

# NASDAQ Financial-100 Index<sup>SM</sup> Methodology

## Index Description

The NASDAQ Financial-100 Index includes 100 of the largest financial securities listed on The NASDAQ Stock Market® (NASDAQ®) based on market capitalization.

## Index Calculation

The NASDAQ Financial-100 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 security's Last Sale Price<sup>1</sup>, 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 January 31, 1985 at a base value of 250.00.

The formula for index value is as follows:

Aggregate Adjusted Market Value/Divisor

The formula for the divisor is as follows:

(Market Value after Adjustments/Market Value before Adjustments) X Divisor before Adjustments

Two versions of the Index are calculated – a price return index and a total return index.

- The Index (NASDAQ: IXF) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return index (NASDAQ: IXFTR) reinvests cash dividends on the ex-date. The total return index was synchronized to the value of the price return index at the close on August 23, 2013.

All Indexes reflect extraordinary cash distributions.

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, and ADRs.

## Eligibility Criteria

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<sup>1</sup> 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).

To be eligible for inclusion in the Index, a security must meet the following criteria:

- the security's U.S. listing must be exclusively on the NASDAQ Global Select Market or the NASDAQ Global Market (unless the security was dually listed on another U.S. market prior to January 1, 2004 and has continuously maintained such listing);
- be issued by a financial company<sup>2</sup>;
- may not be issued by an issuer currently in bankruptcy proceedings;
- if the issuer of the security is organized under the laws of a jurisdiction outside the U.S., then such security must have listed options on a recognized options market in the U.S. or be eligible for listed-options trading on a recognized options market in the U.S.;
- only one class of security per issuer is allowed;
- the issuer of the security may not have entered into a definitive agreement or other arrangement which would likely result in the security no longer being Index eligible;
- the issuer of the security may not have annual financial statements with an audit opinion that is currently withdrawn; and
- have "seasoned" on NASDAQ, NYSE or NYSE Amex (generally, a company is considered to be seasoned if it has been listed on a market for at least three full months (excluding the first month of initial listing)).

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.

## **Ranking Review**

Except under extraordinary circumstances that may result in an interim evaluation, Index composition is reviewed on an annual basis as follows. Securities which meet the applicable eligibility criteria are ranked by market value. Index-eligible securities which are already in the Index and which are ranked in the top 100 eligible securities (based on market capitalization) are retained in the Index. An Index Security that is ranked 101 to 125 is also retained, provided that such security was ranked in the top 100 eligible securities as of the previous Ranking Review or was added to the Index subsequent to the previous Ranking Review. Index Securities not meeting such criteria are replaced. The replacement securities chosen are those Index-eligible securities not currently in the Index that have the largest market capitalization. The above Eligibility Criteria are applied using market data through the end of April. If a security is a depositary receipt, the total shares outstanding is the actual depositary shares outstanding as reported by the depositary banks. Security additions and deletions are made effective after the close of trading on the third Friday of June.

Additionally, if at any time during the year other than the Ranking Review, an Index Security is determined to have become ineligible for continued inclusion in the Index, it is replaced with the largest market capitalization security not currently in the Index and meeting the Index Eligibility Criteria listed above. 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

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<sup>2</sup> Financial companies are those securities that are classified under Industry Code 8000 according to the Industry Classification Benchmark (ICB), a product of FTSE International Limited and has been licensed for use.

market but prior to the time the official closing value of the Index is disseminated, which is ordinarily 17:16:00 ET.

### **Index Maintenance**

Index Share changes are not made during the quarter however changes arising from stock dividends and stock splits are made to the Index on the evening prior to the effective date of such corporate action. In the case of certain spin-offs or rights issuances, the price of the Index Security is adjusted and a corresponding adjustment is made to the Index Shares such that the weight of the Index Security does not change as a result of the action.

A special cash dividend announced by the listing exchange, will result in an adjustment to the Last Sale Price of an Index Security prior to market open on the ex-date for the special amount distributed. A special dividend may also be referred to as extra, extraordinary, non-recurring, one-time, unusual, etc.

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 as mentioned above, 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. All changes are made after market close and are reflected in the Index the following morning.

NASDAQ OMX may, from time to time, exercise reasonable discretion as it deems appropriate in order to ensure Index integrity.

August 2013