# THRIFT INDUSTRY

# Interest Rate Risk Measures

## Office of Thrift Supervision

### Risk Modeling & Analysis Division

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## *Third Quarter 2006*

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

For example, an institution can find its approximate Post-Shock NPV Ratio ranking by referring to Table 3 on the following page. Assume XYZ Savings has a Post-Shock NPV Ratio of 7.7%. In the last column of the table, locate the first value that is larger than XYZ's Post-Shock NPV Ratio. For XYZ Savings, this corresponds to the second row of the table.

The first column of the second row presents XYZ's overall Post-Shock ranking: XYZ's Post-Shock NPV Ratio places this institution in the first quintile (the worst 20%) of the industry. The second column shows an institutions rank with greater precision. XYZ's Post-Shock NPV Ratio is among the bottom (worst 15%) of the industry for the current quarter.

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The Interest Rate Risk Measures reports are no longer available on the OTS PubliFax system. All documents previously available on PubliFax will be provided through the OTS Website. The Preliminary Interest Rate Risk Measures report for the December, 2006 cycle will be available on the OTS Web page at Http://www.ots.treas.gov/StatisticalReleases by February 23, 2007.

**FINAL STATISTICS**

## TABLE 1: Pre-Shock NPV Ratio* as of 09/30/2006

| | Quintile | Percent of Industry | *Pre-Shock NPV Ratio |
|---|---|---|---|
| WORST | 1st | 10 | 9.4 |
| | | 15 | 10.0 |
| | | 20 | 10.5 |
| | 2nd | 30 | 11.4 |
| | | 40 | 12.0 |
| | 3rd | 50 | 13.1 |
| | | 60 | 14.2 |
| | 4th | 70 | 16.0 |
| | | 80 | 18.3 |
| BEST | 5th | 85 | 20.3 |
| | | 90 | 22.7 |

* 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 2: Interest Rate Sensitivity Measure* as of 09/30/2006

| | Quintile | Percent of Industry | *Sensitivity Measure |
|---|---|---|---|
| WORST | 1st | 10 | 335 |
| | | 15 | 306 |
| | | 20 | 287 |
| | 2nd | 30 | 241 |
| | | 40 | 202 |
| | 3rd | 50 | 172 |
| | | 60 | 140 |
| | 4th | 70 | 109 |
| | | 80 | 79 |
| BEST | 5th | 85 | 63 |
| | | 90 | 50 |

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

## TABLE 3: Post-Shock NPV Ratio* as of 09/30/2006

| | Quintile | Percent of Industry | *Post-Shock NPV Ratio |
|---|---|---|---|
| WORST | 1st | 10 | 7.3 |
| | | 15 | 8.2 |
| | | 20 | 8.6 |
| | 2nd | 30 | 9.5 |
| | | 40 | 10.3 |
| | 3rd | 50 | 11.3 |
| | | 60 | 12.4 |
| | 4th | 70 | 14.3 |
| | | 80 | 16.4 |
| BEST | 5th | 85 | 18.2 |
| | | 90 | 20.3 |

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

## TABLE 4: NPV Ratio* by Interest Rate Scenario as of 09/30/2006

| | Quintile | Percent of Industry | *NPV Ratio -200 bp Less Than: | +200 bp |
|---|---|---|---|---|
| WORST | 1st | 10 | 9.7 | 7.5 |
| | | 15 | 10.5 | 8.2 |
| | | 20 | 11.0 | 8.7 |
| | 2nd | 30 | 11.9 | 9.6 |
| | | 40 | 12.7 | 10.5 |
| | 3rd | 50 | 13.5 | 11.5 |
| | | 60 | 14.8 | 12.6 |
| | 4th | 70 | 16.6 | 14.3 |
| | | 80 | 19.2 | 16.4 |
| BEST | 5th | 85 | 21.2 | 18.2 |
| | | 90 | 23.7 | 20.3 |

* 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 09/30/2006

| | Quintile | Percent of Industry | *Change in NPV Ratio -200 bp Less Than: | +200 bp |
|---|---|---|---|---|
| WORST | 1st | 10 | -51 | -340 |
| | | 15 | -28 | -313 |
| | | 20 | -11 | -289 |
| | 2nd | 30 | 19 | -244 |
| | | 40 | 40 | -204 |
| | 3rd | 50 | 68 | -172 |
| | | 60 | 90 | -138 |
| | 4th | 70 | 117 | -100 |
| | | 80 | 145 | -60 |
| BEST | 5th | 85 | 166 | -37 |
| | | 90 | 186 | -17 |

* 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 pb 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. These results are based on 791 OTS-regulated institutions for which the September 2006 Interest Rate Risk Exposure Reports are available. Prepared by the Capital Markets Division, OTS, Washington, D.C., 12/15/2006.