

Methodology of CSI Target Duration Policy Bank Bond

Index Series

CSI Target Duration Policy Bank Bond Index Series are composed of Policy Bank Bonds listed on exchange market or inter-bank market, with remaining term to maturity and issue term satisfy relevant criteria. The index duration is set to target duration through optimization method, and index series aim to reflect the performance of Policy Bank Bond market with target duration.

1. Index Name and Index Code

| Index Name | Shortened Name | Index Code |
|---|---|------------|
| CSI 2-Year Target Duration Policy Bank Bond Index | 2-Year Target Duration Policy Bank Bond | 931692 |
| CSI 3-Year Target Duration Policy Bank Bond Index | 3-Year Target Duration Policy Bank Bond | 931693 |
| CSI 7-Year Target Duration Policy Bank Bond Index | 7-Year Target Duration Policy Bank Bond | 931694 |

2. Base Date and Base Index

The index base date is Dec. 31, 2007. The base index is 1000.

3. Index Eligibility

3.1 Index Universe

- Bond Type: Non option-embedded policy bank bond listed on inter-bank market, SSE market or SZSE market. The bond currency is RMB.
- Interest-bearing Pattern: Fixed rate or bullet.
- Term to Maturity:

| Index Code | Shortened Name | Term to Maturity | Issue Term |
|------------|---|--|-----------------------|
| 931692 | 2-Year Target Duration Policy Bank Bond | More than 6 months, and no more than 5 years | No more than 5 years |
| 931693 | 3-Year Target Duration Policy Bank Bond | More than 6 months, and no more than 7 years | No more than 7 years |
| 931694 | 7-Year Target Duration Policy Bank Bond | More than 4.5 years, and no more than 10 years | No more than 10 years |

3.2 Constituents Selection

Rank the bonds in index universe by bond's listing term in ascending order and select the top 60% bonds.

4. Index Calculation

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

Where,

The value of Weight Factor is between 0 and 1, so as to make index duration equal to target duration.

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 after the second Friday of each month. The data cutoff date of monthly adjustment is the second trading day before the effective date.

Weight Factor is assigned to each constituent at each regular adjustment. The effective date is the same as that of the constituent adjustment. The Weight Factor stays the same until next rebalancing day.

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 date as appropriate. As for other events, please refer to Index Calculation and Maintenance Methodology for further details.