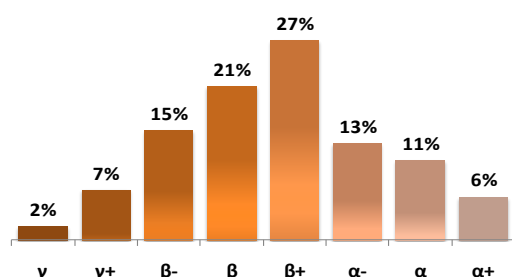


FUNDACIÓN GÉNESIS EMPRESARIAL | Guatemala | May 2011

α-	Good operating performance based on good credit methodology, excellent portfolio quality and operational efficiency.
Stable	Rating Perspective ¹

 Financial Situation²
α-

 Social Rating³

Performance Rating Grade Distribution


Date of Visit	Apr-11
Date of Financial Information	Dec-10
Previous MicroRate Rating	n.a.
Auditor: Lara, Aranky, Ramos & Asociados- Deloitte (local firm associated with international firm)	Dec-10

Main Performance Indicators

	Dec-08	Dec-09	Dec-10
Gross Loan Portfolio (\$'000)	\$42,824	\$42,338	\$65,008
Number of Borrowers	82,719	92,322	129,744
Leverage	3.7	3.4	4.1
ROE*	5.0%	10.6%	16.1%
Portfolio Yield	37.0%	34.2%	35.8%
Portfolio at Risk	2.6%	2.7%	2.1%
Average loan	\$518	\$459	\$501
Operating Expenses	22.1%	20.3%	19.5%
Borrowers per Analyst	431	400	443
Operating Margins	3.7%	3.2%	6.2%

* Adjusted

¹See Annex 1

²See Annex 1

³ See Social Rating

Summary

Fundación Génesis Empresarial (GÉNESIS) is an NGO that began operations in 1988 and is now the leading non-regulated microfinance institution (MFI) in Guatemala. It offers loans under individual and group lending methodologies, as well as training services. It operates in rural and peri-urban areas and achieves national coverage through its 59 branches. As of December 2010, its portfolio is US\$65 million and it has nearly 130,000 borrowers with an average loan size of US\$501.

Rating Rationale

GÉNESIS has excellent financial results and a strong position among its target market. The good results are consistent with a solid organizational structure, achieving remarkable application of the credit methodology and healthy levels of portfolio at risk.

Its high efficiency and productivity are attained as a result of the institution's good operating performance, low staff turnover, and the scale attained by its operations. GÉNESIS has positioned itself as the leading microfinance institution with nationwide presence. Under the current administration, portfolio growth has recovered, yet key person risk remains a challenge.

The MFI's main weaknesses are associated with the absence of policies for agricultural loans, internal controls, client overindebtedness, and risk management. Furthermore, although the institution has increased returns, its equity structure is not appropriate for a non-regulated institution.

Highlights
Strengths

- + Excellent portfolio quality and growth
- + Experienced and committed management and Board of Directors
- + Good credit methodology
- + Excellent efficiency
- + Excellent positioning

Risk Factors

- Moderate risk of interest rate exposure
- Increasing competition and customer overindebtedness
- Moderate key person risk
- Lack of supervisory, agricultural credit, and customer overindebtedness policies
- Relatively high leverage

Summary

Indicators	GENESIS		MicroRate Group		MicroRate Individual	Gross Loan Portfolio vs Portfolio at Risk
	Dec-10	Quartile	1st Quartile ¹	Average	Average	
ROE**	16.1%	1ero	12.9%	7.6%	10.8%	
Leverage	4.1	4to	1.1	2.1	3.5	
Portfolio at Risk	2.1%	2do	1.3%	3.7%	7.7%	
Operating Expenses	19.5%	1ero	26.6%	37.7%	20.2%	
Number of Borrowers per Loan Officer	443	1ero	381	316	222	
Operating Margin	6.2%	1ero	5.0%	3.8%	3.2%	
	Dec-10		Average		Average	
Gross Loan Portfolio***	\$65,008		\$9,666		\$114,747	
Number of Borrowers	129,744		28,066		75,888	
Average Loan Balance (per borrower)	\$501		\$417		\$1,582	

¹Lower limit of first quartile

**Adjusted

***('000\$)

Financial Situation

GÉNESIS has a good financial position. Its profitability and adequate matching of maturity and currencies are notable. It has moderate exposure to interest rate risk, low liquidity (for using lines of credit), and elevated leverage for a non-regulated MFI.

Operations and Portfolio Quality

The design of GÉNESIS' credit methodology is good and its application in the field is homogeneous. However, the processes related to agricultural loans, client overindebtedness risk, and controls still need to be formalized.

Portfolio quality is excellent. Provision coverage is good and the possibility of hidden refinances is low. However, the number of refinanced loans has increased.

Organization and Management

The MFI's organizational structure is good, with an experienced staff that is well trained in microfinance, although the internal control system has room for improvement. The institution has excellent productivity ratios, good efficiency, and an adequate information system.

Governance and Strategic Positioning

GÉNESIS has a stable and committed Board of Directors that achieves a balance between social and financial objectives. One the institution's greatest

strengths is clarity in its target niche and the MFI's excellent strategic positioning has allowed it to achieve national presence. The institution has established itself as the leading MFI in the non-regulated sector.

Social Perspective



In MicroRate's opinion, Fundación GÉNESIS is satisfactorily fulfilling its institutional mission. Its outstanding social leadership has allowed it to remain on track with its objectives, supported by the remarkable formalization of internal processes.

GÉNESIS has high social returns. Its excellent social returns as well as its good social commitment reflect a solid social focus balanced with consistent and focused financial aspects.

MFI Statistics

Country:	Guatemala
Type of MFI:	NGO
Regulated or Unregulated:	Unregulated
Size:	\$65 million
Number of Clients (Borrowers):	129,744
Number of Branches:	59
Average Loan Size:	\$501
Deposit-Taking:	No
Profitable/Sustainable Since:	2005
Growth Expectation:	25%
Funding Need and Type (Currency):	\$4 million, debt (local currency)

About this MFI:

This microfinance institution has reached a great balance between financial success and a solid social approach. It offers loans under both individual and group lending methodology, in addition to training services. It is a leader in Guatemala, achieving broad national coverage and a firm position in the low microcredit niche. An outstanding application of the credit methodology results in healthy levels of portfolio at risk.

Balance Sheet (US\$'000)	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
Assets					
Cash and Banks	355	868	1,653	979	1,193
Temporary Investments	-	-	-	-	-
Net Loans	40,081	44,081	41,539	41,068	63,058
Gross Loans	41,321	45,444	42,824	42,338	65,008
<i>Performing Loans</i>	39,295	43,915	41,689	41,200	63,671
<i>Portfolio at Risk</i>	2,026	1,530	1,134	1,137	1,337
Loan Loss Reserve	1,240	1,363	1,285	1,270	1,950
Interest Receivables	-	-	-	-	-
Other Current Assets	779	778	373	309	257
Current Assets	41,215	45,727	43,565	42,356	64,508
Long Term Investments	-	-	-	-	-
Property and Equipment	1,961	2,228	1,922	1,646	1,282
Other Long Term Assets	853	925	345	319	1
Total Assets	44,030	48,880	45,832	44,321	65,792
Liabilities					
Demand Deposits	-	-	-	-	-
Short Term Time Deposits	-	-	-	-	-
Short Term Funding Liabilities	16,470	13,340	11,830	15,614	17,834
Other Short Term Liabilities	855	1,354	1,126	1,304	2,009
Current Liabilities	17,325	14,694	12,956	16,918	19,843
Long Term Time Deposits	-	-	-	-	-
Long Term Funding Liabilities	18,885	25,193	22,759	16,873	32,523
Quasi-Capital Accounts	-	-	-	-	-
Other Long Term Liabilities	535	710	829	873	1,054
Total Liabilities	36,744	40,597	36,544	34,664	53,420
Equity					
Capital	6,844	7,275	8,130	8,651	10,056
Earnings (Losses) Period	441	1,008	1,158	1,006	2,315
Retained Earnings	-	-	-	-	-
Other Capital Accounts	-	-	-	-	-
Total Equity	7,285	8,283	9,288	9,657	12,371
Total Liabilities & Equity	44,030	48,880	45,832	44,321	65,792
Source of Financial Statements	Audited Financial Statements	Audited Financial Statements	Audited Financial Statements	Audited Financial Statements	Audited Financial Statements

Income Statement (US\$'000)	Jan-06	Jan-07	Jan-08	Jan-09	Jan-10
	-	-	-	-	-
For periods between:	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
Interest and Fee Income	11,686	15,338	16,323	14,544	19,233
<i>Cash Interest and Fee Income</i>	11,686	15,338	16,323	14,544	19,233
<i>Accruals (Int.. Receivables)</i>	-	-	-	-	-
Interest and Fee Expense	2,906	3,872	3,769	3,058	3,765
Net Interest Income	8,780	11,465	12,554	11,487	15,468
Provision for Loan Loss	1,412	1,659	1,182	1,467	1,691
Net Interest Income After Provisions	7,368	9,806	11,372	10,020	13,776
Operating Expense	6,907	8,434	9,759	8,650	10,444
<i>Personnel</i>	3,626	4,503	4,494	4,331	6,183
<i>Other Administrative Expense</i>	3,281	3,931	5,265	4,319	4,261
Net Operating Income	460	1,372	1,612	1,370	3,332
Other Income	129	65	55	79	17
<i>Investment Income</i>	11	20	26	22	17
<i>Other Non-Extraordinary Income</i>	119	45	29	57	-
Other Expenses	-	1	3	0	0
<i>MFI's Inflation Adjustment (if any)</i>	-	-	-	-	-
<i>Other Non-Extraordinary Expenses</i>	-	1	3	0	0
Net Not-Operating Income	589	1,436	1,664	1,449	3,349
Extraordinary Items	-	-	-	-	-
<i>Extraordinary Income</i>	-	-	-	-	-
<i>Extraordinary Expense</i>	-	-	-	-	-
Net Income Before Taxes	589	1,436	1,664	1,449	3,349
Taxes	148	428	506	442	1,034
Net Income	441	1,008	1,158	1,006	2,315
Source of Financial Statements	Audited Financial Statements	Audited Financial Statements	Audited Financial Statements	Audited Financial Statements	Audited Financial Statements

Adjusted Comparison Table
Average Rates of the MicroRate Sample
(US\$'000)

<i>Period: June 2010*</i>	GENESIS EMP**	GROUP	INDIVIDUAL	CENTRAL AMERICA
Loan Portfolio				
Gross Loan Portfolio (US\$'000)	\$65,008	\$9,666	\$114,747	\$24,311
<i>Annual Change in Gross Loan Portfolio</i>	53.5%	26.7%	25.6%	5.2%
Number of Loans Outstanding	129,744	31,938	83,927	40,138
<i>Annual Change in Number of Loans Outstanding</i>	40.5%	9.6%	12.4%	7.5%
Number of Borrowers	129,744	28,066	75,888	38,760
<i>Annual Change in Number of Borrowers</i>	40.5%	13.6%	13.7%	9.0%
Average Loan Balance (per borrower)-Actual Amounts	\$501	\$417	\$1,582	\$680
Portfolio at Risk (Arrears 30-180 Days)/ Gross Loan Portfolio	2.1%	3.7%	7.7%	9.5%
Write-offs / Gross Loan Portfolio	1.6%	3.1%	2.3%	1.9%
Unadjusted Loan loss reserves / Unadjusted Portfolio at Risk	145.8%	207.9%	139.8%	116.5%
Loan loss provision expense / Average Gross Portfolio	3.2%	3.3%	4.1%	2.4%
Efficiency and Productivity				
Total operating expense / Average Gross Portfolio	19.5%	37.7%	20.2%	26.1%
Number of borrowers per credit officer	443	316	222	324
Number of borrowers per staff	234	146	99	130
Portfolio yield	35.8%	48.0%	35.4%	39.0%
Personnel Expense/Average Gross Portfolio	11.5%	24.3%	11.7%	14.2%
Credit officers / Total personnel	52.9%	47.9%	44.5%	40.5%
Incentive Pay as % of Base Salary	80.0%	36.3%	39.1%	50.5%
Percent of Staff with MFI < 12 Months	27.3%	24.2%	32.1%	25.6%
Total operating expense / Borrower	\$94	\$144	\$258	\$151
Financial Ratios				
Debt / Equity	4.1	2.1	3.5	2.3
Equity/Assets	18.8%	35.9%	25.8%	31.7%
Net Income / Average equity (ROE)	16.1%	7.6%	10.8%	3.6%
Net Income / Average assets (ROA)	3.2%	2.7%	2.3%	1.7%
Interest expense / Average Gross Portfolio	7.0%	6.9%	8.0%	8.9%
Unadjusted Interest expense / Average funding liabilities	9.1%	10.5%	9.6%	11.4%
(Cash + Temp. Investment)/ Gross Portfolio	1.8%	25.0%	17.5%	23.2%
Adjusted operating margin	6.2%	3.8%	3.2%	1.7%
Absolute Currency Amounts (US\$'000)				
Interest and Fee Income	\$19,233	\$3,927	\$31,629	\$8,379
Net Income	\$1,773	\$237	\$3,691	(\$5)
Total Assets	\$65,792	\$12,067	\$142,251	\$30,576
Deposits	\$0	\$124	\$57,100	\$4,052
Funding Liabilities (excluding Deposits)	\$50,357	\$5,983	\$49,411	\$18,519
Equity	\$12,371	\$4,672	\$27,139	\$6,575

* Most recent information available.

**Values as of December 2010.

APPENDIX I – Performance Rating Definitions

<p>Performance Rating α, β, γ</p>	<p>A performance rating evaluates an institution, comparing it with the best practices in microfinance, taking into account financial, operational, and strategic aspects. In particular, it measures the level of efficiency and effectiveness, the level of risk management, and the future outlook of the institution.</p>
<p>$\alpha+$ α $\alpha-$</p>	<p>Those MFIs that have successfully balanced the financial, operational and strategic considerations of sound microfinance practices as compared to an international set of similar companies and emerging standards in the microfinance industry. Good efficiency and effectiveness. Low Risk / Risk well managed, leaving the company minimally susceptible to variability during economic cycles. Good future outlook</p>
<p>$\beta+$ β $\beta-$</p>	<p>Those MFIs working to define a relationship among the financial, operational and strategic considerations of sound microfinance practices as compared to an international set of similar companies and standards of the microfinance industry. Satisfactory efficiency and effectiveness. Moderate Risk, leaving the company subject to some variability during economic cycles. Satisfactory future outlook.</p>
<p>$\gamma+$ γ</p>	<p>Those MFIs with financial, operational or strategic weaknesses that have the potential to threaten their viability, now or in the future, as compared to an international set of similar companies and emerging standards in the microfinance industry. Poor efficiency and effectiveness. High Risk, with high variability during economic cycles. Poor future outlook.</p>
<p>Financial Situation Rating α, β, γ</p>	<p>Measures the MFIs financial health based on its financial structure, profitability, operating margins and financial risk management.</p>
<p>Rating Outlook - Positive - Stable - Negative - Uncertain</p>	<p>Expected direction of the rating grade over the 12 months following the rating.</p> <ul style="list-style-type: none"> - Positive- The rating grade is expected to increase. - Stable- The rating grade is expected to remain the same. - Negative- The rating grade is expected to decrease. - Uncertain- Due to unpredictable factors, the rating outlook cannot be determined.
<p>Social Rating ☆☆☆☆☆</p>	<p>MicroRate’s social rating provides an opinion on the social return on investment (SROI) by measuring the social performance of an MFI, focusing on the institution’s social commitment and social results.</p>

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