



INDEX METHODOLOGY

## KBW NASDAQ BANK INDEX

### BKX

#### INDEX DESCRIPTION

The KBW Nasdaq Bank Index is designed to track the performance of a selection of leading banks and thrifts that are publicly traded in the U.S. The Index includes stocks representing large U.S. national money centers, regional banks and thrift institutions.

#### SECURITY ELIGIBILITY CRITERIA

##### Eligible security types

A security must be a common stock.

##### Multiple classes of securities

One security per issuer is permitted. If an issuer has multiple securities, the security with the highest one-month average daily trading volume generally is considered for possible inclusion in the Index.

##### Eligible exchanges

A security must be listed on the CBOE BZX Exchange, The Nasdaq Stock Market, the New York Stock Exchange or NYSE American.

##### Industry or sector eligibility

A security must be determined by the KBW Index Committee to be primarily engaged in U.S. banking activities.

##### Market capitalization eligibility

A security must have a market capitalization greater than or equal to the smallest market capitalization as of the Reconstitution Reference Date of an Index Security.

### **Liquidity eligibility**

A security must have a one-month average daily trading volume of at least 100,000 shares.

### **Seasoning eligibility**

A security must have been traded for at least three full months on the Eligible exchanges.

### **Float eligibility criteria**

At least 20% of a security's total shares outstanding must be publicly available for trading (float shares).

### **Other eligibility criteria**

A security must have a trailing 30-day average closing price of at least \$2.00 (USD).

A 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.

## **INDEX CALENDAR**

### **Reconstitution schedule**

Constituents are selected annually in December according to the Annual constituent selection process described below, and assessed for continued eligibility quarterly in March, June and September according to the Quarterly constituent selection process described below.

### **Reconstitution reference dates**

The Annual and Quarterly constituent selection process is conducted using market data through the 15<sup>th</sup> day of the month preceding the Reconstitution effective date.

### **Reconstitution announcement dates**

Index Reconstitutions generally are announced five (5) business days prior to the Reconstitution effective dates.

### **Reconstitution effective dates**

Index Reconstitutions become effective at market open on the trading day following the third Friday in December, March, June and September.

## **Rebalance schedule**

The Index is rebalanced quarterly in December, March, June and September according to the Constituent Weighting described below.

## **Rebalance reference dates**

Index Rebalances use the Last Sale Price of all Index Securities as of the end of November, February, May and August.

## **Rebalance announcement dates**

Index Rebalances generally are announced five (5) business days prior to the Rebalance effective dates.

## **Rebalance effective dates**

Index Rebalances become effective at market open on the trading day following the third Friday in December, March, June and September.

## **CONSTITUENT SELECTION**

The Index is determined by a 5-member Index Committee (“the Index Committee”) consisting of four full-time KBW employees and one full-time Nasdaq employee. The objective of the Index Committee is to develop and maintain indexes that seek to replicate certain market, industry and geographic segments. The Index Committee meets at a minimum on a quarterly basis and reviews any pending corporate actions affecting current Index Securities and companies being considered for index inclusion, including a review of relevant market news and events.

The Index Committee reserves the right to alter index methodology and matters pertaining to index maintenance as necessary. All Index Committee discussions and meeting minutes are confidential.

### **Annual constituent selection process**

The Index is comprised of 24 securities that meet the Security Eligibility Criteria as determined by the Index Committee.

### **Quarterly constituent selection process**

Each quarterly month outside of December, all Index Securities are reviewed for eligibility based on the following criteria:

- A security must be listed on the CBOE BZX Exchange, The Nasdaq Stock Market, the New York Stock Exchange or NYSE American.
- A security must be determined by the KBW Index Committee to be primarily engaged in U.S. banking activities.
- A security must have a trailing 90-day average closing price of at least \$2.00 (USD).

## CONSTITUENT WEIGHTING

### Constituent weighting scheme

The Index is a modified market capitalization-weighted index.

### Constituent weighting process

The Index employs a two-stage weight adjustment scheme.

Index Securities' initial weights are determined by dividing each Index Security's market capitalization by the aggregate market capitalization of all Index Securities.

**Stage 1:** Initial index weights are adjusted to meet the following Stage 1 constraint, producing the Stage 1 weights:

- No Index Security weight may exceed 8%.

**Stage 2:** Stage 1 weights are adjusted to meet the following Stage 2 constraints, producing the final weights:

- For Index Securities with the five largest market capitalizations, Stage 1 weights are maintained.
- For all other Index Securities, no weight may exceed 4%.

The final weights meet the following constraints:

- No Index Security weight may exceed 8% of the Index; five may exceed 4%.

For additional information about index weighting, refer to **Nasdaq Index Weight Calculations**.

## INDEX MAINTENANCE

### Deletion policy

The Index Committee may take action to remove or replace a security in the event of extraordinary change in the nature of an Index Security (e.g., delisting, merger, acquisition, change of principal business, etc.) that will alter the overall market character of the Index. At the next quarterly rebalance, the Index Committee may replace the Index Security with another security that would best represent the intended market character of the Index.

In the case of mergers and acquisitions, the effective date for the removal of an Index Issuer or security will be largely event-based, with the goal to remove the issuer or security as soon as completion of the acquisition or merger has been deemed highly probable. Notable events include, but are not limited to, completion of various regulatory reviews, the conclusion of material lawsuits and/or shareholder and Board approvals. The KBW Index Committee decides if a security can be removed according to normal procedure or maintained until a later date.

Refer to the **Corporate Actions and Events Manual – Equities** for more information.

## **Replacement policy**

Index Securities are not replaced between Index Reconstitutions except as noted in the Deletion policy.

## **Corporate actions**

Information on corporate actions handling can be found in the **Corporate Actions and Events Manual – Equities**.

In certain cases, corporate actions and events are handled according to the weighting scheme or other index construction techniques employed. Wherever alternate methods are described, the Index will follow the “Market Cap Corporate Action Method”.

## **Index share adjustments**

For handling of changes in total shares outstanding (TSO) greater than 10% arising from other corporate events, refer to the **Corporate Actions and Events Manual – Equities**.

# **ADDITIONAL INFORMATION**

## **Announcements**

Nasdaq announces Index-related information via the Nasdaq Global Index Watch (GIW) website at <http://indexes.nasdaq.com>.

For more information on the general Index Announcement procedures, refer to the **Nasdaq Index Methodology Guide**.

## **Holiday schedules**

The Indexes are calculated Monday through Friday, except on days when The Nasdaq Stock Market is closed.

## **Unexpected market closures**

For information on Unexpected Market Closures, refer to the **Nasdaq Index Methodology Guide**.

## **Calculation types**

For information on the Index calculation types as well as the mathematical approach used to calculate the index(es), refer to the **Calculation Manual – Equities and Commodities**.

## **Recalculation and restatement policy**

For information on the Recalculation and Restatement Policy, refer to the **Nasdaq Index Recalculation Policy**.

## Data sources

For information on data sources, refer to the **Nasdaq Index Methodology Guide**.

## Contact information

For any questions regarding an Index, contact the Nasdaq Index Client Services team at [indexservices@nasdaq.com](mailto:indexservices@nasdaq.com).

## Index dissemination

Index values and weightings information are available through Nasdaq Global Index Watch (GIW) website at <https://indexes.nasdaq.com/> as well as the Nasdaq Global Index FlexFile Delivery Service (GIFFD) and Global Index Dissemination Services (GIDS). Similar to the GIDS offerings, Genium Consolidated Feed (GCF) provides real-time Index values and weightings for the Nordic Indexes.

For more detailed information regarding Index Dissemination, refer to the **Nasdaq Index Methodology Guide**.

## Index calculation and dissemination schedule

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

## Website

For further information, Refer to Nasdaq GIW website at <https://indexes.nasdaq.com/>.

## FTP and dissemination service

Index values and weightings are available via FTP on the Nasdaq Global Indexes FlexFile Delivery Service (GIFFD). Index values are available via Nasdaq's Global Index Dissemination Services (GIDS).

# GOVERNANCE

## Index governance

Nasdaq Indexes are managed by the governance committee structure and have transparent governance, oversight, and accountability procedures for the index determination process. For further details on the Index Methodology and Governance overlay, refer to the **Nasdaq Index Methodology Guide**.

## **Nasdaq Index Management Committee**

The Nasdaq Index Management Committee is responsible for the overall oversight of activities related to the development, issuance, and operation of Nasdaq Indexes. The Committee reviews and approves all new Index Methodologies as well as updates to existing methodologies. For a detailed overview of the Index Management Committee, refer to the **Nasdaq Index Methodology Guide**.

## **Nasdaq U.S. Oversight Committee**

The U.S. Oversight Committee is responsible for the oversight of the overall Benchmark determination process and is responsible for the overall governance of the U.S.-based Index business including review and approval of the control framework, certain policies and procedures, certain methodologies and methodology changes and other Index management oversight.

For a detailed overview of the U.S. Oversight Committee, refer to the **Nasdaq Index Methodology Guide**.

## **Internal reviews of methodology**

All new methodologies or updates to existing methodologies must be reviewed by the Index Management Committee. Additionally, all in-scope Index methodologies are subject to an annual review by the Index Management Committee and U.S. Oversight Committee. For a detailed description on internal reviews of the Methodology, refer to the **Nasdaq Index Methodology Guide**.

## **Communication with stakeholders and consultations**

In certain circumstances, Nasdaq will seek feedback from clients and market participants via consultations. For a detailed description on Consultations and Communications with Stakeholders, refer to the **Nasdaq Index Methodology Guide**.

## **Index cessation**

Nasdaq has a documented procedure that is followed for Index Cessation that includes termination/retirement of an Index or Index Family. For more information, refer to the **Nasdaq Index Cessation Policy**.

## **Discretionary adjustment**

This Index Methodology was created by Nasdaq to achieve the aforementioned objective of measuring the underlying purpose of each Index governed by this methodology document. Any deviations from this methodology are made in the sole judgment and discretion of Nasdaq so that the Index continues to achieve its objective.

For more information on potential adjustments including Calculation and Pricing Disruptions, Expert Judgment, and Unexpected Reconstitution/Rebalances, refer to the **Nasdaq Index Methodology Guide**.

## GLOSSARY OF TERMS AS USED IN THIS DOCUMENT

For the glossary of key terms, refer to the **Nasdaq Index Methodology Guide**.

### DISCLAIMER

Nasdaq may, from time to time, exercise reasonable discretion as it deems appropriate in order to ensure Index integrity, including but not limited to, quantitative inclusion criteria. Nasdaq may also, due to special circumstances, if deemed essential, apply discretionary adjustments to ensure and maintain the high quality of the index construction and calculation. Nasdaq does not guarantee that any Index accurately reflects future market performance.

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