

S&P/ASX Bank Bill Index *Methodology*

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Table of Contents

Introduction	3
Index Objective and Highlights	3
Index Family	3
Supporting Documents	4
Eligibility Criteria	5
Maturities	5
Additions	5
Deletions	5
Index Construction	6
Index Calculations	6
Index Maintenance	7
Rebalancing	7
Currency and Currency Hedged Indices	7
Base Dates and History Availability	7
Index Governance	8
Index Committee	8
Index Policy	9
Announcements	9
Holiday Schedule	9
Rebalancing	9
End-of-Day Calculation	9
Index Releases	9
Recalculation Policy	9
Contact Information	9
Index Dissemination	10
Tickers	10
FTP	10
Web site	10

Appendix	11
Calculation of Market Values and Relative Weights	11
Calculation of Index Security Returns	11
Calculation of Index Returns and Levels	12
Disclaimer	13

Introduction

Index Objective and Highlights

The S&P/ASX Bank Bill Index seeks to measure the performance of the Australian bank bill market, with maturities of up to 91 days.

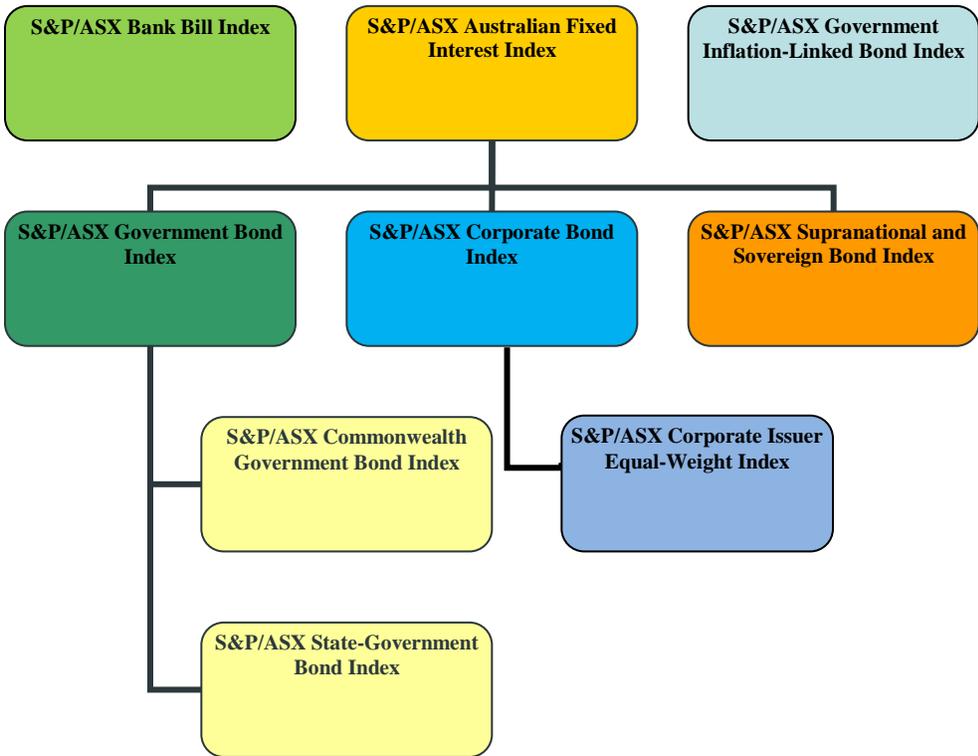
The index undergoes a review and rebalancing on a weekly basis, with the intent of keeping the index current.

The index is based on the benchmark bank bill rates published by the ASX Benchmarks Pty Limited (ASXB)¹, although the Index Committee reserves the right to exercise discretion, when necessary. This document sets out the rules by which the index is governed, the 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.

Index Family

The S&P/ASX Australian Fixed Interest Index Series is a broad benchmark index family designed to measure the performance of the Australian bond market, which meets certain investability criteria.



For more information on the other indices in this family, please refer to the S&P/ASX Australian Fixed Interest Index Series methodology posted on our Web site, www.spdji.com.

¹ Prior to 01/01/2017 the benchmark bill rates were published by the Australian Financial Markets Association (AFMA).

Supporting Documents

This methodology is meant to be read in conjunction with supporting documents providing greater detail with respect to the policies, procedures and calculations described herein. References throughout the methodology direct the reader to the relevant supporting document for further information on a specific topic. The list of the main supplemental documents for this methodology and the hyperlinks to those documents is as follows:

Supporting Document	URL
S&P Dow Jones Indices' Fixed Income Policies & Practices Methodology	Fixed Income Policies & Practices
S&P Dow Jones Indices' Fixed Income Index Mathematics Methodology	Index Mathematics Methodology

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

Maturities

The index is comprised of four benchmark and nine interpolated rates that are differentiated by the range of maturities of its constituents as follows:

The index is constructed synthetically through interpolated Bank Bill Swap (BBSW) rates, which are administered through procedures set forth by the ASXB. Detailed information on BBSW procedures can be found at <http://www.asx.com.au>.

A series of 13 hypothetical weekly bills, ranging from one-week to 91 days in maturity, are interpolated using the following BBSW rates. They are published by the ASXB on a daily basis at approximately 10:15 AM Sydney Time:

- 24 Hour Cash Rate
- 30 Day Bank Bill Rate
- 60 Day Bank Bill Rate
- 90 Day Bank Bill Rate

The 13 rates are derived from the four rate types listed above and applied to each of the 13 hypothetical bills. As the index progresses to the next weekly rebalancing date the term to maturity of each bill, and the index as a whole, reduces daily until the shortest bill matures. The face value of this bill is, then, reinvested in a new bill with a term to maturity of 13 weeks and the term to maturity of the index increases by approximately seven days.

The total amount received on maturity, that is the face value, is reinvested in the discounted value of a new 91-day bill.

Additions

Bank Bill rates are added to the index on the weekly rebalancing date, which is after the market close each Tuesday.

Deletions

Bank Bill rates are deleted from the index at the weekly rebalancing.

Index Construction

Index Calculations

Four benchmark rates are used to construct the term structure of bank bills by utilizing the Cubic Spline Algorithm:

- Overnight Cash Rate
- 30-day BBSW Rate
- 60-day BBSW Rate
- 90-day BBSW Rate

From the four rates above, the curve is constructed by interpolating 13 term rates ranging from 1- to 13-weeks. By translating each rate into a price, one can calculate the daily return for each term. The index return is an aggregate of the 13 equally-weighted term returns. The daily index level is the cumulative index return from the base date which is defined later in this document.

Daily prices are derived for each of the 13 bills daily using the following discount bill pricing formula:

$$\text{Price} = \frac{3650000}{(\text{Days} * \text{Rate}) + 36500}$$

where:

- Days* = Number of days to maturity.
Rate = Interpolated rate.

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

Index Maintenance

The index is maintained so that maturing bills are reinvested in the discounted value of a new 91-day bill on the day the cash is received (each Tuesday).

Rebalancing

The Index is normally reviewed and rebalanced on a weekly basis. The rebalancing occurs every Tuesday at the market close, or the close of the previous business day if Tuesday is not a business day.

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 release of the rates each Tuesday morning is considered in that week's rebalancing. Additions, deletions and other changes to the index arising from the rebalancing are published after the close on Tuesday. Index changes published in the announcement are not normally subject to revision and become effective after Tuesday's close (the Rebalancing Date).

Securities are eligible for inclusion in the index if S&P Dow Jones Indices can obtain price information from ASXB prior to a weekly Rebalancing Date. That is, even if the official issue or settlement date occurs after a weekly Rebalancing Date, but S&P Dow Jones Indices obtains the pricing information prior to the next Rebalancing Date, that security may be added to the index on the Rebalancing Date.

Currency and Currency Hedged Indices

Spot foreign exchange rates as supplied by Reuters are taken daily at 4:17 PM Sydney Time and used in the end-of-day calculation of the foreign currency version of the S&P/ASX Bank Bill Index.

Additional currency and currency hedged versions of the indices, as well as maturity, sector and rating-based sub-indices are available. For a list of available sub-indices and tickers, please refer to S&P Dow Jones Indices' Fixed Income Index Directory available at www.spdji.com.

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

Base Dates 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/ASX Bank Bill Index	10/11/2013	12/31/2004	05/31/2011	100

Index Governance

Index Committee

The S&P/ASX Fixed Income Index Committee maintains the index. All members of the Committee are full-time professionals at S&P Dow Jones Indices and the ASX. Meetings are held whenever deemed appropriate.

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

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 bills in determining the composition of the 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 Index Committee discussions are confidential.

The Index Committee is separate from and independent of other analytical groups at S&P Global. In particular, the Index Committee has no access to or influence on decisions by S&P Global Ratings analysts.

S&P Dow Jones Indices' Index Committees reserve the right to make exceptions when applying the methodology if the need arises. In any scenario where the treatment differs from the general rules stated in this document or supplemental documents, clients will receive sufficient notice, whenever possible.

In addition to the daily governance of indices and maintenance of index methodologies, at least once within any 12-month period, the Index Committee reviews the methodology to ensure the indices continue to achieve the stated objectives, and that the data and methodology remain effective. In certain instances, S&P Dow Jones Indices may publish a consultation inviting comments from external parties.

For information on Quality Assurance and Internal Reviews of Methodology, please refer to S&P Dow Jones Indices' Fixed Income Policies & Practices document.

Index Policy

Announcements

Announcements of any relevant information pertaining to the index are made after market close. Press releases are posted on the S&P Dow Jones Indices' Web site at www.spdji.com.

Holiday Schedule

The index is calculated daily, throughout the calendar year. The only days the index is not calculated are on days when all exchanges where the index's constituents are listed are officially closed.

Rebalancing

The index committee may change the date of a given rebalancing for reasons including market holidays occurring on or around the scheduled rebalancing date. Any such change will be announced with proper advance notice where possible.

End-of-Day Calculation

Index levels are calculated at the end of each business day after market close, via S&P Dow Jones Indices' Web site. This may be subject to change.

Index Releases

Releases are issued by S&P Dow Jones Indices at the end of the business day.

Recalculation Policy

For information on the recalculation policy please refer to S&P Dow Jones Indices' Fixed Income Policies & Practices document.

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.

Contact Information

For questions regarding an index, please contact: index_services@spglobal.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

The table below lists headline indices covered by this document. All currency, currency hedged, maturity, sector and rating-based sub-indices as well as return type versions of the below indices that may exist are also covered by this document. Please contact index_services@spglobal.com for a complete list of indices covered by this document.

Index	Bloomberg
S&P/ASX Bank Bill Index	SPBDABBT

FTP

Daily index level data is 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.

Appendix

Calculation of Market Values and Relative Weights

A market value is calculated for each security in the index as of the close on each calendar day.

The market value of a security in the index on day t is calculated as follows:

$$MV_t = PAR_t * \frac{P_t}{100} \quad (1)$$

where:

MV_t	=	Market value of the security on day t .
PAR_t	=	100000.
P_t	=	Price of the security on day t .

If the valuation date is not a business day, the market value is based on the price as of the immediate prior business day.

The weight of a security in the index is 1/13.

Calculation of Index Security Returns

Returns are calculated for all securities, on every calendar day.

Total Return

The total return (TR) of a security on day t is the market price return on day t .

$$TR_t = PR_t \quad (2)$$

where:

TR_t	=	Total return on day t .
PR_t	=	Price return on day t .

Price return measures the return due to the change in the market price of the security.

Price Return

The formula for the price return for a security on day t is as follows:

$$PR_t = \frac{PAR_t * \left(\frac{P_t - P_{t-1}}{100} \right)}{MV_{Beg}} \quad (3)$$

where:

PR_t	=	Price return on day t .
PAR_t	=	100000.
P_t	=	Price of the security on day t .
P_{t-1}	=	Price of the security on day $t-1$.
MV_{Beg}	=	Market value at the beginning of day t .

Note that the numerator in the formula for Price Return represents the unrealized return due to any change in the price.

Calculation of Index Returns and Levels

Daily Index Returns

Individual security returns are aggregated to calculate returns for the index. Specifically, the total return and the price return for the index, on a given day, t , are equal to a weighted average of the returns of the securities that constitute the index. The formula is as follows:

$$IndexTR_t = \sum_i (TR_{i,t} * weight_{i,t-1})$$

$$IndexPR_t = \sum_i (PR_{i,t} * weight_{i,t-1})$$

where:

$TR_{i,t}$	=	Total return of security i on day t .
$PR_{i,t}$	=	Price return of security i on day t .
$weight_{i,t-1}$	=	1/13.

Daily Index Values

Index values are calculated each day by applying the current day's index return to the previous day's index value, as follows:

$$TRIV_t = TRIV_{t-1} * (1 + TR_t)$$

$$PRIV_t = PRIV_{t-1} * (1 + PR_t)$$

where:

$TRIV_t$	=	Total Return Index Value on day t .
$PRIV_t$	=	Price Return Index Value on day t .

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