



FINAL

Interest Rate Risk Measures

Third Quarter 1997

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The attached tables contain the most recent industry statistics for several measures of interest rate risk (IRR): the **IRR Exposure Measure**, the **Interest Rate Sensitivity Measure**, the **Base-Case Net Present Value Capital Ratio**, the **Percentage Change in NPV**, 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 **IRR Exposure Measure** ranking by referring to Table 1. Assume XYZ Savings has an IRR exposure measure of 7%. In the last column of the table, locate the first value that is larger than XYZ's exposure measure. 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 exposure 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 exposure 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 **34731**. The preliminary measures for December 1997 will be available on PubliFax by **February 21, 1998** (request document code **34740**).

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

Table 1
IRR Exposure Measure*
As of September 30, 1997

Quintile	Percent of Industry	Post-Shock NPV Ratio Less Than:
1st	10	6.8 %
	15	7.4
	20	7.9
2nd	30	8.7
	40	9.6
3rd	50	10.4
	60	11.4
4th	70	12.6
	80	14.3
5th	85	15.3
	90	17.6

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

Table 2
Rate Sensitivity Measure*
As of September 30, 1997

Quintile	Percent of Industry	Decline in NPV Ratio Greater Than:
1st	10	334 bp
	15	308
	20	279
2nd	30	240
	40	201
3rd	50	168
	60	136
4th	70	108
	80	81
5th	85	67
	90	53

* The Rate Sensitivity Measure is defined as the decline (in basis points) in the Net Portfolio (NPV) capital ratio caused by a 200 basis point increase or decrease in rates, whichever produces the larger decline

Note: The NPV capital 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 1,135 OTS-regulated institutions for which the September 1997 Interest Rate Risk Exposure Reports are available.

Prepared by the Risk Management Division, OTS, Washington, D.C., December 14, 1997.

Table 3
Base-Case NPV Capital Ratio*
As of September 30, 1997

Quintile	Percent of Industry	Base-Case NPV Ratio Less Than:
1st	10	8.8 %
	15	9.3
	20	9.6
2nd	30	10.4
	40	11.2
3rd	50	12.2
	60	13.3
4th	70	14.5
	80	16.1
5th	85	17.4
	90	19.4

* The Base-Case NPV Capital Ratio is defined as the initial (base case) Net Portfolio Value (NPV) divided by the value of assets in the same rate scenario.

Table 4
TB-13 IRR Measure*
As of September 30, 1997

Quintile	Percent of Industry	Percentage Change in NPV	
		-200bp	+200bp
		Less Than:	
1st	10	-4.2 %	-31.1 %
	15	-2.6	-27.7
	20	-1.3	-25.5
2nd	30	1.1	-21.9
	40	3.3	-18.8
3rd	50	5.0	-15.8
	60	7.3	-12.5
4th	70	9.5	-9.8
	80	12.2	-5.9
5th	85	14.5	-4.3
	90	17.4	-1.4

* The TB-13 Measure is defined as the percentage change in the initial (base-case) Net Portfolio Value (NPV) caused by an interest rate shock of either -200 or +200 basis points.

Note: 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
Post Shock NPV Ratio*
As of September 30, 1997

Quintile	Percent of Industry	Post Shock NPV Ratio*	
		-200bp	+200bp
		Less Than:	
1st	10	8.9 %	6.9 %
	15	9.4	7.4
	20	10.0	7.9
2nd	30	10.7	8.8
	40	11.5	9.7
3rd	50	12.6	10.6
	60	13.8	11.6
4th	70	15.2	12.8
	80	16.9	14.5
5th	85	18.2	15.8
	90	19.9	17.8

* The Post shock NPV Ratio is defined as the Net Portfolio Value (NPV) capital ratio after an interest rate shock of either -200 or +200 basis points.

Table 6
Change in NPV Ratio*
As of September 30, 1997

Quintile	Percent of Industry	Change in NPV Ratio*	
		-200bp	+200bp
		Less Than:	
1st	10	-61 bp	-334 bp
	15	-42	-306
	20	-29	-277
2nd	30	-3	-237
	40	20	-197
3rd	50	41	-165
	60	66	-126
4th	70	88	-93
	80	125	-57
5th	85	144	-33
	90	173	1

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

Note: The NPV capital 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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