

BankRisk

Asset/Liability Management Report

The goal of BankRisk is to provide management a measurement to identify, measure, monitor and control the interest rate risk of an institution. Both short and long term risks are measured over a 5 year time horizon. Changes in Net Interest Margins over 1 and 2 years give a good indication of short term risk, while the modified duration mismatch and change in Economic Value of Equity measures long term core earnings risk to satisfy regulators. The features of BankRisk include:

- Scenario Analysis for Change in NIM
- Duration Neutral Analysis
- Change in Economic Value of Equity
- Earnings at Risk Analysis

Cumulative Earnings Change (Pre-Tax)

	6 Months	1 Year	2 Years	5 Years
+1%	\$ 713,819	\$ 1,314,275	\$ 2,378,620	\$ 6,219,901
+2%	\$ 1,427,875	\$ 2,627,760	\$ 4,743,957	\$ 12,391,340
-1%	\$ (591,045)	\$ (1,105,850)	\$ (1,983,691)	\$ (5,142,028)
-2%	\$ (1,222,590)	\$ (2,266,895)	\$ (4,074,898)	\$ (10,520,860)

Economic Value of Equity & Durations of Assets and Liabilities

	up 1	up 2	dn 1	dn2
Assets	1.36	1.35	1.22	1.20
Liabilities	2.62	2.62	2.24	2.24
Modified Duration Differential	(1.25)	(1.26)	(1.02)	(1.03)
* Change in Economic Value of Equity (pre-tax)	\$ 5,465,937	\$ 11,008,908	\$ (4,429,134)	\$ (9,006,173)
% Change in Economic Value of Equity (pre-tax)	10.09%	20.33%	-8.18%	-16.63%
Modified Duration of bond portfolio	5.41	5.25	4.66	4.69
Mod. Dur. of bond portfolio to achieve "neutral" bal. sheet	27.02	27.02	22.17	22.49

In order to run BankRisk, we need:

- Balance Sheet
- Repricing Assumptions for interest sensitive accounts
- Other schedules such as FHLB & Brokered CD's
- Gap or Repricing Report
- Estimated Pre-Tax income for one and two years