

Euro Sovereign Debt Update and Implications for Indices

MAY 2010

On Tuesday April 27, 2010 Standard & Poor's (S&P) announced that it had downgraded the sovereign debt rating of Greece by 3 notches to BB+ (from BBB+) with the outlook "negative", which takes Greece's sovereign debt below investment grade.

Two of the three main rating agencies still currently rate Greece's sovereign debt as investment grade for the time being, but these ratings are subject to change.

Further downgrades by S&P occurred on April 27 and April 28, 2010 for other Euro zone countries, namely Portugal to A- and Spain to AA-. Both countries remain investment grade at this time.

Rating downgrades are treated differently by the index providers and there are several rules on the inclusion and exclusion of securities in indices due to ratings downgrades. The downgrade of Greece's sovereign debt does not necessarily mean that its sovereign debt will exit all indices at the end of April.

CITIGROUP INDICES

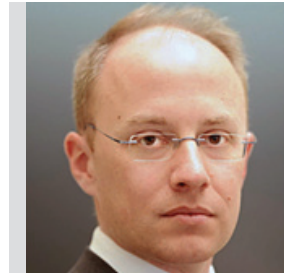
For Citigroup Government Bond indices, the ratings-based index inclusion rule requires bonds to have an investment grade credit rating by *either* S&P or Moody's. In the event that *both* S&P and Moody's lower a country's domestic sovereign debt rating to below investment grade, the affected bonds would no longer meet the rules for inclusion.

This means that currently Greece's sovereign debt remains an eligible investment in the following Citigroup indices:

- Citigroup World Broad Investment Grade Bond Index
- Citigroup World Government Bond Index Fund
- Citigroup Euro Broad Investment Grade Bond Index
- Citigroup EMU Government Bond Index
- Citigroup EMU Government Bond Index 15+

BARCLAYS CAPITAL INDICES (SERIES-L; FORMERLY LEHMAN BROTHERS INDICES)

Countries eligible for inclusion in the Barclays Capital Global Inflation-Linked Index (Series-L) and the Barclays Capital Global Treasury Bond Index must have an investment grade sovereign debt rating (Baa3/BBB-/BBB- or above) using the middle rating of Moody's, S&P, and Fitch respectively.



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GREECE'S SOVEREIGN DEBT RATINGS (AS AT 27 APRIL 2010)

Currently Greece's sovereign debt is rated by the three major rating agencies as follows:

- S&P: BB+
- Fitch: BBB-
- Moody's: A3

The following conditions apply for Barclays Capital Indices:

- When all three agencies rate an issue, a median or “two out of three” rating is used to determine index eligibility. Therefore, a bond must be rated investment-grade by two out of three agencies to remain eligible for investment-grade indices.
- When a rating from only two agencies is available, the lower (“most conservative”) of the two is used.
- When a rating from only one agency is available, that rating is used to determine index eligibility.

This means that currently Greece’s sovereign debt remains an eligible investment in the following Barclays Capital indices:

- Barclays Capital Global Treasury
- Barclays Capital Euro Treasury
- Barclays Capital Global Inflation Linked Index (Series L)
- Barclays Capital Euro Inflation-Linked Index (Series L)

If you would like further information, please contact your local SSgA office.

Sources: Citigroup, Barclays Capital

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