



FINAL

# Thrift Industry Interest Rate Risk Measures First Quarter 2002

Release Date:  
July 2, 2002

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**Note: For this quarter, the IRR Measures downward shift uses 100 basis points and the upward shift uses 200 basis points.**

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The attached tables contain the most recent industry statistics for several measures of interest rate risk (IRR): the **Post-Shock Net Portfolio Value (NPV) Ratio**, the **Interest Rate Sensitivity Measure**, the **Pre-Shock NPV Ratio**, and the **Change in NPV Ratio**. The measures are defined in footnotes that are included with the tables. The tables can be used to assess an institution's level of IRR.

An institution can find its approximate **Post-Shock NPV Ratio** ranking by referring to Table 1. Assume XYZ Savings has a Post-Shock NPV Ratio of 7.6%. In the last column of the table, locate the first value that is larger than XYZ's post-shock ratio. For XYZ Savings, this corresponds to the second row of the table.

The first column of this row contains XYZ's overall ranking: XYZ's post-shock ratio places this institution in the first quintile (the worst 20%) of the industry. The second column shows an institution's rank with greater precision. XYZ's post-shock ratio is actually among the bottom (worst) 15% of the industry.

This issue of the *Interest Rate Risk Measures* is available on the OTS Web page at <http://www.ots.treas.gov/docs/16211.pdf>. The preliminary measures for June (16220.pdf) will be available on the OTS Web page by August 21, 2002.

**Note: The IRR Measures are no longer available on the OTS PubliFax system. All documents previously available on PubliFax will be provided through the OTS Web site. We will continue to use the PubliFax document numbering convention. If you have any questions or comments, please call the Dissemination Branch at (202) 906-5900, or e-mail them at [public.info@ots.treas.gov](mailto:public.info@ots.treas.gov).**

**Table 1**  
**Post-Shock NPV Ratio\***  
**As of March 31, 2002**

Quintile	Percent of Industry	Post-Shock NPV Ratio Less Than:
1st	10	7.4 %
	15	8.1
	20	8.7
2nd	30	9.5
	40	10.4
3rd	50	11.4
	60	12.1
4th	70	13.5
	80	15.0
5th	85	16.5
	90	18.7

\* The Post-Shock NPV Ratio is defined as the Net Portfolio Value (NPV) ratio after a 200 basis points increase or 100 basis points decrease in rates, whichever produces the smaller ratio.

**Table 2**  
**Interest Rate Sensitivity Measure\***  
**As of March 31, 2002**

Quintile	Percent of Industry	Sensitivity Measure Greater Than:
1st	10	387 bp
	15	356
	20	335
2nd	30	284
	40	234
3rd	50	192
	60	147
4th	70	103
	80	67
5th	85	53
	90	40

\* The Interest Rate Sensitivity Measure is defined as the decline (in basis points) in the NPV ratio caused by a 200 basis points increase or 100 basis points decrease in rates, whichever produces the larger decline.

Note: The NPV ratio for any interest rate scenario is defined as the NPV in that rate scenario divided by the present value of assets in the same rate scenario. An institution's NPV is equal to the estimated present value of assets minus the present value of liabilities plus the net present value of off-balance sheet contracts.

Based on 933 OTS-regulated institutions for which the March 2002 Interest Rate Risk Exposure Reports are available.

Prepared by the Economic Analysis Division, OTS, Washington, D.C., July 2, 2002.

**Table 3**  
**Pre-Shock NPV Ratio\***  
**As of March 31, 2002**

Quintile	Percent of Industry	Pre-Shock NPV Ratio Less Than:
1st	10	9.8 %
	15	10.2
	20	10.7
2nd	30	11.4
	40	12.3
3rd	50	13.1
	60	14.2
4th	70	15.5
	80	17.3
5th	85	18.7
	90	21.0

\* The Pre-Shock NPV Ratio is defined as the base-case (pre-shock) NPV divided by the present value of assets in the same rate scenario.

**Table 4**  
**NPV Ratio by Interest Rate Scenario\***  
**As of March 31, 2002**

Quintile	Percent of Industry	NPV Ratio*	
		-100bp	+200bp
		Less Than:	
1st	10	9.8 %	7.4 %
	15	10.3	8.1
	20	10.8	8.8
2nd	30	11.7	9.6
	40	12.6	10.5
3rd	50	13.4	11.6
	60	14.6	12.3
4th	70	16.2	13.6
	80	18.0	15.2
5th	85	19.1	16.8
	90	21.5	18.8

\* The NPV ratio for any interest rate scenario is defined as the NPV in that rate scenario divided by the present value of assets in the same rate scenario.

Note: The NPV ratio for any interest rate scenario is defined as the NPV in that rate scenario divided by the present value of assets in the same rate scenario. An institution's NPV is equal to the estimated present value of assets minus the present value of liabilities plus the net present value of off-balance sheet contracts.

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**Table 5**  
**Change in NPV Ratio by Interest Rate Scenario\***  
**As of March 31, 2002**

**Final**

Quintile	Percent of Industry	Change in NPV Ratio*	
		-100bp	+200bp
		Less Than:	
1st	10	-36 bp	-383 bp
	15	-21	-355
	20	-12	-333
2nd	30	6	-281
	40	22	-231
3rd	50	37	-189
	60	51	-141
4th	70	68	-97
	80	88	-53
5th	85	98	-30
	90	113	5

\* The Change in NPV Ratio is defined as the change (in basis points) in the NPV ratio caused by an interest rate shock of either -100 or +200 basis points.

Note: The NPV ratio for any interest rate scenario is defined as the NPV in that rate scenario divided by the present value of assets in the same rate scenario. An institution's NPV is equal to the estimated present value of assets minus the present value of liabilities plus the net present value of off balance sheet contracts.

Based on 933 OTS-regulated institutions for which the March 2002 Interest Rate Risk Exposure Reports are available.

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