FINAL

Thrift Industry
Interest Rate Risk Measures
Fourth Quarter 1997

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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 an Post-Shock NPV Ratio of 7%. 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.

To receive via fax this issue of the *Interest Rate Risk Measures*, call **OTS PubliFax** at **(202) 906-5660** and simply request document code **34741.** The preliminary measures for March 1998 will be available on PubliFax by **May 21, 1998** (request document code **34810**).

These tables are also available on the OTS Web page at **http://www.ots.treas.gov**

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Table 1
Post-Shock NPV Ratio*
As of December 31, 1997

Quintile	Percent of Industry	Post-Shock NPV Ratio Less Than:
1st	10	6.8 %
	15	7.2
	20	7.8
2nd	30	8.5
	40	9.3
3rd	50	10.4
	60	11.2
4th	70	12.3
	80	14.1
5th	85	15.5
	90	17.7

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

Table 2
Interest Rate Sensitivity Measure*
As of December 31, 1997

Quintile	Percent of Industry	Sensitivity Measure Greater Than:
1st	10	320 bp
	15	290
	20	263
2nd	30	225
	40	184
3rd	50	152
	60	124
4th	70	96
	80	71
5th	85	58
	90	40

* The Interest Rate Sensitivity Measure is defined as the decline (in basis points) in the NPV ratio caused by a 200 basis point increase or 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 1,115 OTS-regulated institutions for which the December 1997 Interest Rate Risk Exposure Reports are available.

Prepared by the Risk Management Division, OTS, Washington, D.C., March 26, 1998.

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Table 3
Pre-Shock NPV Ratio*
As of December 31, 1997

Quintile	Percent of Industry	Pre-Shock NPV Ratio Less Than:
1st	10	8.5 %
	15	8.9
	20	9.4
2nd	30	10.1
	40	10.9
3rd	50	11.9
	60	13.0
4th	70	14.3
	80	15.9
5th	85	17.3
	90	19.4

* 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 December 31, 1997

Quintile	Percent of Industry	NPV Ratio*	
		-200bp	+200bp
		Less Than:	
1st	10	8.4 %	6.8 %
	15	9.0	7.3
	20	9.6	7.9
2nd	30	10.5	8.8
	40	11.3	9.6
3rd	50	12.3	10.6
	60	13.5	11.4
4th	70	14.9	12.6
	80	16.8	14.3
5th	85	17.9	15.7
	90	20.0	18.1

* 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 **F I N A L**

Change in NPV Ratio by Interest Rate Scenario*

As of December 31, 1997

Quintile	Percent of Industry	Change in NPV Ratio*	
		-200bp	+200bp
		Less Than:	
1st	10	-65 bp	-318 bp
	15	-40	-288
	20	-26	-261
2nd	30	-2	-223
	40	22	-180
3rd	50	40	-146
	60	62	-112
4th	70	85	-77
	80	118	-35
5th	85	143	-15
	90	174	16

* 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 -200 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.

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