

A photograph of a bull with its horns raised, standing on a cobblestone street. The bull is the central focus of the image, with its head lowered and horns pointing upwards. The background shows a blurred street scene with buildings and other people.

## Part 2

## Risk impact

## Results and Valuation

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**Why do we have to control risk?**

**Is it worth the effort?**

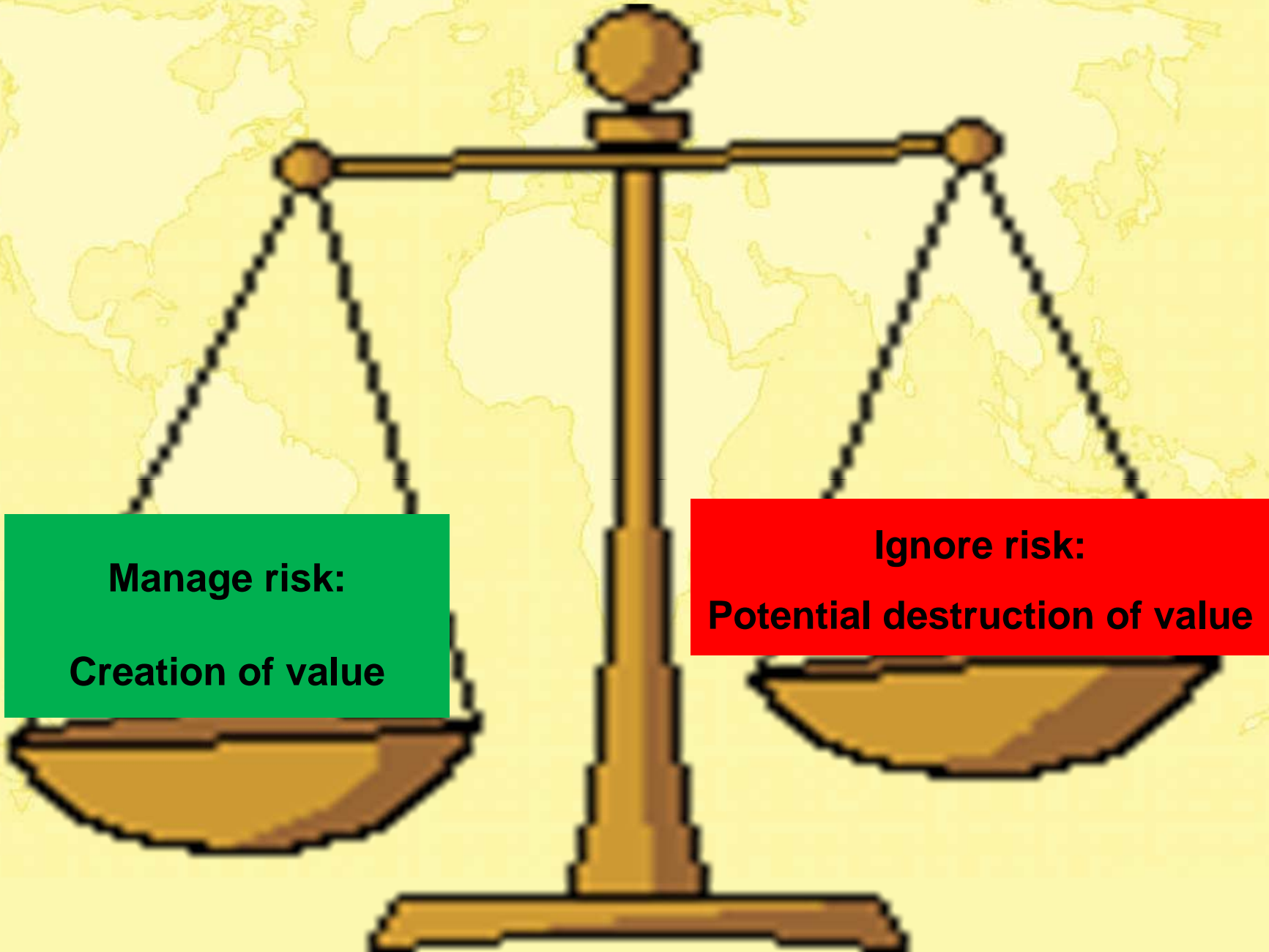


## **Creation of value**

**How much is my MFI worth today?**

**How much will it be worth in 5 years?**

# Dilemma: To manage or ignore risk?



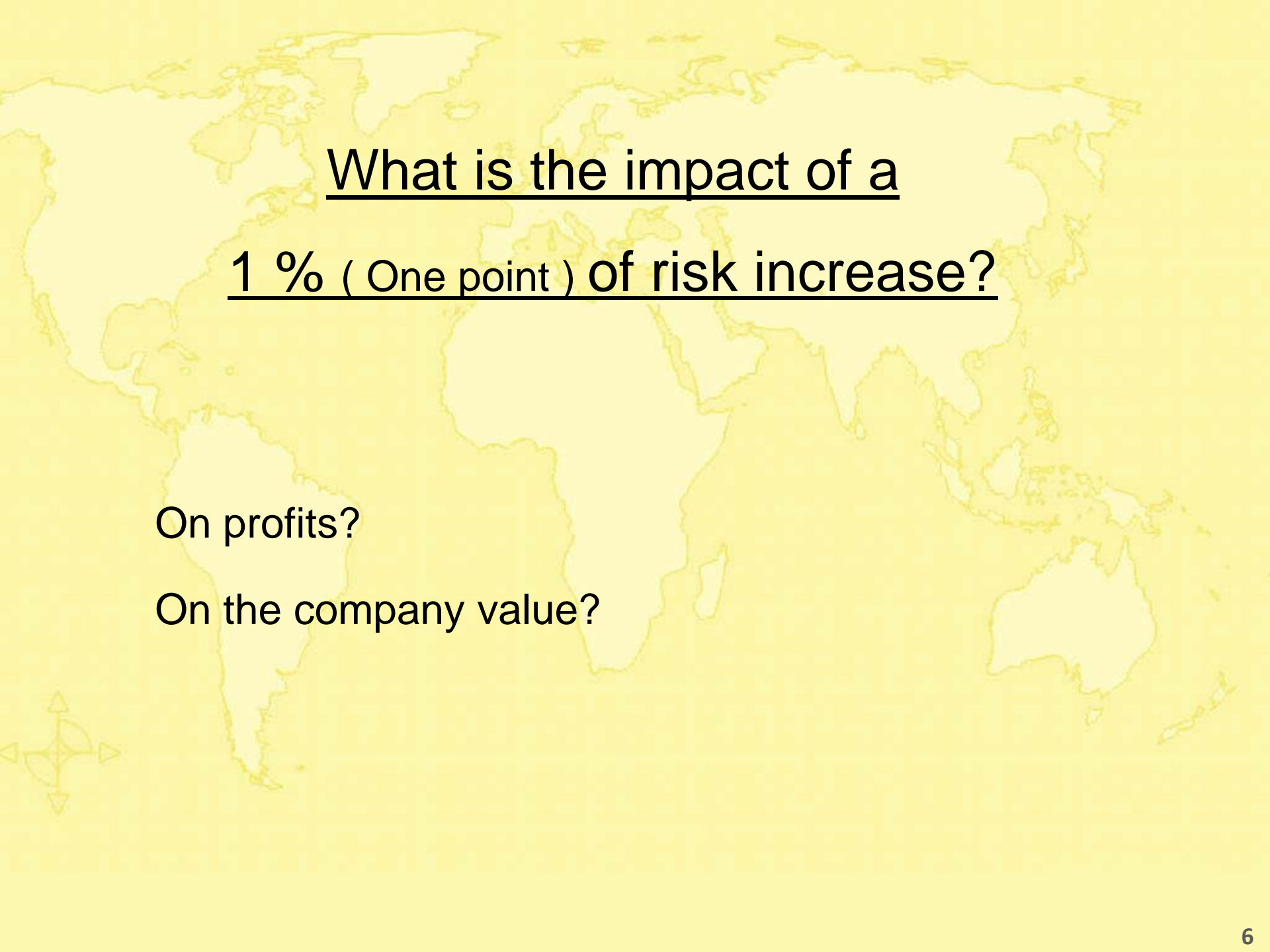
**Manage risk:  
Creation of value**

**Ignore risk:  
Potential destruction of value**



....Risk Management

..... is determinant based on the level of  
profits and company value.



What is the impact of a  
1 % ( One point ) of risk increase?

On profits?

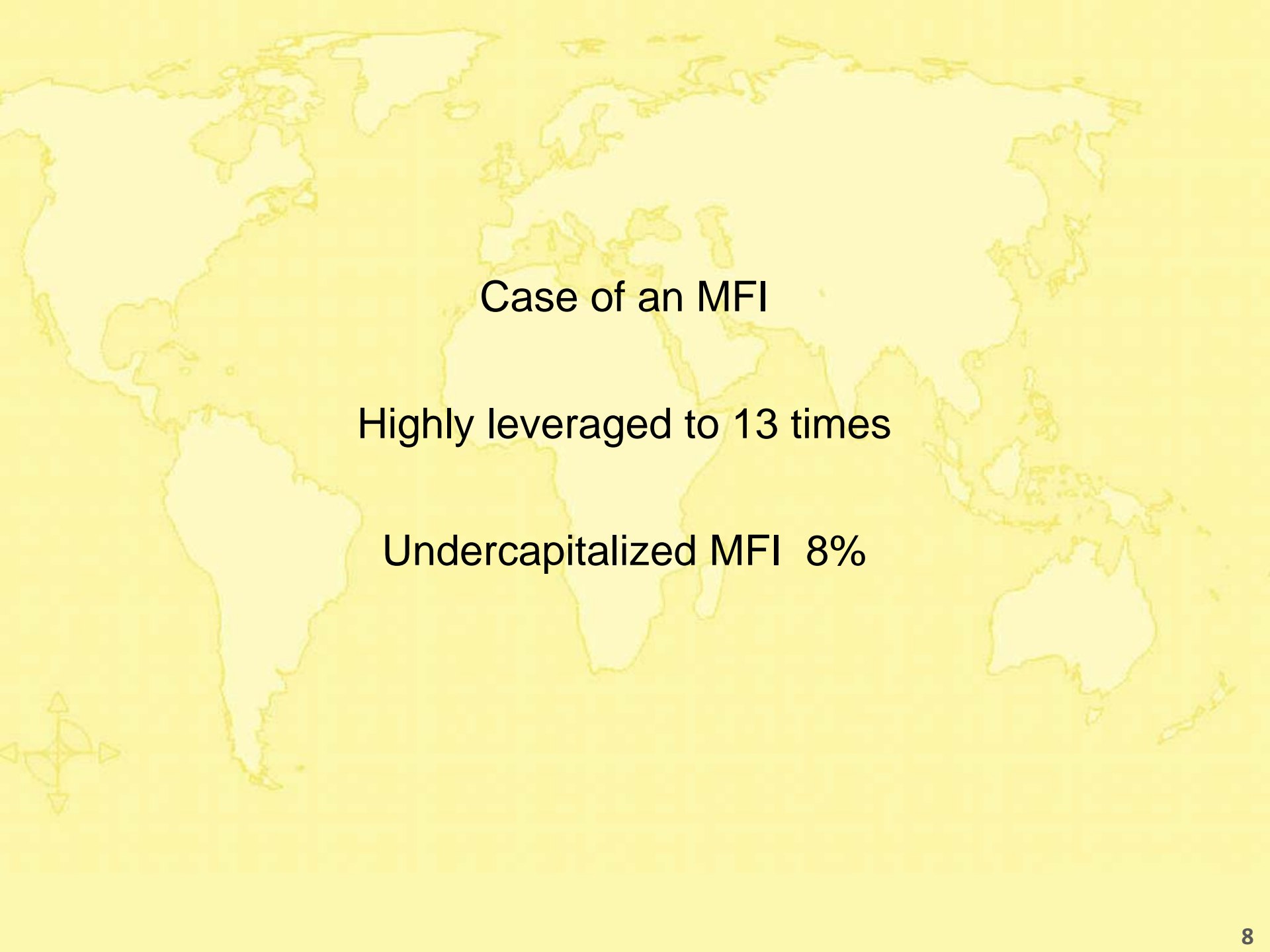
On the company value?



**Stress Tests**

**MFI**

**The powerful one**



**Case of an MFI**

**Highly leveraged to 13 times**

**Undercapitalized MFI 8%**



# Expected Consequences

- Small negative changes in:
  - Risk rate
  - Cost of funds
  - Credit interest rates
- Requires an infusion of some additional capital.

**Selected results for IMF " La poderosa "**

1 US\$ equivalent to 10 \$

		<u>base Case</u>	<u>base Case</u>	<u>Diference</u> '	
Loan interest rates	%	71%	71%	0%	
Credit Risk (Past due loans after 30 days )	%	6,0%	6,0%	0%	
Loan portfolio size	US\$	35	35	0%	
	M\$	354.033	354.033		
Cost of funding		16%	16%	0%	
<b><u>Income Statement</u></b>					
Financial income	M\$	251.440	251.440		
Financial costs		58.688	58.688		
Gross margin		192.752	192.752		
Provison for loan losses		15.111	15.111	0%	
Net Financial margin		177.642	177.642		
<b><u>Net operational results (after tax )</u></b>		<b><u>1.885</u></b>	<b><u>1.885</u></b>	<b><u>0%</u></b>	
<b><u>Profitability R.O.E</u></b>					
	%	<b><u>7%</u></b>	<b><u>7%</u></b>	<b><u>0%</u></b>	
Return on assets R.O.A	%	0,5%	0,5%	0%	
Equity	M\$	28.553	28.553	0%	
Average loan portfolio	M\$	354.033	354.033		
Capitalization ratio	Equity /Risk w.assets	%	8%	8%	0%
Leverage	Liability / Capital	times	13	13	
minimum equity required	8 % assets r w	8%	28.323	28.323	
Profitability R.O.E	%	7%	7%	0%	

## Selected results

Figures in Mex \$

### sensibility analysis

1 US\$ equivalent to 10 \$

		<u>risk increase in 1 %</u>	<u>Case base</u>	<u>Diference</u>	
Loans interés rates		71%	71%	0%	
Credit Risk (Past due loans after 30 days )		7,0%	6,0%	17%	
Loan portfolio size	MMUS\$	35	35	-1%	
Cost of funding	MM\$	351.887	354.033	-1%	
<b><u>Income Statement</u></b>					
Finantial income		250.019	251.440		
Finantial costs		58.932	58.688		
Gross margin		191.087	192.752		
Provison for loan losses.		16.322	15.111	1.211	
Net Finantial margin		174.765	177.642		
<b><u>Net operational results (after tax )</u></b>	<b><u>MM\$</u></b>	<b><u>-2</u></b>	<b><u>1.885</u></b>	<b><u>-100%</u></b>	
<b><u>Profitability R.O.E</u></b>	<b><u>%</u></b>	<b><u>0%</u></b>	<b><u>7%</u></b>	<b><u>-100%</u></b>	
Return on assets R.O.A	%	0,0%	0,5%	-100%	
Equity	MM\$	25.017	28.553	-12%	
Average loan portfolio	MM\$	351.887	354.033		
Capitalization ratio	Equity /Risk w.assets	%	7%	8%	-12%
Leverage	Liability / Capital	veces	15	13	
mínimum equity required	8 % assets r w	8%	28.151	28.323	
Profitability R.O.E		3.134	0	11%	
	%	0%	7%	-100%	

**selected results LA PODEROSA****sensibility analysis**

Figures in Mex \$

1 US\$ equivalent to 10 \$

		<b>Increase cost funds of 1 %</b>	<b>Case base</b>	<b>Diference %</b>
Loans interés rates	%	71%	71%	0%
Credit Risk (Past due loans after 30 days )	%	6,0%	6,0%	0%
Loan portfolio size	US\$	35	35	0%
Cost of funding	M\$	354.033	354.033	
		17%	16%	5%
<b><u>Income Statement</u></b>				
Finantial income	M\$	251.440	251.440	
Finantial costs		63.153	58.688	
Gross margin		188.287	192.752	
Provison for loan losses.		15.111	15.111	0%
Net Finantial margin		173.176	177.642	
<b><u>Net operational results (after tax )</u></b>	<b>ip)</b>	<b><u>-1.109</u></b>	<b><u>1.885</u></b>	<b><u>-159%</u></b>
<b><u>Profitability R.O.E</u></b>				
Return on assets R.O.A	%	<u>-5%</u>	<u>7%</u>	<u>-172%</u>
Equity	M\$	23.408	28.553	-18%
Average loan portfolio	M\$	354.033	354.033	
Capitalization ratio Equity /Risk w.assets	%	7%	8%	-18%
Leverage Liability / Capital	veces	16	13	
mínimum equity required 8 % assets r w	8%	28.323	28.323	
		4.915	0	17%
Profitability R.O.E	\$	-5%	7%	-172%

**SELECTED RESULTS LA PODEROSA**

**SENSIBILITY ANALYSIS**

Figures in Mex \$

1 US\$ equivalent to 10 \$

**loan Interest rates Disminution of 1% Caso base** **Diferencia**

Loans interés rates	%	70%	71%	-2%
Credit Risk (Past due loans after 30 days )	%	6,0%	6,0%	0%
Loan portfolio size	US\$	35	35	0%
Cost of funding	M\$	354.033	354.033	
<b><u>Income Statement</u></b>		247.503	251.440	
Finantial income		58.848	58.688	
Finantial costs		188.655	192.752	
Gross margin		15.111	15.111	
Provison for loan losses.		173.545	177.642	
Net Finantial margin	<b>M\$</b>	<b>-670</b>	<b>1.885</b>	<b>-136%</b>
<b><u>Net operational results (after tax )</u></b>				
<b><u>Profitability R.O.E</u></b>	<b>%</b>	<b>-2%</b>	<b>7%</b>	<b>-137%</b>
Return on assets R.O.A	%	0,0%	0,5%	-100%
Equity	M\$	27.276	28.553	-4%
Average loan portfolio		354.033	354.033	
Capitalization ratio	Equity /Risk w.as	7,7%	8%	-4%
Leverage	Liability / Capital	14	13	5%
mínimum equity required	8 % assets r1	28.323	28.323	
		1.046	0	1.046
Profitability R.O.E		-2%	7%	-1

# SELECTED RESULTS LA PODEROSA

Figures in Mex \$

1 US\$ equivalent to 10 \$

## sensibility analysis

		<u>Loan portfolio disminution of 1 %</u>	<u>Caso base</u>	<u>Diferenc</u>	
Loans interés rates					
Credit Risk (Past due loans after 30 days )	%	71%	71%	0%	
Loan portfolio size	%	6,0%	6,0%	0%	
	US\$	35	35	-1%	
Cost of funding	M\$	349.624	354.033	-1%	
<b><u>Income Statement</u></b>					
Finantial income	M\$	248.400	251.440		
Finantial costs		58.179	58.688		
Gross margin		190.221	192.752		
Provision for loan losses.		15.351	15.111		
Net Finantial margin		174.870	177.642		
<b><u>Net operational results (after tax )</u></b>	<b>M\$</b>	<b><u>-23</u></b>	<b><u>1.885</u></b>	<b>-101%</b>	
<b><u>Profitability R.O.E</u></b>	<b>%</b>	<b><u>0%</u></b>	<b><u>7%</u></b>	<b>-101%</b>	
Return on assets R.O.A	%	0,0%	0,5%	-101%	
Equity	M\$	26.426	28.553	-7%	
Average loan portfolio	M\$	349.624	354.033		
Capitalization ratio	Equity /Risk w.as	%	7,6%	8%	-6%
Leverage	Liability / Capital	veces	14	13	7%
mínimum equity required	8 % assets r1	%	27.970	28.323	-1%
		M\$	1.543	0	6%
Profitability R.O.E		%	0%	7%	-101%

**SELECTED RESULTS MICROFINANCIERA LA PODEROSA**

Figures in Mex \$

1 US\$ equivalent to 10 \$

**sensibility analysis**

	<b><u>Risk increase to loose equity</u></b>	<b><u>base Case</u></b>	<b><u>Diference %</u></b>
Loans interés rates	% 71%	71%	0%
Credit Risk (Past due loans after 30 days )	% 12.0%	6.0%	100%
Loan portfolio size	US\$ 34	35	-3%
	M\$ 341.779	354.033	
Cost of funding			
		242.616	
		61.046	
<b><u>Income Statement</u></b>			
Finantial income		181.570	
Finantial costs		17.749	17%
Gross margin		163.821	
Provison for loan losses.		136.074	
		35.273	
Net Finantial margin		590	
		251.440	
		58.688	
		192.752	
		15.111	
		177.642	
		136.074	
		35.273	
		4.410	
<b><u>Net operational results (after tax )</u></b>	<b><u>M\$</u></b>	<b><u>-8.117</u></b>	<b><u>1.885</u></b>
			<b><u>-531%</u></b>
<b><u>Profitability R.O.E</u></b>	<b><u>%</u></b>	<b><u>-202%</u></b>	<b><u>7%</u></b>
			<b><u>-3159%</u></b>
Return on assets R.O.A	%	-2,4%	0,5%
			-546%
Equity	M\$	4.021	28.553
	M\$	383.831	371.519
Average loan portfolio	M\$	341.779	354.033
			-86%
Capitalization ratio	Equity /Risk w.as	% 1%	8%
			-85%
Leverage	Liability / Capital	Veces 95	13
minimum equity required	8 % assets r1	8%	27.342
		M\$	23.322
			28.323
			0
			85%
Profitability R.O.E			
	%	-202%	7%
	M\$	-38	28.553



**TESTS WITH LOWER LEVERAGES ?**