

S&P U.S. Covered Bond Index *Methodology*

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Introduction

Highlights

The S&P U.S. Covered Bond Index is designed to measure the U.S. investment grade covered debt market and is comprised of a universe of U.S. dollar-denominated investment grade pfandbrief and non-pfandbrief covered debt.

This methodology was created by S&P Dow Jones Indices to achieve the aforementioned objective of measuring the underlying interest of each index governed by this methodology document. Any changes to or deviations from this methodology are made in the sole judgment and discretion of S&P Dow Jones Indices so that the index continues to achieve its objective.

Eligibility Criteria

Eligibility Factors

Currency. Securities must be issued in U.S. dollars.

Country. Eligible issues are not restricted to a particular country.

Maturity. Each bond must have a maturity greater than one month from the rebalancing date. The index does not include bonds that will mature within one month.

Issue Type. Securitized/Collateralized pfandbriefe and non-pfandbriefe bonds are eligible. Domestic market, global, and 144A bonds, both with and without registration rights are included in the index. Regulation S securities are ineligible for index inclusion.

Coupon Type. Fixed, zero, step-up (predetermined schedule), fixed-to-float (provided they are fixed, and at least one month prior to their float date) are eligible.

Rating. The minimum credit rating of inclusion in investment grade indices is BBB-/Baa3/BBB-. For an issue rated by S&P, Moody's, and Fitch, the lowest of the three ratings is used as the issue's credit rating. When there are two ratings, the lower of the two ratings must be considered investment grade. When there is only one rating, that rating must be considered investment grade. New issues must be rated by at least one rating agency to be considered at the next rebalancing. Bonds that become ineligible are removed at the subsequent rebalancing. Defaulted securities are also removed at the subsequent rebalancing.

Size. A minimum par amount of US\$ 250 million at each rebalancing is required for eligibility.

Seniority. Senior and subordinated issues are eligible.

Optionality. Bullet, callable, puttable, and callable-perpetual (provided they are at least one month from the first call) bonds are eligible. Fixed-to-floating rate securities are also eligible, provided they are callable within the fixed rate period and are at least one month from the last call prior to the date the bond transitions from a fixed to a floating rate security.

Settlement. Cash settlement bonds issued but not settled prior to the month-end rebalancing are included in the index.

Pricing. S&P Capital IQ.

Exclusions. The following are ineligible for index inclusion:

- Securities with equity-type features (e.g. warrants, convertibility to equity)
- Floating-rate issues
- Structured notes
- Defaulted securities
- Pay-in-kind securities
- Taxable and tax-exempt U.S. Municipal securities
- Eurodollar bonds (US\$ bonds not issued in the U.S. domestic market)

Index Construction

Index Calculations

The S&P U.S. Covered Bond Index is weighted by market value.

The total return 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.

For more information on Index Calculations, please refer to S&P Dow Jones Indices' Fixed Income Index Mathematics Methodology.

Index Maintenance

Rebalancing

The S&P U.S. Covered Bond Index is normally reviewed and rebalanced on a monthly basis. Based on new issuance, size and maturity, the bonds in the index are subject to change each month.

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

Additions, deletions and other changes to the index arising from the monthly rebalancing are published, after the close of business, no earlier than three business days prior to the last business day of the month. These may be subject to change. Final additions, deletions and other changes to the index arising from the monthly rebalancing are published one business day prior to the last business day of the month (the announcement dates).

Changes are effective after the close on the last business day of the month (the rebalancing date).

Base Date and History Availability

Index history availability, base date and base value are shown in the table below.

Index	Launch Date	First Value Date (Base Date)	Base Value
S&P U.S. Covered Bond Index	10/04/2013	12/31/2011	100

Index Governance

Index Committee

S&P Dow Jones Indices' Fixed Income Index Committee maintains the index. All committee members are full-time professionals at S&P Dow Jones Indices.

The Index Committee oversees the day-to-day management of the index, including the monthly rebalancing, determinations of intra-rebalancing changes to the index, and maintenance and inclusion policies, including additions or deletions of bonds and other matters affecting the maintenance and calculation of the index.

In fulfilling its responsibilities, the Index 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 the index.

The Index Committee may rely on any information or documentation submitted to it or gathered by it that the Index Committee believes to be accurate. The Index 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 Index Committee discussions are confidential.

For information on Quality Assurance and Internal Reviews of Methodology, please refer to S&P Dow Jones Indices' Fixed Income Policies & Practices document located on our Web site, www.spdji.com.

Index Policy

Announcements

Announcements of any relevant information pertaining to the index are made at approximately 06:00 PM ET. Press releases are posted on the S&P Dow Jones Indices' Web site at www.spdji.com.

Holiday Schedule

The index is calculated when the Securities Industry and Financial Markets Association (SIFMA[®]) declares the U.S. fixed income markets to be open.

A complete holiday schedule for the year is available at www.spdji.com.

End-of-Day Calculation

Index levels are calculated at the end of each business day, at approximately 05:00 PM ET, and distributed via S&P Dow Jones Indices' Web site. On business days that SIFMA[®] recommends closing the U.S. fixed income markets early, index levels may be calculated at a time in accordance with the recommended early close time set for that day.

Index Releases

Releases are issued by S&P Dow Jones Indices at the end of the business day. The release time is generally 05:30 PM ET.

Recalculation Policy

S&P Dow Jones Indices reserves the right to recalculate an index under certain limited circumstances. S&P Dow Jones Indices may choose to recalculate and republish an index if it is found to be incorrect or inconsistent within two trading days of the publication of the index level in question for one of the following reasons:

1. Index methodology event
2. Late announcement
3. Revised source data

Any other restatement or recalculation of an index is only done under extraordinary circumstances to reduce or avoid possible market impact or disruption as solely determined by the Index Committee. *For more information on the recalculation policy please refer to S&P Dow Jones Indices' Fixed Income Policies & Practices document located on our Web site, www.spdji.com.*

For information on Calculations and Pricing Disruptions, Expert Judgment and Data Hierarchy, please refer to S&P Dow Jones Indices' Fixed Income Policies & Practices document located on our Web site, www.spdji.com.

Index Dissemination

Index levels are available through S&P Dow Jones Indices' Web site at www.spdji.com, major quote vendors (see codes below), numerous investment-oriented Web sites, and various print and electronic media.

Tickers

Index (Total Return)	Ticker
S&P U.S. Covered Bond Index	SPBDCVBT

FTP

Daily index levels and index data are available via FTP subscription.

For product information, please contact S&P Dow Jones Indices, www.spdji.com/contact-us.

Web site

For further information, please refer to S&P Dow Jones Indices' Web site at www.spdji.com.

S&P Dow Jones Indices' Contact Information

Index Management

David M. Blitzer, Ph.D. – Managing Director & Chairman of the Index Committee
david.blitzer@spglobal.com +1.212.438.3907

Product Management

J.R. Rieger – Vice President, Fixed Income Indices
james.rieger@spglobal.com +1.212.438.5266

Kevin Horan – Director, Fixed Income Indices
kevin.horan@spglobal.com +1.212.438.8814

Media Relations

Soogyung Jordan – Communications
soogyung.jordan@spglobal.com +1.212.438.2297

Client Services

index_services@spglobal.com

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