

## Methodology of SSE Enterprise Bond Index

SSE Enterprise Bond Index is the first index reflecting the fluctuation of price of enterprise bond listed on the Shanghai Stock Exchange (SSE). It is composed of eligible enterprise bonds with remaining term to maturity over 1 year and credit rating above investment grade.

### 1. Index Name and Index Code

- Index Name: SSE Enterprise Bond Index
- Shortened Name: SSE Enterprise Bond
- Index Code: 000022

### 2. Base Date and Base Index

The index base date is Dec. 31<sup>st</sup>, 2007, and the base level is 100.

### 3. Index Eligibility

- Bond Type: Enterprise bonds listed on Shanghai Stock Exchange (SSE) and the bonds with attached warrant and corporate bonds are excluded of the Constituents. The bond currency is RMB.
- Credit Rating: Investment grade or above.
- Outstanding: No limit presently.
- Term to Maturity: Over 1 year.
- Interest-bearing Pattern: Fixed rate or bullet.

### 4. Index Calculation

#### 4.1 Calculation Formula

The calculation of this index conforms to the Paasche weighted composite price index formula, and it is weighted by bond's amount outstanding.

$$\text{Index} = \left[ \frac{(\text{Total Bond Market Value} + \text{Interest and reinvestment return})}{\text{Divisor}} \right] \times 100$$

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

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

## **4.2 Pricing**

The index is calculated by bonds actual market price. In case there is no deal, price of the most recent trading day is used.

## **5. Index Adjustment**

### **5.1 Adjustment Formula**

Divisor Adjustment Methodology.

### **5.2 Cases for Index Adjustment:**

- Any constituent changes.
- Any constituent's amount outstanding changes.
- On the last trading day of each month, accrued interest and reinvestment return is deducted from index.

## **6. Index Review**

### **6.1 Periodical Review**

On the last trading day of each month, constituent bonds with remaining time to maturity of less than a year will be deleted from the index, enterprise bonds that meet the minimum credit rating requirement will be added to the index, and constituent bonds that no longer meet the minimum credit rating requirement will be deleted from the index.

### **6.2 Ongoing Review**

A newly issued enterprise bond eligible for the index is included in index calculation on the second trading day of the issuance day. Confronted with specific situation, CSI will take temporary measurements to deal with.