

Thrift Industry Interest Rate Risk Measures

Second Quarter 2004 - Final

Office of Thrift Supervision

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Note: For this quarter, the IRR Measures' downward shift uses -100 bp and the upward shift uses +200 bp.

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 on the following page. Assume XYZ Savings has a Post-Shock NPV Ratio of 7.8%. 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.

Note : The Interest Rate Risk Measures reports are no longer available on the OTS PubliFax system. All documents previously available on PublicFax will be provided through the OTS Web site. The Preliminary IRR Measures report for the September, 2004 cycle will be available on the OTS Web page at <http://www.ots.treas.gov/StatisticalReleases> by November 24, 2004.

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TABLE 1: Post-Shock NPV Ratio* as of 06/30/2004

Quintile	Percent of Industry	*Post-Shock NPV Ratio <
1st	10	7.5
	15	8.2
	20	8.9
2nd	30	9.9
	40	10.8
3rd	50	11.7
	60	12.7
4th	70	14.0
	80	15.8
5th	85	17.1
	90	19.6

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

TABLE 2: Interest Rate Sensitivity Measure* as of 06/30/2004

Quintile	Percent of Industry	*Sensitivity Measure >
1st	10	372
	15	327
	20	298
2nd	30	250
	40	208
3rd	50	165
	60	128
4th	70	92
	80	62
5th	85	53
	90	43

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

TABLE 3: Pre-Shock NPV Ratio* as of 06/30/2004

Quintile	Percent of Industry	*Pre-Shock NPV Ratio <
1st	10	9.5
	15	10.1
	20	10.7
2nd	30	11.7
	40	12.4
3rd	50	13.4
	60	14.4
4th	70	15.9
	80	17.7
5th	85	19.4
	90	21.4

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

TABLE 4: NPV Ratio* by Interest Rate Scenario as of 06/30/2004

Quintile	Percent of Industry	* NPV Ratio	
		-100 bp	+200 bp
Less Than:			
1st	10	9.5	7.5
	15	10.2	8.2
	20	10.7	8.9
2nd	30	11.7	10.1
	40	12.4	10.9
3rd	50	13.6	12.0
	60	14.5	13.0
4th	70	16.0	14.4
	80	18.3	15.9
5th	85	19.6	17.5
	90	22.2	19.6

* 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.

TABLE 5: Change in NPV Ratio* by Interest Rate as of 06/30/2004

Quintile	Percent of Industry	*Change in NPV Ratio	
		-100 bp	+200 bp
Less Than:			
1st	10	-55	-372
	15	-41	-331
	20	-33	-306
2nd	30	-15	-252
	40	3	-208
3rd	50	20	-165
	60	35	-127
4th	70	50	-82
	80	71	-38
5th	85	83	-11
	90	96	22

* 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 bp or +200 bp.

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 853 OTS-regulated institutions for which the Jun 2004 Interest Rate Risk Exposure Reports are available.

Prepared by the Economic Analysis Division, OTS, Washington, D.C., 09/30/2004.