Guideline relating to

Solactive Australian Bank Senior Floating Rate Bond Index

Version 1.1 dated July 4th, 2017

Contents

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Introduction

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

1 Index specifications

The Solactive Australian Bank Senior Floating Rate Bond Index provides exposure to the largest and most liquid floating rate debt securities issued by selected Australian banks. The index is comprised of investment grade floating rate debt securities denominated in AUD and calculated as a Total Return Index.

1.1 Name and ISIN

The Solactive Australian Bank Senior Floating Rate Bond Index is distributed under ISIN DE00SLA3C32; the WKN is SLA3C3. The Index is published in Reuters under the code .SOLAUSFR and in Bloomberg under the code SOLAUSFR INDEX.

1.2 Initial value

The index will be calculated every Business Day starting on the 30th of May. The index was based on 1000 as at the close of trading on the 28th of February 2007.

1.3 Distribution

The Solactive Australian Bank Senior Floating Rate 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 Australian Bank Senior Floating Rate Bond Index is calculated based on the Last Evaluated Mid Price (see 4.2 Further Definitions) 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 following weighting constraints are applied:

The weight of bonds issued by Australian banks from Band 1 equals 80%,
The weight of bonds issued by Australian banks from Band 2 equals 20%

Within each Band securities are equally weighted. For bonds of Band 2, if a bond has a weight in excess of 5%, the weight of that bond will be capped to 5% and the excess weight will be distributed proportionally across the securities in Band 1.[1]
In case there are no eligible bonds issued by Australian banks from Band 2, the 20% weight of Band 2 will be distributed proportionally across the securities in Band 1.

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

1.6 Index Committee

The Solactive Australian Bank Senior Floating Rate Bond Index is a rules-based index. Solactive AG is responsible for applying the rules as described in this index guideline.

Only in case of an Extraordinary Event a Committee composed of Solactive AG employees (hereinafter referred to as the "**Committee**" or the "**Index Committee**") will decide about the future composition of the Solactive Australian Bank Senior Floating Rate Bond Index The Committee will meet and decide on how to treat the Extraordinary Event in the index based on the information available. An extraordinary adjustment will only be implemented if the majority of the Committee supports the suggested treatment. As soon as a decision has been taken all parties related to the index are informed about the Extraordinary Event as well as the decided treatment and date of implementation. For further information on the treatment of Extraordinary Events see chapter 2.3.

The Committee can also make amendments to the index rules if required. As an example, if the index does not meet legal or regulatory requirements (for the index itself or related financial products) anymore the Committee reserves the right to adjust the rules to meet these requirements. This may affect selection criteria or weighting rules. If there are any changes to the rules, all parties related to the index are informed and the new rulebook will be published on the company website www.solactive.com.

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 28th of February 2007.

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.

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[1] E.g., if there are only three eligible securities in Band 2, each will have a capped weight of 5% (for a total of 15% in Band 2), and an excess weight of 1.67% (being 6.67% minus 5%). The total excess weight of 5% is distributed pro rata across the Band 1 securities. Thus, if there are 8 securities in Band 1, each of the 8 will be upweighted from 10% to 10.625%.

2 Composition of the Index

2.1 Selection of the Index Components

The index constituents will be selected on the quarterly Selection Day, based on the Selection Pool as defined in 4.1. Additionally, on the quarterly Selection Day, 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.

From the Selection Pool, a maximum of 14 securities are selected where 8 are issued by Australian banks from Band 1 and 6 are issued by Australian banks from Band 2.

The securities are selected as follows:

From Band 1, for each issuer, the securities with the longest term to maturity (up to a maximum of two securities per issuer) are selected
From Band 2, for each issuer, the securities with the longest term to maturity (up to a maximum of one security per issuer) are selected

Extraordinary adjustments are possible.

2.2 Ordinary adjustment

The composition of the index is ordinarily reviewed on the quarterly Selection Day. Any change to the index will be implemented on the Adjustment Day.

2.3 Extraordinary adjustment

Extraordinary Events may lead to adjustments of the index between Adjustment Days.

To standardise processes the following standard treatments for common corporate actions have been established:

Full Tender or Early Redemption: The bond proceeds will be reinvested into the index on the effective date. For the avoidance of doubt a tender must be mandatory, the pure offer to tender a bond will not lead to an adaption of the index.*
On the effective date price and accrued interest are 0 and the proceeds (tender/redemption price + accrued interest/coupon) are considered as "Paid Cash" in the return formula (see 3.1). On the next calculation day, the bond is removed from the index and weightings are calculated according to the formula in 3.1. The new higher weightings of the remaining constituents imply the direct reinvestment of the redeemed bond into all other Index Components.

Exchange Offer:
1) optional exchange offers are not treated in the index; *
2) mandatory exchange offers: In case less than 90% of the amount outstanding is exchanged the exchange will not be considered in the index.
3) mandatory exchange offers: In case more than 90% of the amount outstanding is exchanged the exchange will be considered in the index calculation by exchanging the relevant bonds, so that the new bond will receive the weight of the old exchanged bond.

The capping factor of the new bond is calculated based on the following formula:

$$CapFactor_{t,new} = \frac{(Price_{t,old} + ACCInt_{t,old}) * Amount_{SD,old} * Cap_{SD,old}}{(Price_{t,new} + ACCInt_{t,new}) * Amount_{t,new}}$$

Flat Trading: A bond is flat trading if the bond issuer will not meet its coupon payment obligation which means that the buyer of a bond is not responsible for paying the interest that has accrued since the last payment. If a bond is defined to be "flat trading" between two adjustment days the respective accrued interests and coupons will be set to 0. The bond will not be removed until the next adjustment date.

Default: If the status of a bond changes to "In Default", the bond will remain as part of the index or portfolio at the last available evaluated price provided by the pricing source until the next regular index adjustment day.

Debt issuances: Debt issuances of an existing bond will not be considered until the next Adjustment Day.

*For the avoidance of doubt, an optional tender or exchange offer may lead to an index adjustment after the end of the submission period. In case the tender or exchange has been successful for at least 90% of the Amount Outstanding, the bond will be removed from the index/exchanged into the relevant bond.

In case of an Extraordinary Event that is not covered by the standard treatments mentioned above the Committee will meet and decide on how to treat the Extraordinary Event in the index based on the information available. An extraordinary adjustment will only be implemented if the majority of the Committee supports the suggested treatment. As soon as a decision has been taken all parties related to the index are informed about the Extraordinary Event as well as the decided treatment and date of implementation.

3 Calculation of the Index

3.1. Index formula

The Solactive Australian Bank Senior Floating Rate Bond Index is a Total Return Index whose return reflects the interest return due to paid and accrued interest, and price return, reflecting relative changes in end-of-day bond prices.

As a formula:

$$Totalreturn_{t,i} = \frac{Price_{t,i} + ACCInt + CPAdj_{t,i} + PaidCash_{t,i}}{Price_{t-1,i} + ACCInt_{t-1,i} + CPAdj_{t-1,i}} \cdot \frac{FX_{t,i}}{FX_{t-1,i}} - 1$$

$$Weighting_{t,i} = \frac{MarketValue_{t,i} \cdot Cap_{SD,i}}{\sum_{i=1}^{a} MarketValue_{t,i} \cdot Cap_{SD,i}} = \frac{(Price_{t,i} + ACCInt_{t,i}) * Amount_{SD,i} * Cap_{SD,i} \cdot FX_{t,i}}{\sum_{i=1}^{a} (Price_{t,i} + ACCInt_{t,i}) * Amount_{SD,i} * Cap_{SD,i} \cdot FX_{t,i}}$$

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

Whereas:

$Totalreturn_{t,i}$	= Total return of the bond i on trading day t
$Index_t$	= Value of the index on trading day t
$Index_{t-1}$	= Value of the index on trading day t-1
$Price_{t,i}$	= Last Evaluated Price of the bond i on trading day t
$Price_{t-1,i}$	= Last Evaluated Price of the bond i on trading day t-1
$ACCInt_{t,i}$	= Accrued Interest of the bond i on trading day t
$ACCInt_{t-1,i}$	= Accrued Interest of the bond i on trading day t-1
$Weighting_{t,i}$	= Weighting of the bond i on trading day t
$Weighting_{t,i}$	= Weighting of the bond i on trading day t-1
$Amount_{SD,i}$	= Amount Outstanding of bond i on the last Selection Day SD
$Cap_{SD,i}$	= Capping Factor which helps to adjust the weights as defined under 1.5
$FX_{t,i}$	= Foreign Exchange Rate of bond i on trading day t
$FX_{t,i}$	= Foreign Exchange Rate of bond i on trading day t-1
$PaidCash_{t,i}$	= 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.

$CPAdj_{t,i}$ = Variable Coupon Adjustment Factor of bond i on trading day t if the bond trades ex-dividend

Equal to 0 if bond i is not in an ex-dividend period on trading day t or bond i was included in the index during the ex-dividend period.

Equal to the upcoming coupon if bond i is in an ex-dividend period on trading day t and bond i was included in the index before the ex-dividend period.

The ex-dividend period is the period before the coupon payment date where the buyer of a bond is not entitled to the upcoming coupon. The ex-dividend date is the first date at which the bond does not include an entitlement to the next coupon payment when purchased. The Accrued Interest of bond i is negative during the ex-dividend period and 0 on the coupon payment date.

3.2 Accuracy

The value of the index will be rounded to two 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 into account taxes and assumes gross coupon payments.

Accrued Interest is calculated assuming same day settlement, also known as cash settlement or T+0 settlement.

4. Definitions

4.1 index-specific definitions

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

- (a) Floating rate debt securities
- (b) Denominated in Australian dollars (AUD)
- (c) Securities must be eligible for use in the Reserve Bank of Australia's (RBA) domestic market operations. *
  The RBA's minimum eligibility criteria and the list of eligible securities can be found on the following URL:
  http://www.rba.gov.au/mkt-operations/resources/tech-notes/eligible-securities.html
- (d) Amount Outstanding of at least AUD 500 million
- (e) Time to maturity of at least 12 months and not more than 60 months as of the Adjustment Day
- (f) Exclusion of subordinated bonds, covered bonds, convertible bonds and callable bonds
- (g) A pricing must be available from the Pricing Provider
- (h) Bonds are issued by one of the following Australian banks:

  Band 1

    1. Australia and New Zealand Banking Group Limited
    2. Commonwealth Bank of Australia
    3. National Australia Bank Limited
    4. Westpac Banking Corporation

  Band 2

    5. AMP Bank Ltd
    6. Bank of Queensland Limited
    7. Bendigo and Adelaide Bank Limited
    8. Macquarie Bank Limited
    9. Members Equity Bank Limited
    10. Suncorp-Metway Limited

*During the backtesting period, (c) is not applied, i.e. bonds are not checked for eligibility for use in the Reserve Bank of Australia's (RBA) domestic market operations.

4.2 Further definitions

"Adjustment Day" is the last Business Day in February, May, August and November.

"Amount Outstanding" is the face value of the respective bond.

"Bond Price Provider" is Interactive Data Corporation.

A **"Business Day"** in relation to the index is any day other than a Saturday or Sunday or a day on which the Australian Securities Exchange (ASX) is closed for business. The ASX Non-Business Days are New Year's Day, Australia Day, Good Friday, Easter Monday, Anzac Day, Queen's Birthday, Christmas Day and Boxing Day

A **"Credit Event"** is the suspension of debt service, insolvency or failure to pay.

"Early Redemption" includes every event that leads to a redemption of a bond before the actual maturity date.

"Exchange Offer" means that the holder of a bond is invited to exchange the existing bond to another debt security.

In particular, an **"Extraordinary Event"** is
- an early redemption of the bond
- a credit event

A bond is **"Flat Trading"** if the bond issuer does not meet its coupon payment obligation which means that the buyer of a bond is not responsible for paying the interest that has accrued since the last payment.

"Foreign Exchange Rate" is the respective WM 4pm London fixing.

A bond is "**In Default**" once the issuer is not able to fulfil its bond payment obligations anymore after the 30 days grace period.

The **"Index Currency"** is AUD.

"Issuer" is the issuing entity of the respective bond.

"Last Evaluated Price" generally is (aside from the rules referred to in „Extraordinary Events") the last available evaluated mid price provided by the Bond Price Provider.

 "Selection Day" is a Business Day 7 Business Days prior to the Adjustment Day.

"Tender Offer" means that a holder of a bond is invited to tender the bond for a specific price at a specific time before the actual maturity date.

5 Appendix

5.1 Contact data

Information regarding the Solactive Australian Bank Senior Floating Rate 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.