

## Guide for IDX-PEFINDO Prime Bank Index

(Appendix of IDX Announcement No.Peng-00229/BEI.POP/09-2023)

### 1. INDEX INFORMATION

#### 1.1. General Information

<b>Index Name</b>	<b>IDX-PEFINDO Prime Bank</b>
<b>Index Code</b>	PRIMBANK10
<b>Description</b>	<p>An index that measures the stock price performance of 10 banking stocks that have an investment grade rating with high trading liquidity and good financial performance.</p> <p>The IDX-PEFINDO Prime Bank is a jointly developed index with PT Pemeringkat Efek Indonesia (PEFINDO), an Indonesia credit rating agency.</p>
<b>Methodology</b>	<p>Capped Adjusted Free Float Market Capitalization Weighted</p> <p>On each periodic review, the weight of each constituent in the index is capped, therefore the highest weight in the index is no more than 35%.</p>
<b>Base Date</b>	January 3, 2017 (Base Value = 100)
<b>Launch Date</b>	October 4, 2023

#### 1.2. General Selection Criteria

<b>Universe</b>	Constituents listed in the Banking sector that issue shares, as well as debt securities or General Obligations (GO) rated by PEFINDO.						
<b>Selection</b>	<p><b>1. Initial Selection</b></p> <p>Select constituents that have an investment grade rating (idAAA to idBBB-) from PEFINDO.</p> <p><b>2. Constituent Selection</b></p> <p>From the remaining universe, 10 constituents with the highest ranking are selected based on the following factors:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">a. Rating Factor</td><td style="width: 50%;">d. Market Capitalization Factor</td></tr> <tr> <td>b. Total Asset Factor</td><td>e. Valuation Factor</td></tr> <tr> <td>c. Liquidity Factor</td><td>f. Legal Factor</td></tr> </table>	a. Rating Factor	d. Market Capitalization Factor	b. Total Asset Factor	e. Valuation Factor	c. Liquidity Factor	f. Legal Factor
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## 2. INDEX MAINTENANCE

### 2.1. Periodic Evaluation

	Major Evaluation	Minor Evaluation
<b>Evaluation Period</b>	June and December	March and September
<b>Effective Date</b>	First trading day of July and January	First trading day of April and October
<b>Process / Purposes</b>	Select the stocks of index constituents. - To adjust of changes in the number of listed shares. - Adjust stock weights based on their free float ratios. - Adjust the stock weights based on the cap.	
<b>Announcement</b>	5 exchange days or later prior to the effective date.	

### 2.2. Incidental Evaluation

Besides the periodic evaluation, incidental evaluation can be done at any time if there are significant changes in the number of shares, delisting, or if there is any other information that has significant impact on an index constituent.

## 3. CONSTITUENT SELECTION PROCESS

### 3.1. Universe

Constituents listed in the Banking sector that issue shares, as well as debt securities or General Obligations (GO) rated by PEFINDO.

### 3.2. Process of Determining Selected Constituents

#### 3.2.1. Initial Selection

From the universe stock, select constituents that have an investment grade rating (idAAA to idBBB-) from PEFINDO.

#### 3.2.2. Constituent Selection Factor

No.	Factor	Definition
1.	Rating	Rating of each constituent from PEFINDO.
2.	Total Asset	The total asset value of the listed company is based on the latest published financial statements.
3.	Liquidity	a. Number of actively traded days over the last 12 months, b. Average transaction volume per day for the last 12 months,

No.	Factor	Definition
		c. Average transaction value per day for the last 12 months, d. Average trading frequency per day for the last 12 months, e. Free float percentage on the last day of the data review.
4.	Market Capitalization	Market capitalization value on the last day of the data review period.
5.	Valuation	a. <i>Price to Earnings Ratio (PER)</i> The price-to-earnings ratio or PER from each stock is calculated as follows: $PER = \frac{P}{EPS}$ Where: <hr/> <div style="display: flex; justify-content: space-between;"> <div>P</div> <div>= Price stock based on the cut-off date specified</div> </div> <hr/> <div style="display: flex; justify-content: space-between;"> <div>EPS</div> <div>= Earnings per share (EPS) value is calculated from the company's net profit divided by the number of shares outstanding based on the last published financial statements.</div> </div> b. <i>Price to Book Value (PBV)</i> The price-to-book value ratio or PER from each stock is calculated as follows: $PBV = \frac{P}{BV}$ Dimana: <hr/> <div style="display: flex; justify-content: space-between;"> <div>P</div> <div>= Price stock based on the cut-off date specified</div> </div> <hr/> <div style="display: flex; justify-content: space-between;"> <div>BV</div> <div>= The book value of the listed company based on the latest published financial statements.</div> </div>
6.	Legal	Information regarding unusual market activity (UMA) & suspensions in the last 12 months.

### 3.2.3. Determination of Selected Constituents

Each stock is ranked based on the value of each factor from the smallest to the largest ranking. Stocks in the 10 highest ratings were selected to be index constituents of IDX-PEFINDO Prime Bank.

## 4. METHODOLOGY OF INDEX CALCULATION

### 4.1. Index Calculation Formula (Weighting Method)

The index uses “Capped Adjusted Free Float Market Capitalization Weighted” methodology. This method adds the free float ratio factor into the market capitalization. The index calculation formula is as follows:

$$Index = \frac{\sum_{i=1}^n (Market\ Cap_i \times Free\ Float\ Ratio_i)}{Base\ Market\ Cap} \times 100$$

Where:

Market Cap <sub>i</sub>	=	Total listed shares × market price of stock i
Free Float Ratio <sub>i</sub>	=	Ratio of number of free float shares to the total listed shares of stock i
n	=	Number of index constituents
Base Market Cap <sub>i</sub>	=	Market capitalization on the Base Date (adjusted in the evaluation period if there are any changes in the number of shares for the index)

### 4.2. Process of Adjusting Stock Weight Based on Free Float Ratio

At each evaluation period, the weight of each stock is evaluated based on the value of the free float ratio. There is no technical difference in weight adjustment between major evaluation and minor evaluation. In the major evaluation, this process is preceded by the selection of the index constituents.

#### 4.2.1. Calculation of Free Float

The free float ratio of each stock is calculated based on the ratio of the free float to the total listed shares. The free float definition used follows the definition in Rule Number I-A concerning the Listing of Shares and Equity-Type Securities Other Than Stock Issued by The Listed Company. Afterwards, the percentage value of the free float ratio is rounded to two decimal places.

#### 4.2.2. Calculation of Free Float Adjusted Market Capitalization

The free float adjusted market capitalization of each stock is calculated as follows:

$$MC_i = P_i \times S_i \times FF_i$$

Where:

MC <sub>i</sub>	=	Free float adjusted market capitalization of stock i
P <sub>i</sub>	=	Price of stock i
S <sub>i</sub>	=	Total listed shares of stock i
FF <sub>i</sub>	=	Free float ratio of stock i

#### 4.2.3. Calculation of Stock Weight

The weight of each stock is calculated as follows:

$$\text{Weight}_i = \frac{MC_i}{\sum_{i=1}^n MC_i}$$

Where:

$MC_i$	=	Free float adjusted market capitalization of stock i
$n$	=	Number of constituents
$\sum_{i=1}^n MC_i$	=	Total free float adjusted market capitalization of all constituents

### 4.3. Stock Weight Capping

During the evaluation period, both major evaluation and minor evaluation, the number of shares is also adjusted to ensure the weight of a stock in the index does not exceed the specified cap.

If there is no constituent that has a weight exceeding the cap, then this step is not necessary. But if there is one or several stocks that have a weight of more than the cap, then the process of adjusting stock weight by capping is applied as follows:

#### 4.3.1. Determining the Number of Capped Stocks

In this process, the number of stocks with weights above the cap are determined. The number of capped stocks is equal to  $s$  and the number of uncapped stocks =  $t = 1 - s$ .

#### 4.3.2. Calculating the Free Float Adjusted Market Capitalization of Capped Stocks

If  $MC_s$  is the total free float adjusted market capitalization of capped stocks and  $c$  is the cap, then:

$$MC_s = \frac{s \times c}{1 - (s \times c)} \times MC_t$$

Where:

$MC_s$	=	Total free float adjusted market capitalization of all capped stocks
$MC_t$	=	Total free float adjusted market capitalization of all uncapped stocks
$s$	=	Number of capped stocks
$c$	=	Cap

#### 4.3.3. Calculating the Capped Free Float Market Capitalization

If  $MC_{i,s}$  is the free float adjusted market capitalization of a capped stock, then:

$$MC_{i,s} = \frac{1}{s} \times MC_s$$

#### 4.3.4. Calculating the Number of Shares for the Index

The adjusted number of shares for index (Adj.  $S_i$ ) of a stock is calculated by rounding the stock's free float market capitalization divided by the stock price, as the following formula:

$$\text{Adj. } S_i = \left\lceil \frac{MC_i}{P_i} \right\rceil_{\text{rounded}}$$

If a stock is a capped stock,  $MC_i$  is equal to  $MC_{i,s}$ .

#### 4.3.5. Calculating Final Stock Weight

The final weight of each stock is calculated as follows:

$$\text{Weight}_i = \frac{\text{Adj. } MC_i}{\sum_{i=1}^n \text{Adj. } MC_i}$$

$$\text{Adj. } MC_i = \text{Adj. } S_i \times P_i$$

Where:

$\text{Weight}_i$	=	Weight for stock index i
$\text{Adj. } MC_i$	=	Market capitalization of stock i after adjustment of free float and capping.
$\sum_{i=1}^n \text{Adj. } MC_i$	=	Total market capitalization of all stocks after adjustment of free float and capping.
n	=	Number of constituents

The weight adjustment process is complete if each index constituent does not exceed the cap. The adjustment process should be repeated if there is still any stock that have a weight of more than the cap as a result of the preceding weight adjustment in other stocks.

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