

Share Sensitivity Analysis

Our Share Sensitivity Analysis service evaluates the rate sensitivity of your credit union's share deposit balances. This information enables you to better understand the dynamics of your member deposits in support of improved management decisions. Regulators encourage this type of analysis for more accurate ALM modeling assumptions.

Managing the risk of your credit union involves monitoring the duration of the assets and the duration of the liabilities. Theoretically, if both sides of the balance sheet re-price at similar times, the potential negative impact of a change in market rates is reduced. Therefore, it is important to understand the nature of both assets and liabilities in terms of their duration and potential re-pricing characteristics. In measuring share sensitivity, we specifically measure how quickly non-maturing member deposits react to changes in dividend and market rates.

Conducting a Share Sensitivity Analysis

Using statistical analysis, we measure current and historical dividend rates and determine how they correlate with changes in market rates, and how they relate to changes in member deposit balances. Our proprietary Share Sensitivity Analysis consists of the following steps:

- Collect share rate history and share balance history
- Segregate core (that is, not rate sensitive) versus non-core balances
- Conduct correlation analysis
 - Share rate changes relative to market rate changes
 - Share rate changes relative to time-lagged market rates
 - Share balance changes relative to national statistics
- Identify implied pricing methodology
- Identify disintermediation exposure

Advantages

- **Better Informed.** Maximize the performance of your credit union's balance sheet by understanding the behavior of its share deposits. The evaluation of share sensitivity produces a crucial component in asset/liability risk measurement and in effective investment portfolio management decision-making.
- **Experienced.** Our analysts have extensive experience in quantitatively analyzing credit union performance.
- **Timely.** We offer quick turnaround with Balance Sheet Solutions staff gathering the necessary data to perform the analysis.
- **Innovative.** We are a leader in introducing share sensitivity studies to the credit union industry.
- **Improved Modeling.** You will attain improved ALM modeling assumptions.
- **Regulatory Support.** Federal and State examiners support and encourage this type of analysis.

Getting Started

Simply contact your Balance Sheet Solutions Investment Advisory Representative at 888-796-6389.