

Guideline relating to

Solactive Subordinated Bond Index

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Introduction

1 Index specifications

- 1.1 Short name and ISIN
- 1.2 Initial value
- 1.3 Distribution
- 1.4 Prices and calculation frequency
- 1.5 Weighting
- 1.6 Decision-making bodies
- 1.7 Publication
- 1.8 Historical data
- 1.9 Licensing

2 Composition of the Index

- 2.1 Selection of the Index Components
- 2.2 Ordinary adjustment
- 2.3 Extraordinary adjustment

3 Calculation of the Index

- 3.1 Index formula
- 3.2 Accuracy
- 3.3 Adjustments

4 Definitions

- 4.1 Index-specific definitions
- 4.2 Further definitions

5 Appendix

- 5.1 Contact data
- 5.2 Calculation of the Index – change in calculation method

This document contains the underlying principles and regulations regarding the structure and the operating of the Solactive Subordinated Bond Index. Solactive AG shall make every effort to implement regulations. Solactive AG does not offer any explicit or tacit guarantee or assurance, neither pertaining to the results from the use of the index nor the index value at any certain point in time nor in any other respect. The Solactive Subordinated Bond Index is the sole property of Solactive AG. Solactive AG strives to the best of its ability to ensure the correctness of the calculation. There is no obligation for Solactive AG – irrespective of possible obligations to issuers – to advise third parties, including investors and/or financial intermediaries, of any errors in the index. The calculation and publication of the index by Solactive AG is no recommendation for capital investment and does not contain any assurance or opinion of Solactive AG regarding a possible investment in a financial instrument based on this index.

Introduction

This document is to be used as a guideline with regard to the composition, calculation and management of the Solactive Subordinated Bond Index. Any changes made to the guideline are initiated by the Committee specified in section 1.6. The Solactive Subordinated Bond Index is the sole property of Solactive AG. The Solactive Subordinated Bond Index is calculated and published by Solactive AG. The name “Solactive” is copyrighted.

1 Index specifications

The Solactive Subordinated Bond Index is a rules-based, market value weighted index engineered for the subordinated corporate bond market. The index is designed to track the subordinated corporate bond market denominated in USD. The index is comprised of USD denominated corporate securities which are classified as subordinated or junior subordinated.

The Solactive Subordinated Bond Index is a Total Return Index, i.e. coupon payments will be reinvested in the index.

1.1 Name and ISIN

The Solactive Subordinated Bond Index is distributed under ISIN DE000SLA0SB3; the WKN is SLA0SB. The Index is published in Reuters under the code “.SOLSUBBO” and in Bloomberg under the code “SOLSUBBO Index”.

1.2 Initial value

The index will be calculated every Business Day starting on 7th of June 2013. The index was based on 1000 as at the close of trading on 6th of June 2013.

1.3 Distribution

The Solactive Subordinated Bond Index is published via the price marketing services of Boerse Stuttgart AG and is distributed to all affiliated vendors.

1.4 Prices and calculation frequency

The Solactive Subordinated Bond Index is calculated based on the most recent prices (“Evaluated Prices”) of the respective Index Components. The index is calculated and distributed once every Business Day. In the event that data cannot be provided or that there are troubles regarding the price marketing of Solactive AG the index cannot be distributed.

1.5 Weighting

The Index Components are weighted according to their respective Market Value in proportion to the aggregated Market Value of all Index Components in the index.

The weighting methodology may be amended by the Committee if required due to legal framework.

1.6 Decision-making bodies

A Committee composed of staff from Solactive AG is responsible for decisions regarding the composition of the Solactive Subordinated Bond Index as well as any amendments to the rules (hereinafter referred to as the "**Committee**" or the "**Index Committee**"). The Committee will also decide about the future composition of the Solactive Subordinated Bond Index if any extraordinary event (see chapter 2.3) occurs and the implementation of any necessary adjustments.

Members of the Committee can recommend at any time changes to the composition of the Index or to the guideline and submit them to the Committee for approval.

1.7 Publication

All specifications and information relevant for calculating the index are made available on the <http://www.solactive.com> web pages and sub-pages.

1.8 Historical data

Historical data will be maintained from the launch of the Index on 6th of June 2013.

1.9 Licencing

Licences to use the index as the underlying value for derivative instruments are issued to stock exchanges, banks, financial services providers and investment houses by Solactive AG.

2 Composition of the Index

2.1 Selection of the Index Components

At the launch of the index, all financial instruments which meet the requirements of the Selection Pool are eligible for inclusion in the index. Instruments that will be issued prior to the Selection day and which meet the criteria of the Selection Pool as defined under 4.1 will be added on the monthly Adjustment Day to the selection pool. Additionally, on the Selection Day of each month, the Index Committee evaluates whether all current Index Components still meet the requirements of the Selection Pool and – if necessary – any Index Components which do not pass this screen are removed from the selection pool as soon as reasonably practicable.

A maximum of five bonds per “Parent Company” can be index Components. If more than five bonds per Parent Company are included in the selection pool, the following rules apply:

- (a) If there is only one Issuer per Parent Company, the five bonds with the highest amount outstanding are eligible for being an Index Component.
- (b) If there are two to five Issuers per Parent Company, a minimum of one bond per issuer in the selection pool of that Issuer is eligible for being an Index Component. For the avoidance of doubt the bonds with the highest amount outstanding per Issuer will be selected. If after applying the above rule there are less than five bonds per Parent Company eligible, for each Issuer a bond with the next highest amount outstanding is eligible for being an Index Component. This rule will be repeated until five bonds per Parent Company are eligible for being an Index Component.
- (c) If there are more than five Issuers per Parent Company eligible for being an Index Component, one bond from each Issuer with the highest amount outstanding are eligible until five bonds per Parent Company are reached. In that case not every Issuer can be kept in the index.

For the avoidance of doubt if while applying the above rules two or more bonds with the same amount outstanding are eligible for being an Index Component, the ones with the longer time to maturity are chosen.

Extraordinary adjustments are possible.

2.2 Ordinary adjustment

The composition of the index is ordinarily reviewed every month on the Selection Day prior to the Adjustment Day. Any change to the index will be implemented on the Adjustment Day. The first adjustment will take place on the last business day in June 2013.

2.3 Extraordinary adjustment

The Index Committee will decide about the future composition and the implementation of any necessary adjustments of the Solactive Subordinated Bond Index if an extraordinary event (early redemption, credit event etc.) regarding one or more index constituents occurs.

The Index Committee will decide on the future composition of the Solactive Subordinated Bond Index as well as the Business Day which marks the starting of the new adjusted index composition.

3 Calculation of the Index

3.1.1 Index formula

The Solactive Subordinated Bond Index is an index whose value reflects the relative changes in bond values. Therefore the composition and weighting is adjusted every month.

As a formula:

$$Totalreturn_{t,i} = \frac{Dirty Price_{t,i} + PaidCash_{t,i}}{Dirty Price_{t-1,i}} - 1$$

$$weighting_{t,i} = \frac{Dirty Price_{t,i} * Amount_{rb,i}}{\sum_{i=1}^a Dirty Price_{i,t} * Amount_{rb,i}}$$

$$Index_t = Index_{t-1} * (1 + \sum_{i=1}^a (Totalreturn_{t,i} * weighting_{t-1,i}))$$

Whereas:

| | |
|------------------------------------|---|
| <i>Totalreturn_{t,i}</i> | = Total return of the bond i on trading day t |
| <i>Index_t</i> | = Value of the index on trading day t |
| <i>Index_{t-1}</i> | = Value of the index on the last trading day t-1 |
| <i>Dirty Price_{i,t}</i> | = Dirty price of the bond i on trading day t, whereas dirty price t is the sum of the clean price of the bond i on trading day t and the accrued interest on trading day t. |
| <i>Dirty Price_{i,t-1}</i> | = Dirty price of the bond i on trading day t-1, whereas dirty price t-1 will be the sum of the clean price of the bond i on trading day t-1 and the accrued interest on trading day t-1. |
| <i>Weighting_{t,i}</i> | = weighting of the bond i on trading day t |
| <i>Amount_{rb,i}</i> | = Amount outstanding of bond i on the last Selection Day rb |
| <i>PaidCash_{i,t}</i> | = a) Value of the coupon payment for bond i on trading day t b) If a bond i will be removed from the index, the resulting payment of the bond will be included in the paid cash component. |

3.2 Accuracy

The value of the index will be rounded to four decimal places.

According to the terms of the bond, the index calculator will take the following conventions into account:

Act/Act
Act/360
Act/365

30/360
ISMA 30/360

The index does not take taxes into account and assumes gross coupon payments.

3.3 Adjustments

Indices need to be adjusted for systematic changes in prices once these become effective. Following the Committee's decision the Solactive Subordinated Bond Index is adjusted for special payments, bankruptcy, nominal value changes, capital reductions and redemptions. Thereby possible payments are included in the calculation as „Paid Cash“.

4. Definitions

4.1 index-specific definitions

The **“Selection Pool”** comprises bonds that fulfill the following conditions:

- (a) Only corporate bonds
- (b) Bond is classified as either subordinated or junior subordinated
- (c) Amount Outstanding of at least 500m USD
- (d) Denominated in USD
- (e) Time to maturity of at least one year at first selection, time to maturity of at least one month at each following adjustment day (covering the bonds which are already an index member).
- (f) SEC or 144a registered
- (g) Only perpetual, bullet or callable bonds
- (h) A rating of BBB/Baa2 or higher of two rating agencies. If only two ratings are available, the lower one has to be BBB/Baa2 or higher. If only one rating is available, it has to be BBB/Baa2 or higher.

4.2 Further definitions

In particular an **“extraordinary event”** is

- an early redemption of the bond
- a credit event

A **“credit event”** is the suspension of debt service, insolvency or failure to pay.

“Last price” is (aside from the rules referred to in „extraordinary events“) the last available evaluated price.

A **“Business Day”** is in relation to the index is any day other than a Saturday or Sunday where the New York Stock Exchange is open for trading and SIFMA did not recommend a close for that day.

The **“index calculator”** is Solactive AG or any other appropriately appointed successor in this function.

The **“index currency”** is USD.

“Selection Day” is a business Day 5 business days prior to the Adjustment Day.

“Adjustment Day” is the last Business Day of each month.

“Parent Company” is the controlling company of the issuing entity of the respective bond. In some cases the parent company and the issuer are the same.

“Issuer” is the issuing entity of the respective bond. In some cases the parent company and the issuer are the same.

5 Appendix

5.1 Contact data

Information regarding the Solactive Subordinated Bond Index concept

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5.2 Calculation of the Index – change in calculation method

The application by the index calculator of the method described in this document is final and binding. The index calculator shall apply the method described above for the composition and calculation of the index. However it cannot be excluded that the market environment, supervisory, legal, financial or tax reasons may require changes to be made to this method. The index calculator may also make changes to the terms and conditions of the index and the method applied to calculate the index, which he deems to be necessary and desirable in order to prevent obvious or demonstrable error or to remedy, correct or supplement incorrect terms and conditions. The index calculator is not obliged to provide information on any such modifications or changes. Despite the modifications and changes the index calculator will take the appropriate steps to ensure a calculation method is applied that is consistent with the method described above.