ABA NASDAQ Community Bank Index Methodology

Index Description

The ABA NASDAQ Community Bank Index (Symbol: ABAQ) includes banks and thrifts or their holding companies listed on The NASDAQ Stock Market as selected by the American Bankers Association (ABA).

Index Calculation

The ABA NASDAQ Community Bank Index is a market capitalization-weighted index. The value of the Index equals the aggregate value of the Index share weights, also known as the Index Shares, of each of the Index Securities multiplied by each such security’s Last Sale Price\(^1\), and divided by the divisor of the Index. The divisor serves the purpose of scaling such aggregate value to a lower order of magnitude which is more desirable for reporting purposes. If trading in an Index Security is halted on its primary listing market, the most recent Last Sale Price for that security is used for all index computations until trading on such market resumes. Likewise, the most recent Last Sale Price is used if trading in a security is halted on its primary listing market before the market is open. The Index began on December 2, 2003 at a Base Value of 250.00. The index was disseminated publicly beginning on August 10, 2004.

The formula for index value is as follows:

\[
\frac{\text{Aggregate Adjusted Market Value}}{\text{Divisor}}
\]

The formula for the divisor is as follows:

\[
\left(\frac{\text{Market Value after Adjustments}}{\text{Market Value before Adjustments}}\right) \times \text{Divisor before Adjustments}
\]

Two versions of the Index are calculated – a price return index and a total return index. The price return index (NASDAQ: ABAQ) is ordinarily calculated without regard to cash dividends on Index Securities. The total return index (NASDAQ: XABQ) reinvests cash dividends on the ex-date. Both Indexes ordinarily reinvest extraordinary cash distributions. The total return index was synchronized to the value of the price return index at the close on December 4, 2003.

The Index is calculated during the trading day and is disseminated once per second from 09:30:01 to 17:16:00 ET. The closing value of the Index may change up until 17:15:00 ET due to corrections to the Last Sale Price of the Index Securities.

Eligibility

Index eligibility is limited to specific security types only. The security types eligible for the Index include common stocks, ordinary shares, ADRs, shares of beneficial interest or limited partnership interests and tracking stocks. Security types not included in the Index are closed-end funds, convertible debentures, exchange traded funds, preferred stocks, rights, warrants, units and other derivative securities.

\(^1\) For purposes of this document Last Sale Price refers to the last sale price on NASDAQ, which may be the NASDAQ Official Closing Price (NOCP).
Eligibility Criteria (*)

To be eligible for inclusion in the Index, the security's U.S. listing must be exclusively on The NASDAQ Stock Market (unless the security was dually listed on another U.S. market prior to January 1, 2004 and has continuously maintained such listing).

The Index includes all NASDAQ listed banks and thrifts or their holding companies (HCs) with an ICB (Industry Classification Benchmark) Code of 8300 (or that ABA Community Bank (ABA) determines should be classified as such), excluding:

1. Any of the 50 largest banks or thrifts based on asset size (and their HCs), as determined by the most recently available call report data as complied by the FDIC.

2. Any banks or thrifts classified as having an “international specialization,” as determined by the most recently available call report data as complied by the FDIC, provided that such institutions constitute the majority of assets if in a HC.

3. Any banks or thrifts classified as having a “Credit-card Specialization,” as determined by the most recently available call report data as complied by the FDIC, provided that such institutions constitute the majority of assets if in a HC.

* For the purposes of Index eligibility criteria, if the security is a depositary receipt representing a security of a non-U.S. issuer, then references to the “issuer” are references to the issuer of the underlying security.

Index Evaluation

The Index composition is reviewed semi-annually by ABA in May and November. The eligibility criteria are applied using market data through the end of April and October. Based on the Eligibility Criteria, security additions and deletions are made effective after the close of trading on the last trading day in May and November.

Additionally, if at any time during the year other than the Evaluation, an Index Security no longer meets the Eligibility Criteria, or is otherwise determined to have become ineligible for continued inclusion in the Index, the security is removed from the Index and will not be replaced. Ordinarily, a security will be removed from the Index at its Last Sale Price. If, however, at the time of its removal the Index Security is halted from trading on its primary listing market and an official closing price cannot readily be determined, the Index Security may, in NASDAQ's discretion, be removed at a zero price. The zero price will be applied to the Index Security after the close of the market but prior to the time the official closing value of the Index is disseminated, which is ordinarily 17:16:00 ET.

Index Maintenance

Changes in the price and/or Index Shares driven by corporate events such as stock dividends, stock splits and certain spin-offs and rights issuances are adjusted on the ex-date. A change in the total shares outstanding arising from other corporate actions including, secondary offerings, stock repurchases, conversions and acquisitions is ordinarily made to the Index on the evening prior to the effective date of such corporate action or as soon as practicable thereafter.

2 If a security is a depositary receipt, the total shares outstanding is the actual depositary shares outstanding as reported by the depositary banks.
In the case of a special cash dividend, a determination is made on an individual basis whether to make a change to the price of an Index Security in accordance with its Index dividend policy. If it is determined that a change will be made, it will become effective on the ex-date.

Ordinarily, whenever there is a change in Index Shares, a change in an Index Security, or a change to the price of an Index Security due to spin-offs, rights issuances or special cash dividends, the divisor is adjusted to ensure that there is no discontinuity in the value of the Index which might otherwise be caused by any such change.

In administering the Index, NASDAQ OMX will exercise reasonable discretion as it deems appropriate to ensure Index integrity.

June 2011