

Indxx USA Regional Banking Index:

Methodology

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Indxx USA Regional Banking Index

Index Description

The Indxx USA Regional Banking Index tracks the performance of regional banks, i.e. the banks that operate within the respective local markets.

Creation of Master list

Investable Universe

- The Index is designed to include the most liquid and investable universe in accordance with the standard market capitalization and liquidity criteria associated with developed markets as defined by Indxx. For more information, please refer to the document 'Country Classification and Investability Requirements, by visiting the 'Index Documents' section on http://www.indxx.com/index_doc.
- Companies must have a minimum market capitalization of \$500 million and a minimum average daily turnover for the last 6 months greater than or equal to \$2 million.
- The stock must have traded on 90% of the eligible trading days in the last 6 months. In case a security does not have a trading history of 6 months (e.g., IPOs), such a security must have started trading at least 3 months before the start of the Reconstitution/Rebalancing Process, and should have traded on 90% of the eligible trading days for the past 3 months.

Free Float

- All constituents must have a minimum free float equivalent to 10% of shares outstanding.

Geographical Focus

The security must be incorporated and have its primary listing in the United States.

Maximum Price

Securities trading at a price of \$10,000 or above are ineligible for inclusion in the index. This rule is not applicable for existing constituents. Existing constituents would remain in the Index irrespective of their stock price.

Security Type

Common Stock

Security Selection

The security selection process is based on research performed by Indxx and entails the following steps:

- All the companies from investable universe that are classified as 'Regional Banks' as defined by Indxx standard sector classifications will form a part of the initial masterlist.
- Indxx will first create the 'Indxx Banking Benchmark Index' that will consist of all the securities that satisfy the rules stated above.
- The top 50 securities with the highest trailing twelve-month correlation at the time of reconstitution, with the Indxx Banking Benchmark Index, will form a part of the Indxx Regional Banking Index.

Weighting

- The Index is equally weighted at the time of reconstitution.

Buffer Rules

Buffer Rules are employed to reduce Portfolio Turnover. The following Buffer Rules are applicable:

Market Capitalization

An existing index constituent shall continue to remain in the index even if its Market Capitalization does not meet the previously defined minimum market capitalization criteria, but remains within 20% of this limit.

Liquidity

An existing index constituent shall continue to remain in the index even if its Liquidity is below the previously defined Average Daily Traded Value limit, but remains within 30% of this limit.

Reconstitution and Rebalancing Rules

- The index follows an annual reconstitution and rebalancing schedule. The new portfolio becomes effective at the close of last trading day of February each year. This day is called the 'Effective Day.'
- The security selection and index creation process starts on the close of 17 trading days before the effective day, called the 'Selection Day.'
- The final portfolio constituents are shortlisted from a selection pool of all eligible securities selected based on the data as of the Selection Day.
- Weights are calculated at the close of the sixth trading day prior to the Effective Day. Index Shares are frozen using weights as of this day.

Corporate Actions

Corporate Action	Description	Treatment	Adjustment
Company addition and deletion	In case a constituent is replaced with another constituent in the Index.	New security is added at its attribute weight.	Divisor Adjustment
Stock Split	A stock split is a decision by the company's board of directors to increase the number of shares that are outstanding by issuing more shares to current shareholders. After a split, the stock price will be reduced since the number of shares outstanding has increased.	Stock splits will be adjusted for on the ex- date. The number of shares will increase times the adjustment factor for the split.	No divisor adjustment is required since the share count and price changes are offsetting.
Rights Issue	Rights Issue gives existing shareholders the right to purchase a proportional number of new shares at a discount to the market price on a stated future date. The rights issued to a shareholder have a value, thus compensating current shareholders for the future dilution of their existing shares' value.	The company remains in the Index at the same weight. The following price adjustment is made: Price of the Parent Company - (the Price of Rights Offering/Rights Ratio). The Index committee will decide whether to participate in the rights issue or not. If the subscription price is greater than or equal to the stock closing price, Indxx would not participate in the rights issue.	No Divisor Adjustment
Spin-Off	Spin off is the creation of an independent company through the sale or distribution of new shares of an existing business/division of a parent company.	The company remains in the Index at the same weight. The following price adjustment is made: Price of the Parent Company minus (the Price of Spin-off company/Share Exchange Ratio).	No Divisor Adjustment
Delisting	Delisting refers to the practice of removing the stock of a company from a stock exchange so that investors can no longer trade shares of the stock on that exchange.	The security would be removed from the index, and the invested amount in the delisted security will be reinvested into the index.	Divisor Adjustment
Acquisition	A corporate action in which a company buys most, if not all, of the target company's ownership stakes to assume control of the target firm.	The Target company would be removed from the index, and the invested amount in the acquired security will be reinvested into the index.	Divisor Adjustment

Corporate Action	Description	Treatment	Adjustment
Bankruptcy	Bankruptcy is a legal proceeding involving a person or business that is unable to repay outstanding debts.	The security would be removed from the index, and the invested amount in the acquired security will be reinvested into the index.	Divisor Adjustment
Temporary Delisting / Prolonged Trading Suspension	A temporary delisting/trading suspension occurs when a security stops trading on the stock exchange for a certain time period. This usually occurs when a publicly-traded company is going to release significant news about itself.	The security would be removed from the index based on the Index Committee's decision and the invested amount in the acquired security will be reinvested into the index.	Divisor Adjustment
Special Dividends	When a company pays a special dividend, the share price of the company declines by the amount of the dividend.	The Divisor is adjusted to reflect a fall in the price of the company paying the special dividend.	Divisor Adjustment
Bonus Issue of Shares	A bonus share is a free share of stock given to current/existing shareholders in a company, based upon the number of shares owned by them.	The issue of bonus shares increases the total number of shares issued and owned, it does not increase the value of the company. The ratio of number of shares held by each shareholder remains constant.	No Adjustment

Total Return Indices

Total Return Index

In addition to all the above mentioned corporate actions, ordinary cash dividends will be applied on the ex-date for calculating TR Indices.

Adjustment in the Index

All dividend payments will be reinvested in the index, by adjusting the divisor in the total return index on the ex-dividend date.

Index Policy

Index Committee Policy

The Index Committee is responsible for setting policy, determining index composition, and administering the indices in accordance with the Indxx index methodology. The Index Committee reserves the right to use qualitative judgment to include, exclude, adjust, or postpone the inclusion of a stock. Continued index membership of a constituent is not necessarily subject to the guidelines provided in each of the Indxx index methodology. A stock may be considered for exclusion by the Index Committee on the basis of corporate governance, accounting policies, lack of transparency and lack of representation, despite meeting all the criteria provided in each of the Indxx index methodology.

Announcements

Announcements of additions and deletions of constituents, due to various corporate actions mentioned above, in the middle of the year will be decided by the Index Committee. This will be communicated to the client well ahead of time. Also important news items as well as corporate actions with respect to all the constituents of the index will be informed to the client on a weekly basis.

Holiday Schedule

The index is calculated when the U.S. equity markets are open. In situations where an exchange is forced to close early due to unforeseen events, the index will be calculated based on the closing prices published by the exchange, or if no closing price is available, the last regular trade reported for each stock before the exchange closed.

Disclaimer

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