



FINAL

Thrift Industry Interest Rate Risk Measures Second Quarter 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.

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 7.9%. 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/16220.pdf>. The preliminary measures for September (16231.pdf) will be available on the OTS Web page by November 22, 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.

Table 1
Post-Shock NPV Ratio*
As of June 30, 2002

Quintile	Percent of Industry	Post-Shock NPV Ratio Less Than:
1st	10	7.8 %
	15	8.4
	20	8.8
2nd	30	9.6
	40	10.6
3rd	50	11.3
	60	12.3
4th	70	13.7
	80	15.2
5th	85	16.4
	90	18.8

* 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 June 30, 2002

Quintile	Percent of Industry	Sensitivity Measure Greater Than:
1st	10	348 bp
	15	318
	20	293
2nd	30	239
	40	201
3rd	50	161
	60	119
4th	70	85
	80	59
5th	85	49
	90	39

* 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 917 OTS-regulated institutions for which the June 2002 Interest Rate Risk Exposure Reports are available.

Prepared by the Economic Analysis Division, OTS, Washington, D.C., September 24, 2002.

Table 3
Pre-Shock NPV Ratio*
As of June 30, 2002

Quintile	Percent of Industry	Pre-Shock NPV Ratio Less Than:
1st	10	9.4 %
	15	10.0
	20	10.6
2nd	30	11.3
	40	12.1
3rd	50	13.0
	60	13.9
4th	70	15.3
	80	17.3
5th	85	18.4
	90	20.5

* 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 June 30, 2002

Quintile	Percent of Industry	NPV Ratio*	
		-100bp	+200bp
		Less Than:	
1st	10	9.2 %	7.9 %
	15	9.8	8.5
	20	10.4	9.0
2nd	30	11.2	9.8
	40	12.1	10.8
3rd	50	13.1	11.6
	60	14.2	12.6
4th	70	15.6	13.8
	80	17.8	15.4
5th	85	18.7	16.6
	90	20.9	19.0

* 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 June 30, 2002

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Quintile	Percent of Industry	Change in NPV Ratio*	
		-100bp	+200bp
		Less Than:	
1st	10	-52 bp	-348 bp
	15	-40	-318
	20	-27	-292
2nd	30	-10	-238
	40	0	-201
3rd	50	12	-159
	60	25	-113
4th	70	38	-74
	80	56	-29
5th	85	64	-3
	90	76	27

* 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.

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