

**S&P Eurozone Government
Bond Index
Methodology**

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Table of Contents

Introduction	3
Highlights	3
Eligibility Criteria	4
Eligibility Factors	4
Timing of Changes	5
Index Construction	6
Approaches	6
Index Calculations	6
Index Maintenance	7
Rebalancing	7
Base Date	7
Index Governance	8
Index Committee	8
Index Policy	9
Announcements	9
Holiday Schedule	9
End-of-Day Calculation	9
Index Releases	9
Index Dissemination	10
Tickers	10
FTP	10
Appendix	11
Calculation of Index Bond Market Values and Relative Weights	11
Calculation of Bond Returns	12
S&P Contact Information	14
Index Management	14

Product Management	14
Media Relations	14
Index Operations & Business Development	14
<u>Disclaimer</u>	<u>15</u>

Introduction

The S&P Eurozone Government Bond Index is a broad market-value-weighted index designed to measure the performance of the “Developed” European Government Bond market.

Highlights

The S&P Eurozone Government Bond Index consists of European Government Bonds of all maturities. The Index undergoes a review and rebalancing once a month, with the intent of keeping the Index current.

The S&P Eurozone Government Bond Index is comprised of sub-indices that are differentiated by the range of maturities of its constituents.

The Index is rules based, although the S&P Fixed Income Index Committee reserves the right to exercise discretion, when necessary. The hallmark of a rules-based index is transparency and, broadly speaking, predictability. As an aide to transparency, this document sets out the rules by which the Index is governed, index calculation and management procedures, and the various formulae used to calculate index returns and other statistics.

Index returns and other statistics are calculated daily, as described in the Appendix.

Eligibility Criteria

Eligibility Factors

The following bond types are specifically excluded from the Index:

- European Government Inflation Indexed Bonds
- Floating Rate Bonds
- Zero Coupon Bonds

Bond Domicile. The bond must be issued by a country that is considered a developed market and is within the Euro-zone. For a country to be considered a developed market it must be classified as a “Developed Country” by the Bank of International Settlements (BIS) in its international debt securities statistics.

Currency. The bond must be denominated in Euros.

Pricing. The bond must be in the pricing universe of Credit Suisse.

Maturity. Each bond must have a maturity greater than or equal to one year.

Minimum Issue Size. The minimum issue size is at least €1 billion.

Minimum Par Amount. To remain in the Index, bonds must maintain a minimum Par Amount greater than or equal to €1 billion as of the next rebalancing reference date.

Sub-Indices

The S&P Eurozone Government Bond Index is comprised of sub-indices that are differentiated by the range of maturities of its constituents. The maturity ranges are as follows:

- 1-3 years
- 3-5 years
- 5-7 years
- 7-10 years
- 10+ years

For all ranges above, any bond that has an exact time to maturity at either end of the range will be placed in the one where it is denoted as the maximum. For example, a bond with five years to maturity will be a constituent of the 3-5 year sub-index.

Index constituents are included in the appropriate sub-index based on each security's respective maturity date. The measurement criterion is the amount of time left to maturity measured from the first business day of the month.

Timing of Changes

Additions

Bonds are added to the Index on one of the monthly rebalancing dates as long as the bond is in the pricing universe of Credit Suisse, and price and coupon information is provided.

Deletions

Bonds are deleted from the Index at the rebalancing if they are completely called by the issuer during the course of the month, are no longer in the secondary market, or if a Par Amount has dropped below €1 billion.

Index Construction

Approaches

Standard & Poor's Eurozone Government Bond Index is designed to measure the performance of the "Developed" European Government Bond market.

Index Calculations

The S&P Eurozone Government Bond Index is a market-value-weighted index. Index weights are based on outstanding Par Amounts for bonds. Credit Suisse provides the price and coupon of each bond in the index. The prices used in the index calculation add the accrued interest for each bond.

The total return for the S&P Eurozone Government Bond Index is calculated by aggregating the interest return, reflecting the return due to paid and accrued interest, and price return, reflecting the gains or losses due to changes in the end-of-day price and principal repayments. Total return also includes the return from mid-month coupon payments that are re-invested at the relevant Euro Interbank Offered Rate (EURIBOR) reported daily by Credit Suisse. Coupon payments are reinvested at this rate until the next rebalancing date; at which time they are reinvested into the index.

Index levels are calculated out to eight decimal points and published out to five decimal points.

For further details regarding Index Calculations, please refer to the Appendix.

Index Maintenance

The Index is maintained in accordance with the following rules:

- Par Amounts of Index Bonds are adjusted on the rebalancing date to reflect any changes that have occurred since the previous rebalancing date, due to partial calls, tenders, etc.

Rebalancing

The S&P Eurozone Government Bond Index is normally reviewed and rebalanced on a monthly basis.

The Index Committee, nevertheless, reserves the right to make adjustments to the Index at any time that it believes appropriate.

Publicly available information, up to and including the Close on the Business Day preceding the rebalancing date (the Reference Date), is considered in the rebalancing. Additions, deletions and other changes to the Index arising from the monthly rebalancing are published, after the close of business, one Business Day prior to the last Business Day of the month (the Announcement Date). Index changes published in the announcement will not normally be subject to revision and will become effective after the Close on the last business day of the month (the Rebalancing Date).

Base Date

The Index and sub-indices have base dates of December 31, 1999. The base values on that date are 100.

Index Governance

Index Committee

The S&P Fixed Income Index Committee maintains the Index. All members of the Committee are full-time professionals at Standard & Poor's. Meetings are held whenever deemed appropriate.

In fulfilling its responsibilities, the Committee has full and complete discretion to (i) amend, apply, or exempt the application of Index rules and policies as circumstances may require and (ii) add, remove, or by-pass any bond in determining the composition of an Index.

The Committee may rely on any information or documentation submitted to it or gathered by it that the Committee believes to be accurate. The Committee reserves the right to reinterpret publicly available information and to make changes to the Index based on a new interpretation of that information at its sole discretion. All S&P Fixed Income Index Committee discussions are confidential.

Index Policy

Announcements

Announcements of any relevant information pertaining to the S&P Eurozone Government Bond Index are made at approximately 5:30 PM ET. Press releases are posted on Standard & Poor's Web site at www.indices.standardandpoors.com.

Holiday Schedule

The S&P Eurozone Government Bond Index is calculated when the Securities Industry and Financial Markets Association (SIFMA®) declares the UK fixed income markets to be open.

End-of-Day Calculation

Index levels are calculated at the end of each business day, at approximately 5:00 PM ET via Standard & Poor's Web site. On business days that SIFMA® recommends closing the fixed income markets early, index levels may be calculated at a time in accordance with the recommended early close time set for that day. S&P Eurozone Government Bond Index levels will also be posted on major quote vendors and other media outlets as noted below.

Index Releases

Releases are issued by S&P at the end of the business day. The release time is generally 5:30 PM ET

Index Dissemination

S&P Eurozone Government Bond Index levels are available through Standard & Poor's Web site at www.indices.standardandpoors.com, major quote vendors (see codes below), numerous investment-oriented websites, and various print and electronic media.

Tickers

Index	Bloomberg
S&P Eurozone Government Bond Index	SPBDEGIT
S&P Eurozone Government Bond 1-3 Years Index	SPBDEG3T
S&P Eurozone Government Bond 3-5 Years Index	SPBDEG5T
S&P Eurozone Government Bond 5-7 Years Index	SPBDEG7T
S&P Eurozone Government Bond 7-10 Years Index	SPBDE10T
S&P Eurozone Government Bond 10+ Years Index	SPBDEGLT

FTP

Additional daily index data is available via FTP by subscription.

For further information, please refer to Standard & Poor's Web site at www.indices.standardandpoors.com.

Appendix

Calculation of Index Bond Market Values and Relative Weights

The market value is calculated for each bond in the index as of the close on each day, as follows:

$$MV_t = PAR_{RB} * \frac{(P_t + AI_t)}{100} \quad (1)$$

where:

- MV_t = Market value of each bond on day t
- PAR_{RB} = Par Amount of each bond as of the last monthly rebalancing.
- P_t = Price of each bond on day t
- AI_t = Accrued interest¹ on each bond up to and including day t

If the valuation date is not a trading day, the market value will be based on the price as of the immediate prior trading day, plus interest accrued to the valuation date.

The relative weight of a bond, i , is defined as the market value of that bond expressed as a percentage of the aggregate market value of all bonds in the index, as follows:

$$weight_i = \frac{MV_i}{\sum_i MV_i} \quad (2)$$

¹ AI_t in (1) is calculated on a calendar date basis and uses the conventions for the settlement date appropriate to the asset class. Accordingly, accrued interest will be zero on a coupon payment date.

Calculation of Bond Returns

Returns are calculated for all bonds, on every calendar day, on a month-to-date (MTD) basis.

Total Return

The month-to-date total return (TR) of a bond on day t is the sum of the month-to-date interest return, the month-to-date market price return, and the month-to-date reinvestment return on day t :

$$TR_t = IR_t + PR_t + RR_t \quad (3)$$

where:

$$\begin{aligned} IR_t &= \text{MTD interest return on day } t. \\ PR_t &= \text{MTD market price return on day } t. \\ RR_t &= \text{MTD reinvestment return on day } t. \end{aligned}$$

Price return measures the return due to the change in the market price of the bond. Interest return (or coupon return) includes the return due to the interest earned on that bond. Reinvestment return measures the return due to the reinvestment of mid-month cash flows at the EURIBOR reported daily by Credit Suisse.

Interest Return

The formula for the month-to-date interest return on an individual bond on day t is as follows:

$$IR_t = \frac{\left(PAR_t * \frac{AI_t}{100} - PAR_{RB} * \frac{AI_{RB}}{100} \right) + Int_{t, RB}}{MV_{RB}} \quad (4)$$

where:

$$\begin{aligned} IR_t &= \text{MTD interest return at time } t \\ AI_t &= \text{Accrued interest, up to and including day } t \\ AI_{RB} &= \text{Accrued interest as of the last monthly rebalancing.} \\ PAR_{RB} &= \text{Par Amount as of the last monthly rebalancing.} \\ PAR_t &= \text{Par Amount as of day } t \text{ (} PAR_{RB} - Prin_{t, RB} \text{).} \\ Prin_{t, RB} &= \text{Principal payment occurring after the prior rebalancing and up to and including day } t. \\ Int_{t, RB} &= \text{Interest payment occurring after the prior rebalancing and up to and including day } t \\ MV_{RB} &= \text{Market value as of the last monthly rebalancing.} \end{aligned}$$

Price Return

The formula for the month-to-date price return for an individual bond on day t is as follows:

$$PR_t = \frac{PAR_{RB} * \left(\frac{P_t - P_{RB}}{100} \right) + Prin_t * \frac{RP}{100}}{MV_{RB}} \quad (5)$$

where:

PR_t	=	MTD Price return on day t
PAR_{RB}	=	Par Amount as of the last monthly rebalancing
P_t	=	Price day t
P_{RB}	=	Price as of the last monthly rebalancing
$Prin_t$	=	Principal prepayments occurring after the prior rebalancing and up to and including day t
MV_{RB}	=	Market value as of the last monthly rebalancing
RP	=	Redemption Price

Note that the formula for Price Return (5) itself has two components. The first term, in the numerator on the left side, represents the unrealized return due to any change in the price, while the second term (on the right) represents the realized return due to receiving a principal repayment at the Redemption Price (which could differ from par) rather than at the current end of day Price.

Reinvestment Return

All interest payments are reinvested at EURIBOR, reported daily by Credit Suisse. Interest payments are considered received on the payment date and the return on the bond is computed as if the cash was reinvested on a daily basis until month-end, at which time all interest payments and accruals are reinvested in the index.

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