully operational, efficiencies at HO are expected to be increased as well. The implementation process is nearing completion and is expected to be finalized before the end of 2008.

The internal IT capacity of TYM Fund is limited to monitoring the performance of the system. TYM will remain dependent on the developers of the system for support and changes to the system (e.g. development of new reports).

With the implementation of TMS, data security has greatly improved as compared to the manual system. It is adequately protected by anti-virus software and back-ups are made frequently. The storage of the back-ups is however not secure. Furthermore, a minimum complexity for passwords should be set. Paper data in branches and area offices should be stored more securely (especially loan contracts) as they are at risk of loss or manipulation.

Appropriate information is available on loans and savings from the manual and computerized MIS. Manual information is only available monthly and at branch level. Information per LO is known, but only summarized in reports on a quarterly basis. For TMS the necessary information is available daily per branch. However, key indicators are not all easily accessible without manual intervention (e.g. loan portfolio per LO, ageing of the loan portfolio). TYM will have to better define the exact information it wants to use in managing its credit and savings operations on a day-to-day basis as well as on a more strategic level; and subsequently design efficient monitoring reports to be used by branch and HO staff.

Financial information is available monthly and appropriate indicators are calculated. As a result of the fact that staff bonuses are only paid out semi-annually and comprises around 30% of annual staff costs, monthly financial statements are not fully informed limiting detailed profitability analysis on a monthly basis.

## ■ Risk Management

Risk Management is rated “b”

### Procedures and internal controls

TYM has an appropriate internal control system. The policies and procedures in place contain sufficient internal controls (hierarchical control, limitation of powers, etc.). Separation of tasks is adequate at most levels but some conflicts of interest remain. For example Area Accounts still perform LO functions for some groups without any additional checks in place.<sup>6</sup>

The policies and procedures are well documented in manuals and are updated when needed. The policies are known and sufficiently adhered to by staff. Frequent visits are carried out by HO staff to monitor branch compliance. Performance is well monitored and underperformance is addressed when needed.

Furthermore, there are good controls on data reliability in place (bank reconciliation, reconciliation of accounting and operational data) although small unreconciled differences remain between manual and MIS data. A situation that is likely to remain until the MIS is fully computerized.

### Internal audit

The Internal Audit (IA) function at TYM Fund is not yet fully developed. The IA department is mainly focused on the audit of operational risks at branches. For this a thorough and standardized audit methodology is used and staff capacity is adequate to identify the main operational risks.

However, the scope of the audit does not include the audit of head office processes such as accounting, operations, HR, IT, etc. and at present does not consider other risks such as: liquidity and other financial risks, legal risk, regulatory risk, reputation risk, etc. The IA department would need significant strengthening to be able add the above to the scope of its work.

For branches the frequency of audits meets the minimum standard, but for weaker and new branches additional audits would be ideal. Furthermore, the timing of the branch audits should be made more random.

There is sufficient independence of the IA department although inherently limited by the presence of the MD on the BOD. The required set-up of the control committee is likely to strengthen the supervision and support of the IA function.

<sup>6</sup> In some branches there is no Branch Manager Assistant and the LOs rotate the role of cashier. However, there are sufficient checks by the BM and AM to ensure cash security.

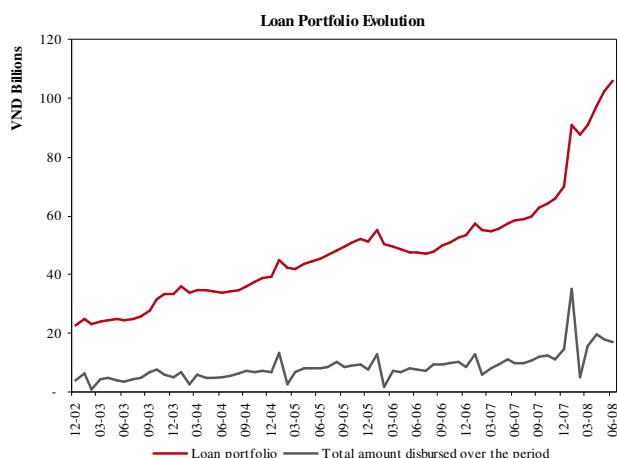
The external auditors have provided basic support to the internal controls and the VWU has also separately audited the expenses of TYM.

## ■ Activities

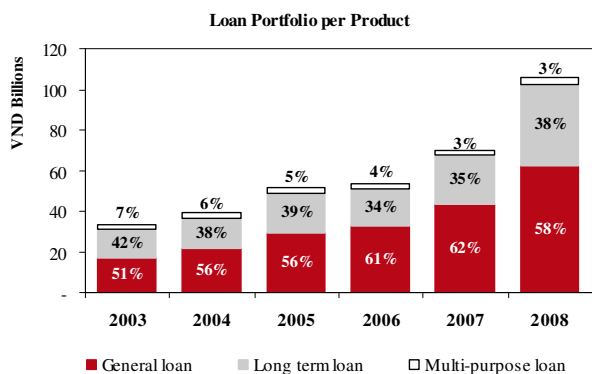
Activities: products and services is rated “a”

### Financial services evolution

The years 2003 to 2007 show a gradual evolution of the loan portfolio with growth percentages between 17% and 31% with an exception in 2006 when growth was only 4.0%. The relatively slow growth is mainly due to the fact that TYM had limited sources of funding. As a result of the increase in funding available towards the end of 2007 and in 2008 a significant increase in the portfolio evolution is noted in the first half of 2008 with a growth of 51.5%. This growth is fueled both by an increase in the average loan outstanding per client with 25% (as a result of high inflation) as well as a growth of 21% in clientele itself.



The portfolio per product has remained stable over the years with roughly a 2 to 1 ratio between the General loan and Long term loan. The Multi-purpose loan has remained small with less than 5% of the total loan portfolio in recent years. It should be noted that on average each client of TYM has two active loans.



The evolution of the savings is equally characterized by a stable growth pattern. Over the years compulsory savings

have made up close to 94% of total deposits. The growth of the loan portfolio in H108 was not matched by the deposits which remained stable.

### Financial services management

TYM has a well designed methodology for the delivery of its credit products through both the modified Grameen and ASA models. The main area that requires enhancement is the loan appraisal. The cash flow analysis is limited and does not allow for a sufficient in-depth analysis of the business and household income and expenditures. Furthermore, BMs do not have sufficient time to accurately verify all loan appraisals according to the policy set by TYM. At present this weak analysis is compensated by strong group cohesion and the fact that LOs have a good knowledge of their clients as they have worked with them for a long time.

The LOs in general have sufficient skills to implement the credit methodology. The main area that needs strengthening is that of business appraisal. There is adequate supervision of the LOs by the BMs, BMAs and AMs.

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.

### Credit risk

The credit risk of TYM Fund is low with an exceptional portfolio quality. PAR 30 stood at 0.07% as of June 2008. Furthermore, TYM has been able to maintain this level over the years as in the past five years PAR 30 did not exceed 0.5%. The write-offs have similarly been low although the write-off policy does not follow international best practice. In the past years only two write-offs have taken place in December 2006 and July 2008 for a total of 46 M VND (2,800 USD). Still, PAR 365 remains low at 0.05%.

TYM Fund applies a conservative approach to rescheduling of loans with the total number of rescheduled loans not exceeding 50 at any given point in time. Connected lending is dealt with in an equally conservative manner as loans to staff are governed by clear and adequate rules and kept at a reasonable level (< 0.5% of assets).

TYM does not monitor concentration risk of its portfolio and it does not have a policy in place to limit exposure of the loan portfolio to specific sectors. Concentration risk is expected to be relatively low. In 2007 the largest concentration in number of disbursements went to animal husbandry with 23% of all loans, although this includes both poultry and cattle.<sup>7</sup>

<sup>7</sup> It was only possible for TYM to identify number of loans disbursed per business sector but not the actual portfolio outstanding per business sector.

## Credit risk coverage

TYM has a high credit risk coverage of over 1,000% of PAR 30. This is as a result of the low PAR 30 combined with the provisioning policy, prescribed by SBV, that includes a provision on the healthy portfolio of 0.75%.<sup>8</sup> Furthermore, TYM is able to effectively utilize both the group guarantee under the modified Grameen methodology as well as the co-guarantors under the ASA methodology.

## ■ Funding and liquidity

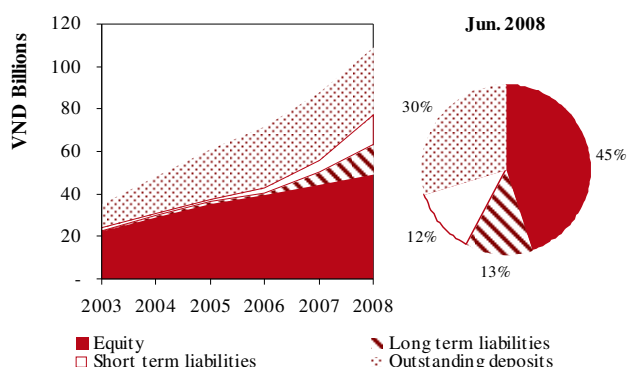
Funding and liquidity is rated “b”

### Capitalization and funding strategy

TYM is more than adequately capitalized with a Capital Adequacy Ratio of 46% as of June 2008. The CAR has steadily decreased since FYE06 when it stood at 74% as a result of an increase in debt funding. TYM can fund its growth in the coming two years through debt and deposits without requiring additional equity investments. The leverage ratio is expected to reach 2.0x by the end of 2008, up from 1.2x as of June 2008.

Within the timeframe of one and a half years TYM has managed to build up a well diversified debt portfolio with beneficial pricing to the institution. Sufficient funding has been contracted to fund the growth for the coming six months and additional funding is under negotiation. TYM has an adequate identification of funding needs for the years to come. However, the finance department will need strengthening to fully understand and fully manage all specifics of the funding contracts and negotiate appropriate covenants and other terms for the institution.

Funding Structure



Based on the average loan size per type of loan it is estimated this comprises 32% of portfolio outstanding.

<sup>8</sup> 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.

## Liquidity risk

Asset & Liability Management is not yet well developed at TYM Fund. Staff capacity is adequate for the current level of operations but will need to be strengthened to be able to manage the increasing complexities in the funding structure. Maturity risk is not monitored by TYM, but currently maturity risk is low. However, the likely hood of maturity risk will increase with increasing leverage, even more so when TYM further develops its voluntary savings.

Liquidity risk has mostly remained low as well. Basic liquidity management is in place but this could be further optimized. A basic rule is in place to keep 20% of all deposits in cash. However, recent developments have seen liquidity levels reduce to 2.1% of assets as of June 2008 down from 20.2% at FYE07. This was as a result of increased demand from clients and later than expected disbursements from investors. The June 2008 liquidity levels were lower as compared to previous periods but they remained adequate covering 3 months worth of operating expenses as well as 15% of voluntary deposits. This was however only possible because TYM was able to attract short term bridging finance of 2.1 M VND (130 K USD) from private individuals in Vietnam. Liquidity positions have been more than adequate and are back up to 9.0% of assets in August 2008.

## Market risk

TYM is exposed to foreign exchange risk as a result of its loans from Kiva. The exposure however remains limited to 11.5% of Tier 1 capital as of June 2008. Furthermore, as no interest is paid on its loan from Kiva this creates a buffer to compensate for potential foreign exchange losses. This would however not be sufficient if there is a stronger devaluation of the VND against the USD (cf. Political & economic environment on page 3).

With the additional loans contracted from Cordaid and Oikocredit, TYM is also exposed to interest rate risk. When both loans are fully disbursed it would constitute an open position of 60-70% of Tier 1 Capital. The Cordaid loan is based on the VINBOR. The Oikocredit loan is based on the SBV prime rate which has seen an increase of 525 basis points since May 2008. This could potentially negatively impact ROA by half a percentage point in 2008 and one percentage point in 2009. The risk is partially mitigated because a sustained high SBV prime rate will allow TYM flexibility to adjust its rates upwards as well.

## ■ Efficiency and Profitability

Efficiency and Profitability is rated “b”

### Profitability analysis

TYM has shown a strong profitability over the years with ROA over 5%, although there has been a steady decline from 9.1% in 2004 to 5.8% in 2007. ROE closely follows the same pattern.

The yield has remained relatively stable over the years and closely resembles the theoretical yield. Only in 2008 a slight yield gap exists. This can be attributed to the fast growth of the portfolio in H108 resulting in a higher percentage of newly disbursed loans in the portfolio earning less interest due to the flat rate interest calculation.

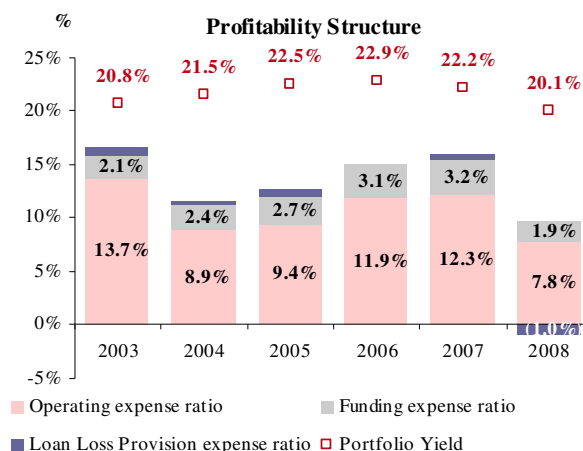
TYM has a moderate revenue quality. On the one hand the market has ample room for growth and TYM is well positioned to expand quickly as it already has solid systems in place. However, the market is dominated by the government-subsidized VBSP creating unfair competition for which only slow and gradual changes are expected. On the other hand, TYM has basic capacity to modify and adapt its current product offering, which it has done when needed. However, TYM has limited capacity to expand the range loan products beyond the Grameen and ASA loans. The fact that many clients have multiple loans suggests that the current credit products are not optimal for the clients.

The downward trend in profitability as noted above is mainly attributed to an increase in expenditures. More specifically the increase is a result of higher salary expenses in an effort to bring them closer to market levels. The operating expense ratio has increased from 8.6% in 2004 to 12.3% in 2007, even when staff productivity and average outstanding loan amount per client have slightly increased. The funding expense ratio and loan loss provision expense ratio have remained stable in the past years. 2008 shows a negative loan loss provision reversal as a result of a change in loan loss provision policy.

TYM is still to define an optimal level for investment of its assets in the loan portfolio. Historically this has been relatively low at 75-80% of assets, with a one time exception at June 2008 when it stood at 96% (see Liquidity Risk above).

The profitability outlook for TYM Fund is stable. The expected increase in economies of scale, a higher investment of its assets into the loan portfolio and the increase in the interest rates – to a composite yield of 27.5% up from 22.5% – will allow TYM to further increase salaries to market levels as well as cover the increase in funding expenses. The latter will not only increase as a result of the increase in debt

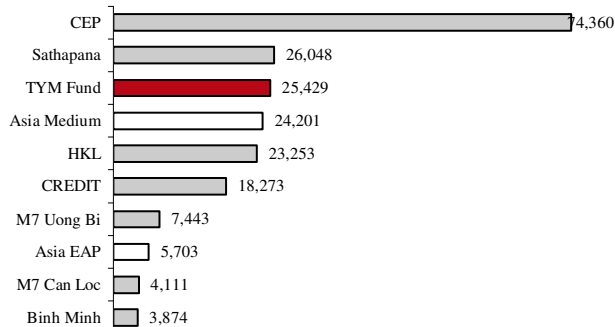
but also because it is not likely for TYM to attract funding at similar concessional rates in the future.



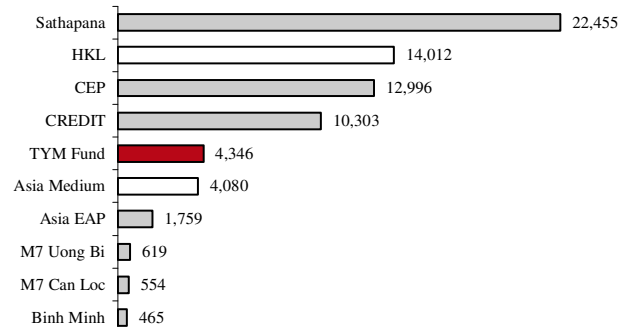
*The opinions expressed within this report are valid for one year after the rating mission. Beyond one year, or in case of a major change during this period affecting the institution's performance, that change due to the institution itself or its operating environment, Planet Rating does not guarantee 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.*

## Benchmarking

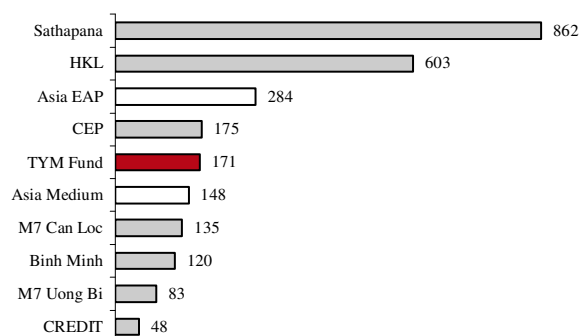
Active borrowers



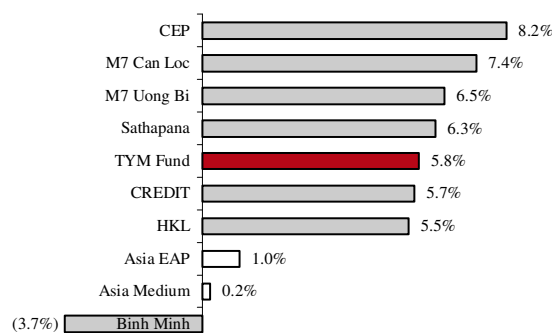
Loan Portfolio ('000 USD)



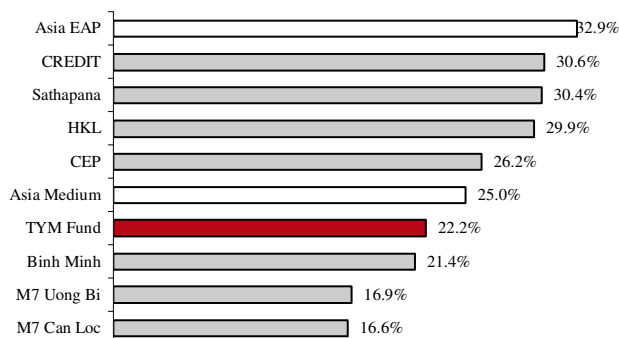
Average outstanding loan per client



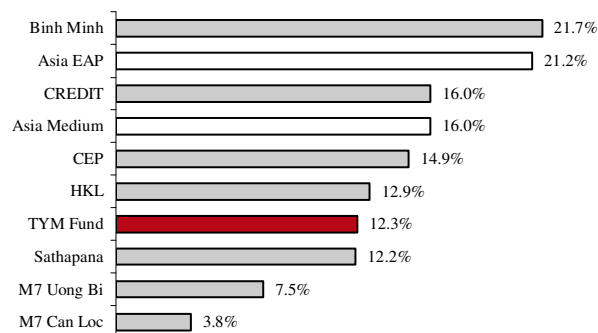
ROA



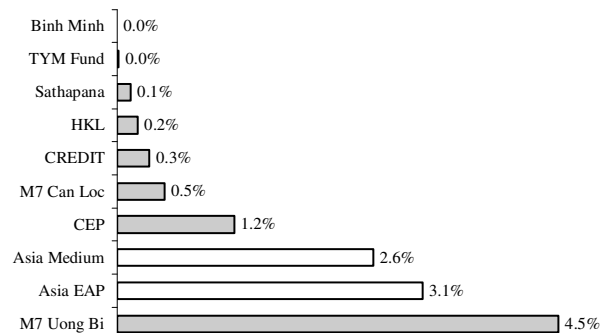
Portfolio Yield



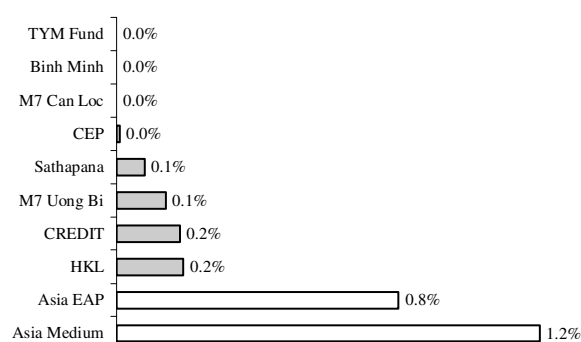
Operating expense ratio



PAR 31-365



Write-off ratio



Source: www.mixmarket.org; Vietnamese MFIs include TYM Fund, CEP, Binh Minh, M7 Uong Bi and M7 Can Loc; Cambodian MFIs include Sathapana, HKL (Hattha Kaksekar Ltd.) and CREDIT; MIX peer groups: Asia Medium (2 M USD < GLP < 8 M USD) and East Asia and Pacific (EAP). All MFI data as of Dec. 2007, MIX Asia Benchmarks are for 2006.

## ■ Performance indicators

Data in USD, unless otherwise stated

	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Jun. 2008
<b>Loan Portfolio</b>						
<b>Loan portfolio evolution</b>						
Loan portfolio	2,146,397	2,492,597	3,239,549	3,322,504	4,346,325	6,424,712
Loan portfolio ('000 VND)	33,500,962	39,230,984	51,418,123	53,462,417	70,036,680	106,097,694
Evolution	49.2%	17.1%	31.1%	4.0%	31.0%	51.5%
Average outstanding loan portfolio	1,686,284	2,246,254	2,913,151	3,103,460	3,675,002	5,625,765
Active borrowers	17,965	18,924	20,238	21,355	25,429	31,113
Evolution	15.8%	5.3%	6.9%	5.5%	19.1%	22.4%
Average outstanding loan per client	119	132	160	156	171	206
% of GDP per capita	24.6%	23.8%	25.2%	21.7%	20.6%	22.2%
Average amount disbursed per loan	104	117	156	144	156	109
% of GDP per capita	21.5%	21.1%	24.6%	20.0%	18.9%	11.7%
<b>Portfolio quality</b>						
Rescheduled loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PAR 31-365*	n/a	n/a	n/a	0.12%	0.02%	0.02%
PAR > 365*	n/a	n/a	n/a	0.05%	0.10%	0.05%
Write-off ratio	0.00%	0.00%	0.00%	0.06%	0.00%	0.00%
<b>Credit risk coverage</b>						
Risk coverage ratio (PAR 30)	1,984.3%	1,038.0%	20,224.8%	1,120.3%	1,568.9%	1,187.7%
PAR 31 net of loan loss provision / Equity	(2.8%)	(2.4%)	(2.9%)	(2.3%)	(2.7%)	(1.6%)
<b>Savings</b>						
Outstanding deposits	746,100	1,140,544	1,531,545	1,813,218	2,022,487	1,972,885
Outstanding deposits ('000 VND)	11,645,127	17,951,026	24,308,683	29,176,486	32,590,355	32,580,231
Evolution	37.5%	54.2%	35.4%	20.0%	11.7%	(0.0%)
Mandatory savings (%)	92.7%	90.3%	93.6%	93.2%	93.6%	93.8%
Voluntary savings (%)	7.3%	9.7%	6.4%	6.8%	6.4%	6.2%
Active savers	18,911	19,920	21,303	22,479	26,767	31,379
Evolution	15.8%	5.3%	6.9%	5.5%	19.1%	17.2%
Average outstanding deposit per saver	39	57	72	81	76	63
Mandatory	37	52	67	75	71	59
Voluntary	n/a	n/a	n/a	n/a	81	44
<b>Staff</b>						
Total number of staff	130	129	137	145	157	178
% Credit officers	55.4%	53.5%	51.8%	52.4%	56.7%	57.3%
Turnover	11.5%	6.2%	4.5%	8.5%	7.3%	2.4%
<b>Profitability analysis</b>						
ROE	10.8%	14.9%	14.8%	12.0%	11.1%	**22.8%
Liabilities / Equity	0.60x	0.66x	0.74x	0.82x	0.97x	1.22x
Capital adequacy ratio	66.9%	74.7%	69.4%	74.3%	63.5%	46.0%
ROA*	3.7%	9.1%	8.7%	6.7%	5.8%	**10.8%
<b>Profitability structure</b>						
Portfolio Yield	20.8%	21.5%	22.5%	22.9%	22.2%	20.1%
Operating expense ratio	13.7%	8.9%	9.4%	11.9%	12.3%	**7.8%
Cost per borrower	13	11	14	17	18	14
Staff productivity	138	147	148	147	162	175
Loan officer productivity	250	274	285	281	286	305
Average outstanding loan per client (USD)	119	132	160	156	171	206
Funding expense ratio	2.1%	2.4%	2.7%	3.1%	3.2%	1.9%
Cost of savings	5.6%	5.7%	5.8%	5.8%	5.8%	3.4%
Cost of liabilities	0.0%	0.0%	0.0%	0.0%	2.7%	4.5%
Loan Loss Provision expense ratio	0.8%	0.3%	0.6%	0.0%	0.5%	(1.0%)
PAR 31-365	n/a	n/a	n/a	0.1%	0.0%	0.0%
Write-off ratio	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
<b>Resource optimization</b>						
Outstanding Loan Portfolio / Assets	91.4%	79.4%	81.5%	72.5%	77.6%	96.0%
Revenue from investment as a % of financial revenues	1.3%	2.5%	2.4%	4.8%	6.8%	0.9%
<b>Liquidity</b>						
Cash to demand deposits	268.6%	529.8%	677.8%	5,727.9%	1,048.0%	114.3%
Liquidity / Total assets (LAR)	6.3%	19.1%	17.0%	26.2%	20.2%	2.1%
<b>Exchange rate 1 USD = xx VND</b>	<b>15,608</b>	<b>15,739</b>	<b>15,872</b>	<b>16,091</b>	<b>16,114</b>	<b>16,514</b>

\* Until 2006 no detailed ageing of the portfolio was prepared. PAR 30 was below 0.5% in all years.

\*\* June 2008 financial statements do not include all HR costs (see Information).

TYM Fund Income Statement	Notes	'000 VND						USD						Evolution		
		Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Jun. 2008	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Jun. 2008	06/05	07/06	08/07
<b>Financial Revenue (a)</b>		<b>5,595,211</b>	<b>7,947,382</b>	<b>10,678,281</b>	<b>12,004,853</b>	<b>14,108,335</b>	<b>9,423,984</b>	<b>358,484</b>	<b>504,948</b>	<b>672,775</b>	<b>746,060</b>	<b>875,533</b>	<b>570,666</b>	<b>12.4%</b>	<b>17.5%</b>	<b>(33.2%)</b>
Financial Revenue from Loan Portfolio		5,478,062	7,617,244	10,416,505	11,423,760	13,144,716	9,336,819	350,978	483,973	656,282	709,947	815,733	565,388	9.7%	15.1%	(29.0%)
Interest on Loan Portfolio		5,478,062	7,617,244	10,416,505	11,423,760	13,144,716	9,336,819	350,978	483,973	656,282	709,947	815,733	565,388	9.7%	15.1%	(29.0%)
Commissions on Loan Portfolio		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Penalty Revenue on Loan Portfolio		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial Revenue from Investments		70,616	198,426	257,198	574,971	959,210	85,137	4,524	12,607	16,205	35,732	59,526	5,155	123.6%	66.8%	(91.1%)
Other Operating Revenue		46,532	131,712	4,578	6,123	4,409	2,028	2,981	8,369	288	381	274	123	33.7%	(28.0%)	(54.0%)
<b>Financial Expense (b)</b>		<b>561,148</b>	<b>844,615</b>	<b>1,231,513</b>	<b>1,551,756</b>	<b>1,875,557</b>	<b>863,035</b>	<b>35,953</b>	<b>53,664</b>	<b>77,590</b>	<b>96,436</b>	<b>116,393</b>	<b>52,261</b>	<b>26.0%</b>	<b>20.9%</b>	<b>(54.0%)</b>
Interest paid on borrowings		-	-	-	11,717	75,274	281,336	-	-	-	728	4,671	17,036	-	542.5%	273.7%
Interest paid on deposits		561,148	844,615	1,231,513	1,540,040	1,800,283	550,023	35,953	53,664	77,590	95,708	111,722	33,306	25.1%	16.9%	(69.4%)
Net Inflation Adjustment Expense		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Financial Expenses		-	-	-	-	-	31,677	-	-	-	-	-	1,918	-	-	-
<b>Financial income [c=a-b]</b>		<b>5,034,063</b>	<b>7,102,767</b>	<b>9,446,768</b>	<b>10,453,097</b>	<b>12,232,778</b>	<b>8,560,949</b>	<b>322,531</b>	<b>451,285</b>	<b>595,184</b>	<b>649,624</b>	<b>759,140</b>	<b>518,406</b>	<b>10.7%</b>	<b>17.0%</b>	<b>(30.0%)</b>
<b>Net Loan Loss provision expense (d)</b>		<b>221,633</b>	<b>108,957</b>	<b>266,789</b>	<b>13,516</b>	<b>292,594</b>	<b>(452,862)</b>	<b>14,200</b>	<b>6,923</b>	<b>16,809</b>	<b>840</b>	<b>18,158</b>	<b>(27,423)</b>	<b>(94.9%)</b>	<b>2,065%</b>	<b>(255%)</b>
Loan loss provision expense and write-off		221,633	108,957	266,789	13,516	292,594	(452,862)	14,200	6,923	16,809	840	18,158	(27,423)	(94.9%)	2,065%	(255%)
Recovery from Loans written off		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Operating expense (e)</b>		<b>3,597,184</b>	<b>3,141,297</b>	<b>4,365,378</b>	<b>5,941,754</b>	<b>7,270,597</b>	<b>3,642,003</b>	<b>230,471</b>	<b>199,587</b>	<b>275,036</b>	<b>369,259</b>	<b>451,198</b>	<b>220,540</b>	<b>36.1%</b>	<b>22.4%</b>	<b>(49.9%)</b>
Personnel Expense (includes fringe)		1,410,565	1,138,472	2,177,535	3,578,310	4,390,436	2,273,845	90,374	72,334	137,193	222,380	272,461	137,692	64.3%	22.7%	(48.2%)
Administrative Expense (non-staff operating expenses)		2,186,619	2,002,825	2,187,843	2,363,445	2,880,162	1,368,158	140,096	127,252	137,843	146,880	178,737	82,848	8.0%	21.9%	(52.5%)
Depreciation and amortization		159,175	143,725	134,131	172,286	144,703	58,176	10,198	9,132	8,451	10,707	8,980	3,523	28.4%	(16.0%)	(59.8%)
Consulting fees		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cooperative		209,675	-	-	-	-	-	13,434	-	-	-	-	-	-	-	-
Stationeries		152,259	239,776	342,612	216,436	173,023	144,482	9,755	15,234	21,586	13,451	10,737	8,749	(36.8%)	(20.1%)	(16.5%)
Travel costs		306,942	329,269	483,672	391,447	561,550	363,086	19,666	20,921	30,473	24,327	34,849	21,987	(19.1%)	43.5%	(35.3%)
Operating and technical assistant cost		418,542	172,760	326,332	257,153	259,006	150,084	26,816	10,977	20,560	15,981	16,073	9,088	(21.2%)	0.7%	(42.1%)
Training cost		222,242	227,624	197,881	101,983	193,147	17,465	14,239	14,462	12,467	6,338	11,986	1,058	(48.5%)	89.4%	(91.0%)
External services and maintenance		246,507	147,556	121,285	176,579	197,412	135,512	15,794	9,375	7,641	10,974	12,251	8,206	45.6%	11.8%	(31.4%)
Others		471,276	742,115	581,930	1,047,561	1,351,321	499,353	30,195	47,151	36,664	65,102	83,860	30,238	80.0%	29.0%	(63.0%)
<b>Net Operating Income Before Taxes and Donations [f=c-d-e]</b>		<b>1,215,247</b>	<b>3,852,513</b>	<b>4,814,601</b>	<b>4,497,826</b>	<b>4,669,587</b>	<b>5,371,808</b>	<b>77,860</b>	<b>244,775</b>	<b>303,339</b>	<b>279,524</b>	<b>289,784</b>	<b>325,288</b>	<b>(6.6%)</b>	<b>3.8%</b>	<b>15.0%</b>
Income Taxes (g)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Operating Income Before Donations [h=f-g]</b>		<b>1,215,247</b>	<b>3,852,513</b>	<b>4,814,601</b>	<b>4,497,826</b>	<b>4,669,587</b>	<b>5,371,808</b>	<b>77,860</b>	<b>244,775</b>	<b>303,339</b>	<b>279,524</b>	<b>289,784</b>	<b>325,288</b>	<b>(6.6%)</b>	<b>3.8%</b>	<b>15.0%</b>
Non Operating Revenue (i)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non Operating Expense (including related taxes) (j)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Income Before Donations [k=h+i-j]</b>		<b>1,215,247</b>	<b>3,852,513</b>	<b>4,814,601</b>	<b>4,497,826</b>	<b>4,669,587</b>	<b>5,371,808</b>	<b>77,860</b>	<b>244,775</b>	<b>303,339</b>	<b>279,524</b>	<b>289,784</b>	<b>325,288</b>	<b>(6.6%)</b>	<b>3.8%</b>	<b>15.0%</b>
Donations (l)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Income (after Taxes and Donations) [m=k+l]</b>		<b>1,215,247</b>	<b>3,852,513</b>	<b>4,814,601</b>	<b>4,497,826</b>	<b>4,669,587</b>	<b>5,371,808</b>	<b>77,860</b>	<b>244,775</b>	<b>303,339</b>	<b>279,524</b>	<b>289,784</b>	<b>325,288</b>	<b>(6.6%)</b>	<b>3.8%</b>	<b>15.0%</b>

GIRAFE Rating – TYM Fund, Vietnam – September, 2008

TYM Fund Balance sheet	Notes	'000 VND						USD						Evolution		
		Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Jun. 2008	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Jun. 2008	06/05	07/06	08/07
<b>ASSETS</b>		<b>35,922,390</b>	<b>48,424,800</b>	<b>61,798,076</b>	<b>72,330,086</b>	<b>88,533,034</b>	<b>109,661,303</b>	<b>2,301,537</b>	<b>3,076,739</b>	<b>3,893,528</b>	<b>4,495,065</b>	<b>5,494,169</b>	<b>6,640,505</b>	<b>17.0%</b>	<b>22.4%</b>	<b>23.9%</b>
<b>Short Term Assets</b>		<b>35,422,791</b>	<b>48,031,658</b>	<b>61,376,221</b>	<b>71,888,639</b>	<b>87,151,404</b>	<b>108,406,033</b>	<b>2,269,528</b>	<b>3,051,760</b>	<b>3,866,949</b>	<b>4,467,630</b>	<b>5,408,428</b>	<b>6,564,493</b>	<b>17.1%</b>	<b>21.2%</b>	<b>24.4%</b>
Cash and Due from Banks		2,270,375	9,270,080	10,491,860	18,954,173	17,913,265	2,323,164	145,462	588,988	661,030	1,177,936	1,111,659	140,678	80.7%	(5.5%)	(87.0%)
Short Term Investments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short Term Net Loan Portfolio	1	32,836,193	38,457,273	50,378,200	52,440,166	68,721,743	105,235,619	2,103,805	2,443,438	3,174,030	3,258,975	4,264,723	6,372,509	4.1%	31.0%	53.1%
Short Term Gross Loan Portfolio		33,500,962	39,230,984	51,418,123	53,462,417	70,036,680	106,097,694	2,146,397	2,492,597	3,239,549	3,322,504	4,346,325	6,424,712	4.0%	31.0%	51.5%
(Loan Loss Reserve)		664,770	773,711	1,039,923	1,022,251	1,314,937	862,075	42,592	49,159	65,519	63,529	81,602	52,203	(1.7%)	28.6%	(34.4%)
Interest Receivable		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
On loan portfolio		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
On investments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable and other assets		316,223	304,305	506,161	494,299	516,396	847,251	20,260	19,334	31,890	30,719	32,046	51,305	(2.3%)	4.5%	64.1%
<b>Long term assets</b>		<b>499,599</b>	<b>393,141</b>	<b>421,855</b>	<b>441,447</b>	<b>1,381,629</b>	<b>1,255,269</b>	<b>32,009</b>	<b>24,979</b>	<b>26,579</b>	<b>27,434</b>	<b>85,741</b>	<b>76,012</b>	<b>4.6%</b>	<b>213%</b>	<b>(9.1%)</b>
Long Term Net Investments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long Term Gross Loan Portfolio		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Fixed Assets		499,599	393,141	421,855	441,447	1,381,629	1,255,269	32,009	24,979	26,579	27,434	85,741	76,012	4.6%	213%	(9.1%)
Other Long Term Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>LIABILITIES AND EQUITY</b>		<b>35,922,390</b>	<b>48,424,800</b>	<b>61,798,076</b>	<b>72,330,086</b>	<b>88,533,034</b>	<b>109,661,303</b>	<b>2,301,537</b>	<b>3,076,739</b>	<b>3,893,528</b>	<b>4,495,065</b>	<b>5,494,169</b>	<b>6,640,505</b>	<b>17.0%</b>	<b>22.4%</b>	<b>23.9%</b>
<b>Liabilities</b>		<b>13,400,826</b>	<b>19,187,551</b>	<b>26,192,074</b>	<b>32,685,293</b>	<b>43,673,648</b>	<b>60,261,675</b>	<b>858,587</b>	<b>1,219,109</b>	<b>1,650,206</b>	<b>2,031,278</b>	<b>2,710,292</b>	<b>3,649,126</b>	<b>24.8%</b>	<b>33.6%</b>	<b>38.0%</b>
Short term liabilities		12,824,686	18,467,637	25,349,545	31,704,440	38,477,461	46,274,444	821,674	1,173,368	1,597,124	1,970,321	2,387,828	2,802,134	25.1%	21.4%	20.3%
Demand Deposits		845,343	1,749,711	1,547,880	330,908	1,709,221	2,031,638	54,161	111,170	97,523	20,565	106,071	123,025	(78.6%)	416.5%	18.9%
Compulsory Deposits		10,799,584	16,201,315	22,760,803	27,190,118	30,517,329	30,543,460	691,926	1,029,374	1,434,022	1,689,772	1,893,839	1,849,550	19.5%	12.2%	0.1%
Short Term Time Deposits		-	-	-	1,655,460	363,805	-	-	-	-	102,881	22,577	-	-	(78.0%)	(100%)
Short Term Borrowings		1,175,598	-	-	-	1,452,919	7,018,115	75,320	-	-	-	90,165	424,980	-	-	383%
Interest payable		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Payable and Other Short Term Liabilities		4,161	516,610	1,040,863	2,527,953	4,434,187	6,681,231	267	32,824	65,579	157,104	275,176	404,580	143%	75.4%	50.7%
Long term liabilities		576,140	719,914	842,529	980,853	5,196,187	13,987,231	36,913	45,741	53,083	60,957	322,464	846,992	16.4%	430%	169%
Long Term Time Deposits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long Term Borrowings		-	-	-	-	4,046,010	12,663,144	-	-	-	-	251,087	766,813	-	-	213%
Other Long Term Liabilities	2	576,140	719,914	842,529	980,853	1,150,177	1,324,087	36,913	45,741	53,083	60,957	71,377	80,180	16.4%	17.3%	15.1%
<b>Equity</b>		<b>22,521,564</b>	<b>29,237,249</b>	<b>35,606,002</b>	<b>39,644,793</b>	<b>44,859,386</b>	<b>49,399,628</b>	<b>1,442,950</b>	<b>1,857,631</b>	<b>2,243,322</b>	<b>2,463,787</b>	<b>2,783,876</b>	<b>2,991,379</b>	<b>11.3%</b>	<b>13.2%</b>	<b>10.1%</b>
<b>Tier 1 Capital</b>		<b>22,521,564</b>	<b>29,237,249</b>	<b>35,606,002</b>	<b>38,790,352</b>	<b>43,977,836</b>	<b>48,046,629</b>	<b>1,442,950</b>	<b>1,857,631</b>	<b>2,243,322</b>	<b>2,410,686</b>	<b>2,729,169</b>	<b>2,909,448</b>	<b>8.9%</b>	<b>13.4%</b>	<b>9.3%</b>
Paid-In Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Donated equity		19,086,555	22,218,355	23,621,911	24,971,890	25,174,921	25,446,081	1,222,870	1,411,675	1,488,276	1,551,917	1,562,301	1,540,879	5.7%	0.8%	1.1%
Retained earnings without donations and reserves		3,435,010	7,018,894	11,984,092	13,818,462	18,802,916	22,600,548	220,080	445,956	755,046	858,770	1,166,868	1,368,569	15.3%	36.1%	20.2%
<b>Tier 2 Capital</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>854,441</b>	<b>881,549</b>	<b>1,352,999</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,101</b>	<b>54,707</b>	<b>81,930</b>	<b>-</b>	<b>3.2%</b>	<b>53.5%</b>
Subordinated debt		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other equity accounts		-	-	-	854,441	881,549	1,352,999	-	-	-	53,101	54,707	81,930	-	3.2%	53.5%

Notes: 1) It was not possible for TYM to differentiate between the long term and short term portion of the loan portfolio; 2) This includes the micro-insurance fund.

## ■ Formulas

Return on assets (ROA):	Net operating income before donations / Average assets
Return on equity (ROE):	Net operating income before donations / Average equity
Leverage:	Debt (savings + debts) / Equity (end of period)
Portfolio yield:	Portfolio revenue / Average gross outstanding portfolio
Operating expense ratio:	Operating expense / Average gross outstanding portfolio
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 ratio:	Interest and fees paid on deposits / Average deposits
Cost of borrowings ratio:	Interest and fees paid on borrowings / Average borrowings
Loan loss provision expense ratio:	Net loan loss provision expense / Average gross outstanding portfolio
Adjustment expense ratio:	Total adjustments / Average gross outstanding portfolio
Net portfolio as a % of assets:	Net outstanding portfolio / Total assets (end of period)
Risk coverage ratio:	Loan loss reserve / Portfolio at risk (31-365 days)
Write-off ratio:	Loans written off / Average gross outstanding portfolio

## ■ 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+	Current institutional, operational and financial performances are excellent when compared to industry standards.	
A	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.	
A-	Current institutional, operational and financial performances are satisfactory when compared to industry standards.	
B++	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.	
B	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	
B-	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
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	
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	TECHNICAL ASSISTANCE REQUIRED
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	
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	
D	<b>High risk:</b> 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	<b>Immediate risk of default:</b> Existing operational and/or financial and/or strategic weaknesses create an outstanding risk of default. Performance is very poor in most evaluation areas.	