RULES GOVERNING SBI® INDEX FAMILY

CONTENTS

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1. INDEX STRUCTURE

1.1
Securities universe

The Swiss Bond Indices (SBI®) mirror developments in the CHF bond markets and hence in the field of interest rates. The universe of securities encompasses all bonds issued in CHF that are listed on SIX Swiss Exchange and meet the criteria for inclusion in the SBI®.

1.2
Sub-division of the index

The following table shows the structure of the SBI® indices. The SBI is sub-divided by segments, rating categories and terms to maturity.

	SBI®	SBI® Domestic				SBI® Foreign			
Ratingkategorien Restlaufzeiten	Total	Total	Swiss Govern-ment	Non-Gov-ernment	Swiss Pfand-brief	Total	Govern-ment	Corpo-rate	Supra-national
AAA-BBB	•	•	•	•	•	•	•	•	•
1 – 3 Jahre	•	•	•	•	•	•			
3 – 5 Jahre	•	•	•	•	•	•			
5 – 7 Jahre	•	•	•	•	•	•			
7 – 10 Jahre	•	•	•	•	•	•			
10+ Jahre	•	•	•	•	•	•			
3 – 7 Jahre			•						
7+ Jahre			•						
1 – 5 Jahre	•	•	•	•	•	•			
5 – 10 Jahre	•	•	•	•	•	•			
10 – 15 Jahre	•	•	•	•	•	•			
1 – 10 Jahre	•	•	•	•	•	•			
1 – 15 Jahre	•	•	•	•	•	•			
15+ Jahre	•	•	•	•	•	•			
AAA	•	•				•			
1 – 3 Jahre	•								
3 – 5 Jahre	•								
5 – 7 Jahre	•								
7 – 10 Jahre	•								
10+ Jahre	•								
10 – 15 Jahre	•								
AA	•	•				•			
1 – 3 Jahre	•								
3 – 5 Jahre	•								
5 – 7 Jahre	•								
7 – 10 Jahre	•								
10+ Jahre	•								
10 – 15 Jahre	•								
A	•	•				•			
1 – 3 Jahre	•								
3 – 5 Jahre	•								
5 – 7 Jahre	•								
7 – 10 Jahre	•								
10+ Jahre	•								
BBB	•	•				•			
AAA-A	•	•				•	•	•	•
1 – 3 Jahre	•	•		•		•			
3 – 5 Jahre	•	•		•		•			
5 – 7 Jahre	•	•		•		•			
7 – 10 Jahre	•	•		•		•			
10+ Jahre	•	•		•		•			
1 – 5 Jahre	•	•		•		•			
5 – 10 Jahre	•	•		•		•			
10 – 15 Jahre	•	•		•		•			
1 – 10 Jahre	•	•		•		•			
1 – 15 Jahre	•	•		•		•			
15+ Jahre	•	•		•		•			
AAA-AA	•	•		•		•	•	•	•
1 - 3 Jahre	•	•		•		•			
3 - 5 Jahre	•	•		•		•			
5 – 7 Jahre	•	•		•		•			
7 – 10 Jahre	•	•		•		•			
10+ Jahre	•	•		•		•			
1 – 5 Jahre	•	•		•		•			
5 – 10 Jahre	•	•		•		•			
10 – 15 Jahre	•	•		•		•			
1 – 10 Jahre	•	•		•		•			
1 – 15 Jahre	•	•		•		•			
15+ Jahre	•	•		•		•			
AA-BBB	•	•				•			
AA-A	•	•				•			
A-BBB	•	•				•			

1.2.1
Segments

Since 1 October 2009, the SBI® segment indices have been based on the Industry Classification Benchmark for Fixed Income (ICB FI) developed by Dow Jones and FTSE.

The SBI® securities universe is divided into three main segments:

- SBI® Total: All domestic and foreign CHF-denominated bonds that fulfil the admission criteria (see section 4.1).
- SBI® Domestic: All domestic bonds
- SBI® Foreign: All foreign bonds

The SBI® Domestic is divided into the following subsegments:

Sub-Segment	ICB FI Domicile Code	ICB FI Sector Code
SBI® Domestic Swiss Government	CH/LI	15100 Nation/Treasury
SBI® Domestic Non-Government	CH/LI	All excl. 15100 Nation/Treasury
SBI® Domestic Swiss Pfandbrief	CH/LI	8779 Mortgage Finance

The SBI® Foreign is divided into the following subsegments:

Sub-Segment	ICB FI Domicile Code	ICB FI Issuer Type Code
SBI® Foreign Government	All excl. CH/LI	Sovereign (Government) & Sub-Sovereign (Agencies/Semi-Gov)
SBI® Foreign Corporate	All excl. CH/LI	Corporate (Corporation)
SBI® Foreign Supranational	All excl. CH/LI	Supranational (Intergovernmental and UN Agencies)

1.2.2
Rating categories

The bonds of the three main segments are divided into the following rating categories:

- AAA-BBB (Total)
- AAA
- AA
- A
- BBB
- AAA-A
- AAA-AA
- AA-BBB
- AA-A
- A-BBB

The SBI® Domestic Swiss Government is comprised exclusively of AAA bonds.

1.2.3
Terms to maturity

The bonds belonging to the AAA-BBB, AAA-A, AAA-AA, AAA, AA and A rating categories are divided into the following subindices on the basis of term to maturity:

- 1 to less than 3 years
- 3 to less than 5 years
- 5 to less than 7 years
- 7 to less than 10 years
- 10 years to less than 15 years
- 10 years and more

Additionaly, the bonds belonging to the AAA-BBB, AAA-A, AAA-AA rating categories are divided into the following subindices on the basis of term to maturity:

- 1 to less than 5 years
- 5 to less than 10 years
- 10 to less than 15 years
- 1 to less than 10 years
- 1 to less than 15 years
- 15 years and more

The SBI® Domestic Swiss Government is subject to special rules. Its bonds are divided additionally into the following subindices based on term to maturity:

- 3 to less than 7 years
- 7 years and more

The effective classification date is that used for calculating the yield (yield to worst). Changes to this classification system are made only once a month on the first trading day (ordinary adjustment dates according to Section 5.1).

1.2.4
New sector indices

On 3 January 2011, SIX Swiss Exchange introduced a number of new sector indices. They are based on the regulations developed by SIX Swiss Exchange in partnership with the Swiss Bond Commission that provide information on the classification of guarantee types and collateral, and the "Industry Classification Benchmark for Fixed Income" (ICB FI) developed by the Dow Jones Indexes and FTSE Group. The following chart contains details of the indices that are currently available:

	SBI Total	SBI Domestic	SBI Foreign
Government-Related	•	•	•
Treasury	•		
Sovereign	•		
Supranational	•		
Agency	•		
Local Authority	•	•	•
Secured/Collateralised	•		•
Backed by Public Sector Loans	•		
Backed by Private Sector Morgages	•		•
Backed by Mixed Assets	•		
Asset backed	•		
GICs/Funding Agreement	•		
Unsecured	•	•	•
Industrials	•	•	•
Utilities	•	•	•
Financials	•	•	•
Senior	•		
Subordinated	•		
Banks	•	•	•
Insurance	•		
Financial Services	•		

1.3
Standardisation

The basic data and securities of the SBI® indices, the time of first publication and other information are set out in Section 8.

1.4
Index types

Four types are calculated for each index and subindex:

- **Price index** (performance excluding coupon payments): The price index is calculated according to the Laspeyres formula. The bond price index reflects the performance of the index basket without taking into account accrued interest or coupon payments (see also Section 2.1.1).
- **Total return index** (performance including coupon payments): A total return index reflects the movements in the market value of an index basket. Accrued interest is taken into account in a TR index for market capitalization purposes. Upon the opening of the index, accrued interest is added daily, including that for the trading day already started. Coupon payments are taken into account in a total return index on the day of distribution (see also Section 2.1.2).

- **Yield index:** The yield on a bond is calculated on the basis of yield to maturity (YTM) and, where available, yield to first call (YTF). The lower of the two is designated yield to worst (YTW) and is used in the SBI®. In order to obtain the average yield value in the index, each YTW figure is weighted with the relevant bond's market capitalization used in the total return index (see also Section 2.1.4).
- **Duration index:** The duration of a bond is a measure of the average maturity period of the invested capital expressed in years. The same date as that for the yield-to-worst calculation is used to calculate the duration index. The SBI® duration figures are calculated in accordance with the Macaulay method (see also Section 2.1.6).

1.5
Bond Index Commission

The Management Committee of SIX Swiss Exchange is supported by the Bond Index Commission (advisory board) in all index-related matters, notably in connection with changes to the index rules and adjustments, additions and exclusions outside of the established review and acceptance period.

The Index Commission convenes at least twice a year. It provides valuable input on how existing products can be improved and new ones created.

2. INDEX CALCULATION

2.1
Laspeyres index formula

The SBI®, like all other SIX Swiss Exchange indices, is calculated using the Laspeyres method with the weighted arithmetic mean of a defined number of securities issues. The index level is calculated by dividing the market capitalisation of all securities included in the index by a divisor.

2.1.1
Price index

$$PR_s = \frac{\sum_{i=1}^{N} P_{i,s} \cdot X_{i,t}}{D_t}$$

Legend:

t:	Current day
s:	Current time on day t
PR_s:	Current index level
D_t:	Divisor on day t
N:	Number of issues in the index
$P_{i,s}$:	Valid price of bond i at time s as %
$X_{i,t}$:	Nominal amount of the bond i issue on day t

2.1.2
Total return index

$$TR_s = \frac{\sum_{i=1}^{N}\left(P_{i,s} + \alpha_{i,t} \cdot C_i\right) \cdot X_{i,t}}{D_t}$$

Legend:

C_i:	Coupon of bond i as %
TR_s:	Total return index level at time s
$\alpha_{i,t}$:	Fraction of an interest period that has elapsed in t since the most recent coupon payment date for bond i (interest days calculation: 30/360 days)

2.1.3
Yield to worst

The yield to maturity (YTM) and yield to first call (YTF) are determined for the purpose of calculating the yield to worst (YTW). The lower of the two values is used as YTW in the SBI®.

YTM: $$P_{i,s} + \alpha_{i,t} \cdot C_i = \sum_{T=1}^{MD_{i,t}} \frac{CF_{i,T}}{\left(1 + YTM_{i,s}\right)^{T-\alpha_{i,t}}}$$

YTF: $$P_{i,s} + \alpha_{i,t} \cdot C_i = \sum_{T=1}^{FD_{i,t}} \frac{CF_{i,T}}{\left(1 + YTF_{i,s}\right)^{T-\alpha_{i,t}}}$$

Legend:

$MD_{i,t}$:	Term to maturity of bond i on day t, expressed in years rounded up to whole years
$FD_{i,t}$:	Term to first call of bond i on day t, expressed in years rounded up to whole years
T:	Maturity variable in whole years (1 through $MD_{i,t}$ or 1 through $FD_{i,t}$)
$CF_{i,T}$:	Cash flow from bond i generated over T years until maturity date or first call date
$YTM_{i,s}$:	Yield to maturity of bond i at time s (sought)
$YTF_{i,s}$:	Yield to first call of bond i at time s (sought)

2.1.4
Yield index

$$AY_s = \sum_{i=1}^{N} YTW_{i,s} \cdot G_{i,s}$$

$$G_{i,s} = \frac{K_{i,s} \cdot D_{i,s}}{\sum_{i=1}^{N} K_{i,s} \cdot D_{i,s}}$$

$$K_{i,s} = X_{i,t} \cdot \left(P_{i,s} + \alpha_{i,t} \cdot C_i\right)$$

Legend:

AY_s:	Average yield-index level at time s
$YTW_{i,s}$:	Yield to worst of bond i at time s
$G_{i,s}$:	Weighting of bond i issue at time s
$K_{i,s}$:	Capitalization of bond i issue at time s
$D_{i,s}$:	Duration to worst of bond i at time s (see below for formula)

2.1.5
Duration (Macaulay's duration)

$$D_{i,s} = \frac{\sum_{T=1}^{YWD_{i,t}} \frac{(T - \alpha_{i,t}) \cdot CF_{i,T}}{(1 + YTW_{i,s})^{T - \alpha it}}}{\sum_{T=1}^{YWD_{i,t}} \frac{CF_{i,T}}{(1 + YTW_{i,s})^{T - \alpha it}}}$$

Legend:

$YWD_{i,t}$: Residual term of bond i on day to YTW date, expressed in years rounded up to whole years

2.1.6
Duration index

$$D_{PF,s} = \sum_{i=1}^{N} D_{i,s} \cdot G_{i,s}$$

$$G_{i,s} = \frac{X_{i,t} \cdot (P_{i,s} + \alpha_{i,t} \cdot C_i)}{\sum_{i=1}^{N} X_{i,t} \cdot (P_{i,s} + \alpha_{i,t} \cdot C_i)}$$

Legend:

$D_{PF,s}$: Duration to worst of index basket at time s

2.2
Divisor

The divisor is a technical number used to calculate the index. In the event changes are made to the size of a given bond issue or the related coupon payments (see Section 2 respectively 5), the divisor changes while the index value remains the same.

The new divisor is calculated on the evening of the day before the corporate event takes effect.

2.3
Calculation interval and publication

The price and total return indices are published in real-time on each trading day from 09:30 through the close of trading. The "yield" and "duration" key figures are published three times per day.

The SBI® Domestic Swiss Government is subject to special rules.Its price and total-return indices are published in real time from as early as 8.30 a.m.

2.4
Prices used

The bid price is used for index calculations. If no bid price is available on the day of calculation, the last historic bid price is used. In the case of new issues of bonds the asked price is used for inclusion in the index calculation.

3. SBI® COMPOSITE RATING

3.1
Sources of ratings

The key criterion in the selection of a bond is its rating. Because the safety and creditworthiness of an issuer are of major significance, this concern was taken into account in the development of the SBI®. Ratings of the international rating

3.2
Third-party guarantees

agencies Moody's, Fitch and Standard & Poors (S&P) are used as a means of assessing creditworthiness. Because the coverage of these agencies is incomplete with regard to the domestic segment, the ratings accorded by the rating agency Fedafin and three Swiss banks are drawn upon as additional sources. The three banks are Credit Suisse, UBS and Zürcher Kantonalbank, which place their ratings of domestic borrowers at the disposal of SIX Swiss Exchange.

In the event that a given bond has no rating of its own, then the official rating of the issuer or the guarantor shall apply. The allocation of a state-guaranteed bond to the appropriate sector is made according to the borrower's field of activity, regardless of the guarantee.

3.3
SBI® Domestic

Included in the SBI® Domestic are issues that are rated from Aaa/AAA to Baa3/BBB- by Moody's, Fitch or Standard & Poors (S&P). If a bond is rated by more than one rating agency, the lowest rating is used for the purposes of the SBI® Domestic and its sub-indices.

If neither Moody's nor Fitch nor Standard & Poors (S&P) have issued a rating for a given bond, the ratings of the rating agency Fedafin and three Swiss banks will be used. In order to be included in the SBI® Domestic, the bond issue must be rated by at least two of the four institutes, whereby the lowest of those ratings will be used for the purposes of the SBI® and its sub-indices.

Hence the ratings of the rating agency Fedafin and three Swiss banks will be used subsidiarily only if no rating is available from the three international agencies.

3.4
SBI® Foreign

Included in the SBI® Foreign are issues that are rated from Aaa/AAA to Baa3/BBB- by Moody's, Fitch or Standard & Poors (S&P). If a bond is rated by more than one rating agency, the lowest rating is used for the purposes of the SBI® Foreign and its sub-indices.

3.5
Determination of the SBI® composite rating

On the basis of the applicable ratings as per Sections 3.3 and 3.4, SIX Swiss Exchange determines a so-called SBI® composite rating for each bond issue. Only that rating is relevant for acceptance in the SBI® or for allocation to the sub-indices. In the scale of the SBI® composite rating, only AAA, AA, A or BBB are applicable. Further information, namely the ratings supplied by the international agencies and four Swiss banks, is not published.

Spectrum of ratings		Corresponding SBI® composite rating
high	low	
Aaa/AAA	Aaa/AAA	AAA
Aa1/AA+	Aa3/AA-	AA
A1/A+	A3/A-	A
Baa1/BBB+	Baa3/BBB-	BBB

Examples of SBI® composite ratings:

Bonds	Sources of ratings Moody's	S&P	Fitch	Feda-fin	UBS	CS	ZKB	SBI® comp. rating
Bond W	**Aa3***		AA+				A+	AA
Bond X	Aaa	**AA***						AA
Bond Y				AA	A+	**A-***		A
Bond Z	**A3***			BBB+	A-	BBB		A

*These ratings are taken into account

4. ADMISSION TO AND EXCLUSION FROM THE INDEX

4.1
Admission criteria

Bonds must meet the following criteria in order to be admitted to the SBI®:

- **Issue size:** Bonds must have an issue size of at least CHF 100 million. The entire amount issued is always the determining factor for inclusion in the SBI. Bonds whose issue size rises above the 100 million mark as the result of an increase in the existing issue are incorporated into the index after the increase is made.

- **Bond categories:** Only straight bonds (fixed-rate securities) without additional clauses qualify for inclusion in the SBI®. Exceptions to this rule are straight bonds subject to premature redemption, subordinated bonds and step-up bonds.

- **Terms to maturity:** Each bond issue must have a remaining term to maturity of at least one year.

- **Rating:** Each bond must have a SBI® composite rating of at least BBB (see Section 3.5).

New bonds (new issues and augmentations) are admitted to the SBI® on the first trading day of the month following their payment, i.e. on the next ordinary adjustment date (see Section 5.1).

4.2
Exclusion criteria

The following exclusion criteria apply to bonds included in the SBI®:

- **Exclusion due to expiration:** Bonds are eliminated from the index on the adjustment date on which their residual term up to the next adjustment date is shorter than one year.

- **Exclusion due to early redemption:** Bonds that are redeemable (callable) prior to maturity are eliminated from the index one year before their first call date, and are not re-included even if the issuer does not exercise its right for early redemption.

- **Exclusion due to changed SBI® composite rating:** A bond issue will be eliminated from the index if:
  - The SBI® composite rating of relevance for selection (see Section 3.5) drops below BBB;
  - SIX Swiss Exchange is no longer capable of determining a SBI® composite rating for the given borrower.
- **Exclusion due to volume:** If the outstanding amount of a given bond issue drops below CHF 100 million as the result of early repayment or a repurchase, the bond will be excluded from the index.

Exclusions are effective as of the next ordinary adjustment date pursuant to Section 5.1 with one exception: If there is a change to the SBI® composite rating after the 20th day of the month, the bond in question is excluded as of the next adjustment date but one.

5. INDEX ADJUSTMENTS

5.1
Ordinary adjustment dates

Changes (amount outstanding, maturity and SBI® composite rating) in the SBI® are made on a monthly basis, namely on the first trading day of the given month (adjustment dates).

5.2
Adjustments to residual term indices

The residual terms of bonds are reviewed the day before each ordinary adjustment date. If the residual term of a given bond exceeds the range of the existing residual term index, it is reallocated to the next lower residual term index.

5.3
Adjustments to SBI® composite ratings

Usually, the rating agencies review the attributes of the debtors on a regular basis and adjust the bond ratings accordingly. Such revaluations may impact the SBI® composite rating pursuant to Section 3.5 and hence bond allocation in the SBI®.

Issues for which a rating change (downgrade or upgrade) has been made are reallocated in the rating sub-indices if there is a change to the SBI® composite rating determined by SIX Swiss Exchange. Such adjustments are made at the next mutation date. If the relevant rating change is announced after the twentieth day of a given month, then the adjustment will be made only as of the second subsequent mutation date.

5.4
Extraordinary adjustments

In extraordinary cases (such as a declaration of bankruptcy), reallocations, new inclusions or eliminations of bonds in the SBI® may also be made between the established adjustment dates.

5.5
Information on index adjustments

Adjustments to the SBI® Family indices are published by e-mail via “Investor Service Bond”. This service is offered free of charge by the Index department.

The registration form is available on the SIX Swiss Exchange-Webseite. SIX Swiss Exchange accepts no liability for Investor Service Bond.

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6.1
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6.2
Licensing

6.2.1
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6.2.2
SBI® composite rating

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7. CONTACT

Information concerning SIX Swiss Exchange indices (index adjustments, announcements etc.) is available at the following Internet address:
http://www.six-swiss-exchange.com/indices/overview_en.html

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E-mail information service

Information on corporate events related to SIX Swiss Exchange equity indices is included in the weekly Investor Service Equity. You can subscribe to this e-mail service, which is free of charge, at the following link:
http://www.six-swiss-exchange.com/.../subscription_en.html

Telephone helpdesk

Our helpdesk is open on trading days from 8.30 a.m. to 12.00 noon and from 1.30 p.m. to 6.00 pm. Tel. helpdesk +41(0)58 854 22 80.

8. STATIC DATA

A current list of all indices calculated by SIX Swiss Exchange is accessible at the SIX Swiss Exchange Website: www.six-swiss-exchange.com/.../calculated_indices.xls