

Share Sensitivity Analysis

The 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 balance sheet and interest rate risk of your credit union involves measuring the sensitivity of earnings, and economic value, to changes in market rates. Theoretically, if both sides of the balance sheet re-price at similar times and in similar amounts, 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 measure how quickly non-maturing member deposit rates 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 relate to changes in member deposit balances. Balance Sheet Solutions' proprietary Share Sensitivity Analysis consists of the following steps:

- Collect share rate history and share balance history
- Segregate core 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.** Fine-tune the performance of your credit union's balance sheet by understanding the behavior of its share deposits. The evaluation of share sensitivity is a crucial component in asset/liability risk measurement and effective investment portfolio management decision-making.
- **Experienced.** Our team has 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.** Refine your credit union's ALM modeling assumptions.
- **Regulatory Support.** Federal and State examiners support and encourage this type of analysis.

Getting Started

Simply contact Balance Sheet Solutions to learn more about our services at 888-796-6389 or info@balancesheetsolutions.org.