

Methodology of SSE 3-7 Year Local Government Bond Index

SSE 3-7 Year Local Government Bond Index is composed of local government bond trading on Shanghai Stock Exchange, with remaining term to final maturity between 3 and 7 years. The index is weighted by market capitalization. The index aims to reflect the performance of the local government bond market with target term to maturity.

1. Index Name and Index Code

- Index name: SSE 3-7 Year Local Government Bond Index
- Shortened name: SSE 3-7 Year Local Government
- Index code: 950188

2. Base Date and Base Index

The index base date is Dec. 31, 2013. The base index is 100.

3. Index Eligibility

- Bond Type: Local Government Bond listed on SSE market. The bond currency is RMB.
- Term to Maturity: Over 3 years, and no more than 7 years.
- Interest-bearing Pattern: Fixed rate or bullet.

4. Index calculation

The calculation of this index conforms to the Paasche weighted composite price index formula:

$$\text{Index} = \left[\frac{(\text{Bond Market Value} + \text{Coupon Payments})}{\text{Divisor}} \right] \times 100$$

$$\text{Where, Bond Market Value} = \sum (\text{Full Price} \times \text{Issued Amount})$$

$$\text{Full Price} = \text{Clean Price} + \text{Accrued Interest}$$

The price in index calculation is based on CSI bond valuation price. As for other data in index calculation and divisor adjustment, please refer to Index Calculation and Maintenance Methodology for further details.

5. Constituents Adjustment

5.1 Regular Adjustment

The index is adjusted and rebalanced monthly. The effective date of monthly adjustment is the first trading day of each month. The data cutoff date of monthly adjustment is the previous trading day before effective date.

5.2 Temporary Adjustment

In the event of suspension from listing or delisting, the constituents will be removed from the index on the event effective day as appropriate. As for other events, please refer to Index Calculation and Maintenance Methodology for further details.