Model	Description	calculation	Disadvantages
Repricing or funding	It is a measure of the difference between the dollar value of assets that will reprice and the dollar value of liabilities that will reprice within a specific time period, where reprice means the potential to receive a new interest rate. Rate sensitivity represents the time interval where repricing can occur. The model focuses on the potential changes in the net interest income variable. In effect, if interest rates change, interest income and interest expense will change as the various assets and liabilities are repriced, that is, receive new interest rates. The maturity bucket is the time window over which the dollar amounts of assets and liabilities are measured. The length of the repricing period determines which of the securities in a portfolio are rate-sensitive. The longer the repricing period, the more securities either mature or need to be repriced, and, therefore, the more the interest rate exposure. An excessively short repricing period omits consideration of the interest rate risk exposure of assets and liabilities are that repriced in the period immediately following the end of the repricing period. That is, it understates the rate sensitivity of the balance sheet. An excessively long repricing period includes many securities that are repriced at different times within the repricing period, thereby overstating the rate sensitivity of the balance sheet. Negative Gap = refinancing risk The FI is exposed to interest rate inclines. Positive Gap = reinvestment risk. The FI is exposed to interest rate declines	Repricing gap (Rep Gap) = RSA – RSL ΔInterest Income(II) = ΔI x Rep Gap Gap ratio: cumulative gap /total assets	It ignores market value effects. Changes in interest rates affect not only earnings but also the PV of cash flows from the assets and liabilities. It does not take into account the fact that the dollar value of rate sensitive assets and liabilities within a bucket are not similar. Thus, if assets, on average, are repriced earlier in the bucket than liabilities, and if interest rates fall, FIs are subject to reinvestment risks. The time buckets that it uses may be too broad and treats assets and liabilities the same, where in reality we need to reprice assets and liabilities all the time. It ignores income generated from off-balance-sheet activities. These are generally not covered in the repricing model, but may be exposed to IR risk. It ignores the problem of runoffs, that is, that some assets are prepaid and some liabilities are withdrawn before the maturity date. Runoff cash flow reflects the assets that are repaid before maturity and the liabilities that are withdrawn unsuspectedly. To the extent that either of these amounts is significantly greater than expected, the estimated interest rate sensitivity of the bank will be in error.