

## ALMIS Best Fit- for automatic portfolio hedge allocation

ALMIS Best Fit is designed to minimize the administrative burden of complying with IAS 39 hedge accounting and minimize any accounting volatility. The best fit routine will automatically determine an effective fair value hedge portfolio.

The screenshot shows the 'Best Fit' dialog box with the following configuration:

- Underlying Instruments:** Assets (Fixed Rate Mortgages), Liabilities (Fixed Rate Savings, Treasury Funding, Derivatives). A 'Change' button is present.
- Hedge:** Derivatives, Swaps. A 'Change' button is present.
- Matching (Left):**
  - Maturity/Re-Pricing: Before 92, After 92.
  - Effectiveness: Min 80, Max 125.
  - Nominal +/-: N/A.
- Hedge Offset (Right):**
  - Maturity/Re-Pricing: Before 93, After 93.
  - Effectiveness: Min 90, Max 110.
  - Nominal +/-: N/A.
- Matching (Bottom Left):**
  - Hedge Offsets
  - One To Many
  - One To One
  - Partial
  - Forced Matches
- Exclusions (Bottom Right):**
  - Last Reprice
  - Forward Start
- Buttons:** Cancel, Go.

You can run the best fit hedge allocation program for all assets and liabilities, or for a specific segment of your balance sheet.

Using specialized algorithms the system will find best matches to generate a highly effective hedge portfolio

A match is found based on a pre determined maturity of the hedged item both before and after the maturity of the hedge, and based on a minimum and maximum hedge effectiveness percentage calculated from the fair value change resulting from two yield curves, and if required, based on matching the nominal balance.

As an option, the system can find separately any hedge off sets, where the fair value movement of one swap offsets that of another.

Also as an option the system can find one to one matches, and in the event there are more than one to one match for any given derivative, it will use the best match it finds in terms of the match where its offsetting change in fair value effectiveness is nearest 100%.

Then, also as an option, to find 'one to many' matches, where for each swap, a match is found as a combination of many different hedged items. ALMIS will select the largest fair value change first until it finds enough matches so that the total allocated is closest to being 100% effective.

There is also the option to partially allocate a match on the basis of:

- 1) 100% of the hedge, with a % less than 100% of the hedged item to give 100% effectiveness, and then
  - 2) 100% of the hedged item with a reduced % of the hedge to give 100% effectiveness
- Users can also identify any effective micro hedge relationships and force match these.

There is also the facility to force match any hedge off-set or to simply identify hedges or categories of hedges to be left un-matched.

The system will produce and save three reports, a summary, a list of matched swaps and list of un-matched swaps.