

Earning Your Trust With Every Trade™

Knight



Thomas M. Joyce, Chairman & CEO Knight Capital Group, Inc.

Morgan Stanley

Small Cap Executive Conference

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The Ritz-Carlton Battery Park, New York, N.Y.

Forward-Looking Statements

Safe Harbor

The presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about the Company's industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, readers are cautioned that any such forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict including, without limitation, risks associated with the costs and integration, performance and operation of the businesses being acquired by the Company, including ATTAIN and Direct Trading. Since such statements involve risks and uncertainties, the actual results and performance of the Company may turn out to be materially different from the results expressed or implied by such forward-looking statements. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Unless otherwise required by law, the Company also disclaims any obligation to update its view of any such risks or uncertainties or to announce publicly the result of any revisions to the forward looking statements made in this report. Additional factors that could cause the Company's results to differ materially from those described in the forward-looking statements can be found in the 2004 Annual Report on Form 10-K for the year ended December 31, 2004 and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 of Knight Capital Group, Inc. filed with the Securities and Exchange Commission and available at the Securities and Exchange Commission Internet site (<http://www.sec.gov>).

Corporate Disclaimers

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Deephaven Capital Management LLC is an affiliated company offering asset management services. S3 Asset Management is an unaffiliated company which provides outsourced portfolio financing for asset managers and hedge funds.

Knight Evolution

Old Model – Broker-Dealer Concentration

Online trading boom
Over-expansion
Options & asset
management
purchase

1995 - 2000

Turmoil

Market structure
changes
Internet bubble
bursts
Market cycle hits
bottom
Management
changes

2000 - 2002

Reputation Recovery

Regulatory
settlement and
arbitration conclusion
Growing institutional,
asset management
businesses
Options business
sale

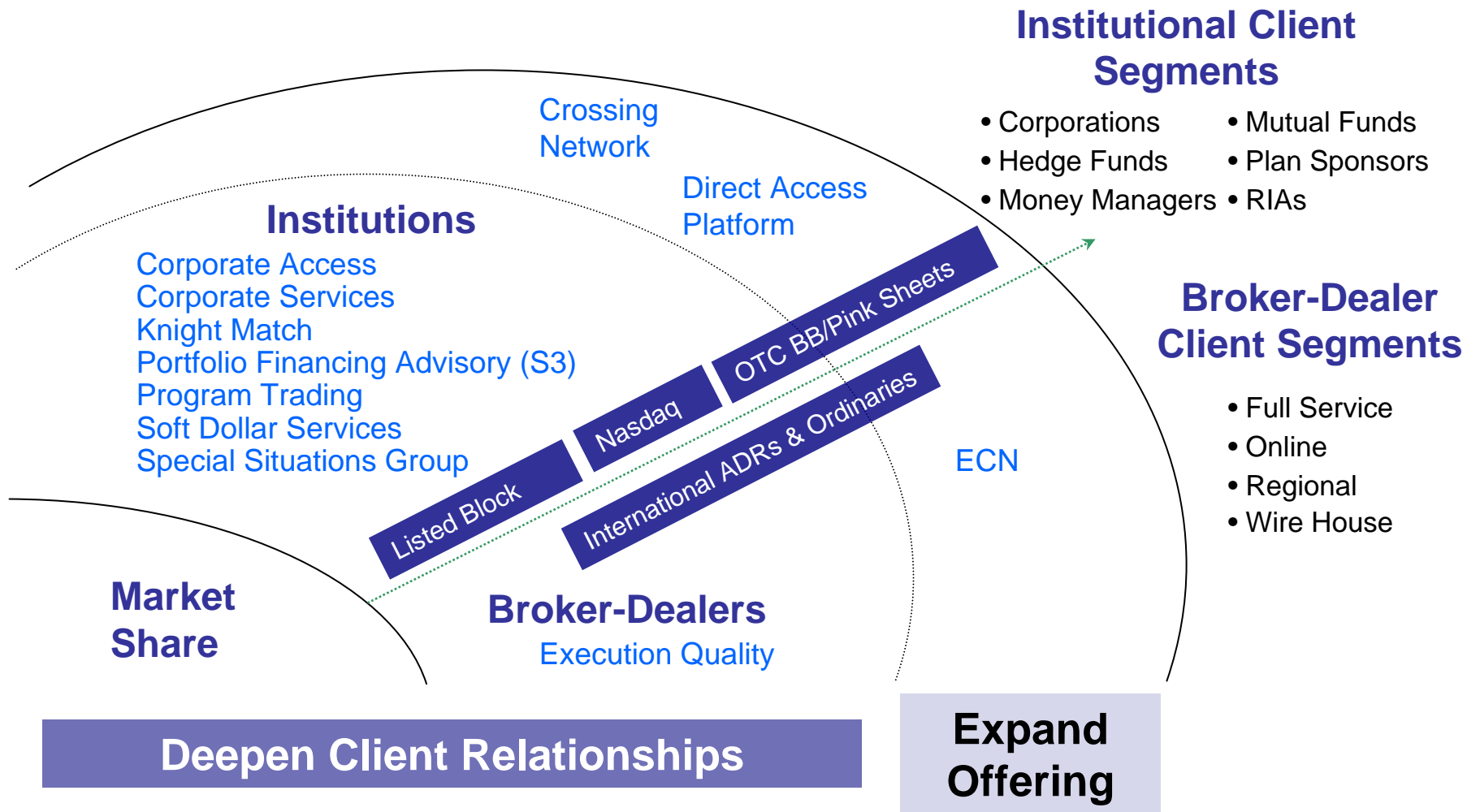
2002 - 2004

New Model – Client Focus

Client-centered vs.
trading-centered
organization
Leveraging the
platform
Recognition of
demand for
electronic services

2005

Client-Driven Growth Strategy



Broker-Dealer Client Group

Shrinking Margins and Changing Market Dynamics

Challenges

Regulatory changes

- Bulletin Board Display
- Single Price Opening (NOOP)
- Reg NMS / Mkt Order Manning

Market conditions

- Low volume and volatility
- Changing investor behavior

Competition

- Internalization
- Execution quality

Opportunities

Consolidation

Automation

Execution quality

- Increasing regulatory focus on SEC Rules 11Ac1-5, 1-6

Broker-Dealer Client Group

Counteracting Revenue Capture Decline

Accomplishments

Increased automation

- Automated more than 90% Nasdaq and 50% listed order flow

Introduced new pricing structure

- Reduced rebates
- Rolled out fees for certain order flow

Initiatives

Revamp offering

- Determine appropriate and competitive pricing for liquidity

Improve efficiency

- Expand automated market making
- Leverage capacity and scale
- Optimize expense savings

Maintain industry-leading execution quality

Broker-Dealer Client Group

Market Leadership

- **We supply liquidity to a great number of small- and mid-cap stocks**
- **We are the largest market maker in the third market accounting for nearly 5% of all daily listed volume***
- **We are a market leader in OTC equity issues**
 - ✓ # 2 broker in NMS volume with more than 8% market share*
 - ✓ # 1 broker in Nasdaq Small Cap stocks with more than 35% market share*
 - ✓ # 1 broker in OTC Bulletin Board volume with more than 45% of market share*

**Autex numbers as of May 31, 2005*

Broker-Dealer Client Group

Execution Quality

At or Better Percentage –
All Nasdaq Market Orders

Knight	88.08%
Competitor A	79.96%
Competitor B	82.30%
Competitor C	83.49%
Industry Average (Share Weighted)	86.00%

- Indicates "certainty of execution"
- Retail investors are most interested in receiving the price they see on the screen (Gallop 2004, commissioned by Ameritrade)

Effective/Quoted Spread –
All Nasdaq Market Orders

Knight	124.32%
Competitor A	128.10%
Competitor B	138.79%
Competitor C	142.77%
Industry Average (Share Weighted)	125.14%

- Knight believes effective/quoted is a more accurate assessment of pricing than effective spread
- Measurement most often used by Knight broker-dealer clients to determine execution quality

*Data was obtained from the Public Disclosure section of The Transaction Auditing Group, Inc. (TAG) web site, April 2005.
All Nasdaq market orders, all sizes (100 – 9,999 shares).*

Institutional Client Group

Building Our Institutional Presence

Challenges

Stagnant market volume

Commission pressure

Competition from more established firms

No research or investment banking offerings

Opportunities

Unbundling

- Focus on cost, execution quality

Smaller firms under-serviced

- Bulge bracket focused on top accounts
- > 500 quality institutions for Knight to approach

Growth of hedge fund industry

Specialty in small- and mid-cap stocks

Institutional Client Group

Adding to Our Fee & Commission Revenue Line

Accomplishments

Doubled revenues

Established strong team

Expanded comprehensive offering

- Listed Block
- Soft Dollars
- Portfolio Financing Advisory(S3)
- Special Situations Group
- Knight Match
- Corporate Access
- Corporate Services

Initiatives

Increase market penetration

- Grow client roster
- Cross-sell offering

Grow listed block product

Explore new products

Hire selectively

Institutional Client Group

Dramatic Growth

	2002	2005
Number of Clients	250	More than 1000
Percent Listed Revenues	0%	Nearly 30%
Commissions (\$)	100 million	Target: 230 million
Sales Traders	29	80+
Market Share*		
Listed	38/58	23/57
OTC	14/47	7/44

* Knight's ranking out of total firms reporting institutional commissions to a third party industry source
Report dated 12/31/04

Electronic Services Group

Creating an Alternative Execution Choice

Electronic Services

Direct Market Access

- Broker-neutral
- Reduced transaction and market impact costs
- Strong client service through Direct Trading Institutional, Inc.

ECN

- Anonymous execution
- Alternative to consolidated exchange-owned ECNs
- Order matching

Crossing Network

- Block
- Retail

- **Significant opportunity for Knight to leverage market share and scale of equities platform**
- **DMA and ECN products have the fastest growth rates in the industry, with highest valuation multiples**

Electronic Services Group

Acquisition Update

Direct Trading Institutional

Transaction expected to close
before June 30

Cross-selling opportunity

DTI client base positive on Knight
acquisition

ECN

NASD/ATS applications underway

Interest in consortium

Technology development underway

Asset Management

Deephaven Capital Management

Overview

- Founded March 1994
- \$3.4 billion AUM
- Investors
 - Institutions
 - Funds of Funds
 - High Net Worth Individuals
- Investment Funds
 - Market Neutral
 - Long/Short Equity
 - Event
 - Credit Opportunities

Philosophy

- Capital preservation
- Market neutrality
- Low volatility
 - Annual target: 3-5% annual standard deviation
- Low risk

Return

- Market Neutral Fund – 18.12% annualized return since inception

Advantage

- Institutional quality asset manager
- Multiple arbitrage strategies
- Robust risk management
- Proven and repeatable trading strategies
- Consistent superior results
- Dedicated to client service

As of March 31, 2005

Asset Management

Hedge Fund Industry Under Pressure

Challenges

Market environment

- Negative year-to-date performance
- Convertible arbitrage hit especially hard

Flow of funds

Industry under significant media, investor and regulatory scrutiny

Opportunities

Asset allocation shift toward alternative investments

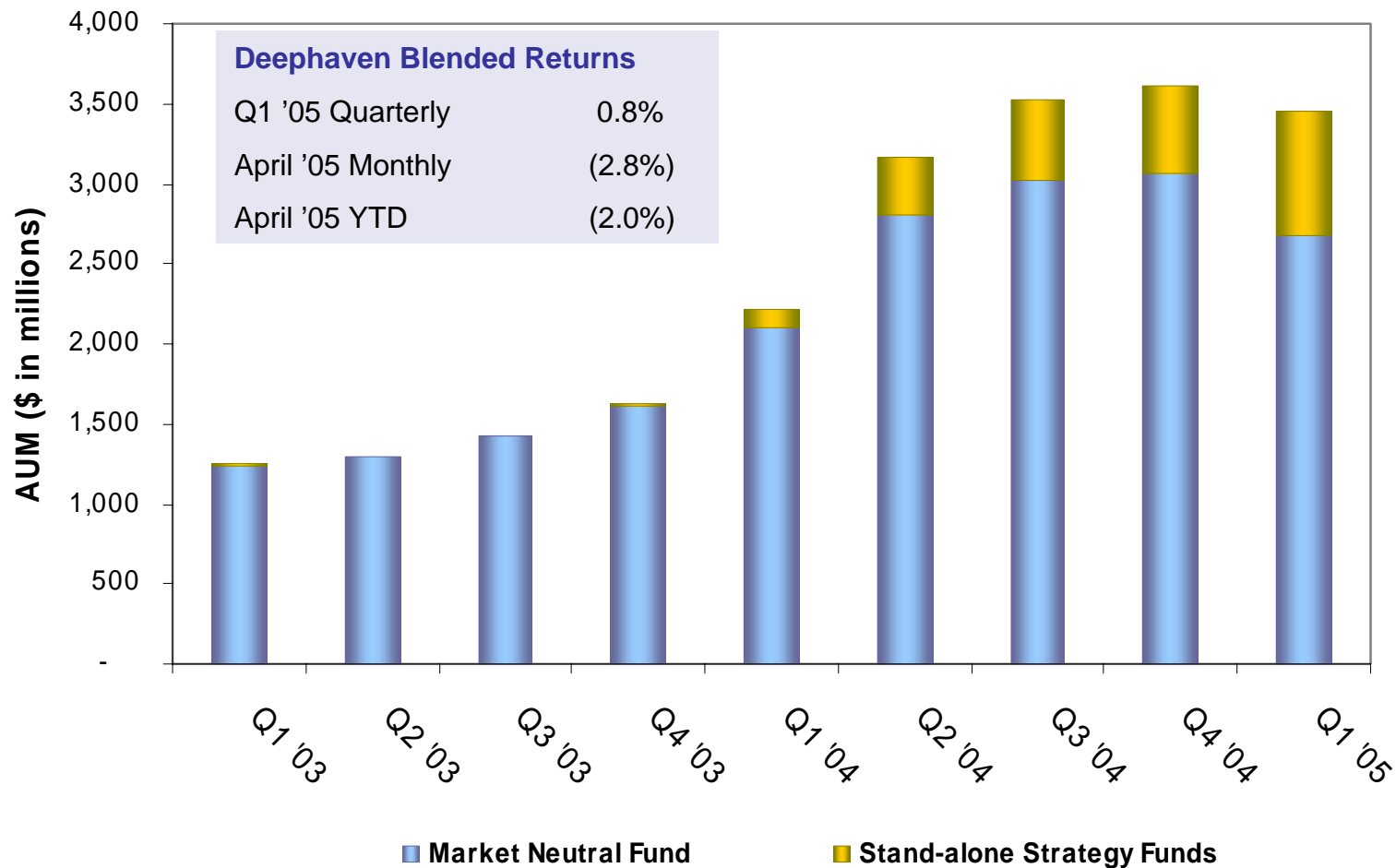
Leverage long track record

International investor interest

- Europe
- Asia

Asset Management

AUM Growth



Asset Management

Growing AUM & Investment Income

Accomplishments

Grew Assets Under Management

Diversified client base

Launched single-strategy funds

Retained management team

Initiatives

Continue Assets Under Management growth

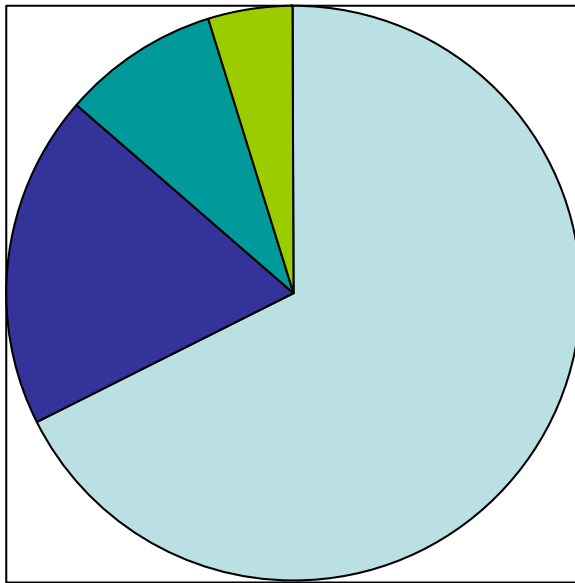
Introduce additional single-strategy funds

- Global Convertibles Select Opportunities

Expansion of investment strategies in Europe and Asia

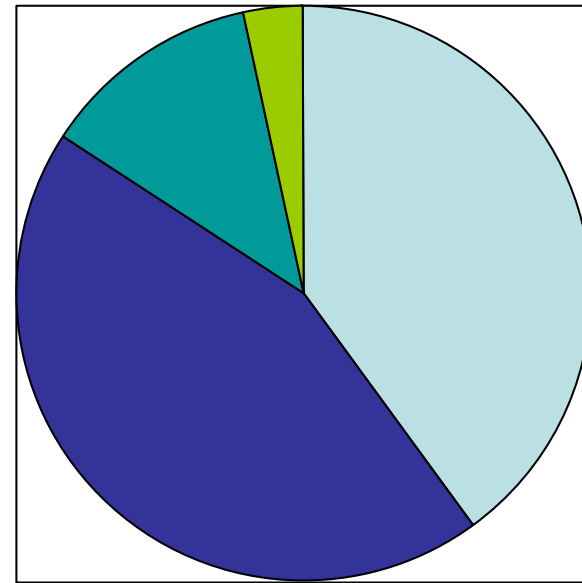
Corporate Revenue Diversification

2002 Revenues



Net Trading Revenue Commissions and Fees
Asset Mgmt Fees Inv. Income and Other

2004 Revenues



Net Trading Revenue Commissions and Fees
Asset Mgmt Fees Inv. Income and Other

Knight Valuation

Strong Financial Condition

- \$834 million in stockholders' equity
 - ✓ \$233 million in cash
 - ✓ \$315 million in corporate investment in Deephaven Funds*
(\$100 million withdrawn on April 1, 2005 as previously disclosed)*
 - ✓ \$167 million of net equity at clearing brokers
 - ✓ \$68 million in strategic investments, includes
 - 1.7 million shares of ISE
 - 900 thousand shares of Nasdaq
- Repurchased over \$170 million in stock in 2004 - 2005
- No long-term debt
- Book value \$7.42 per diluted share

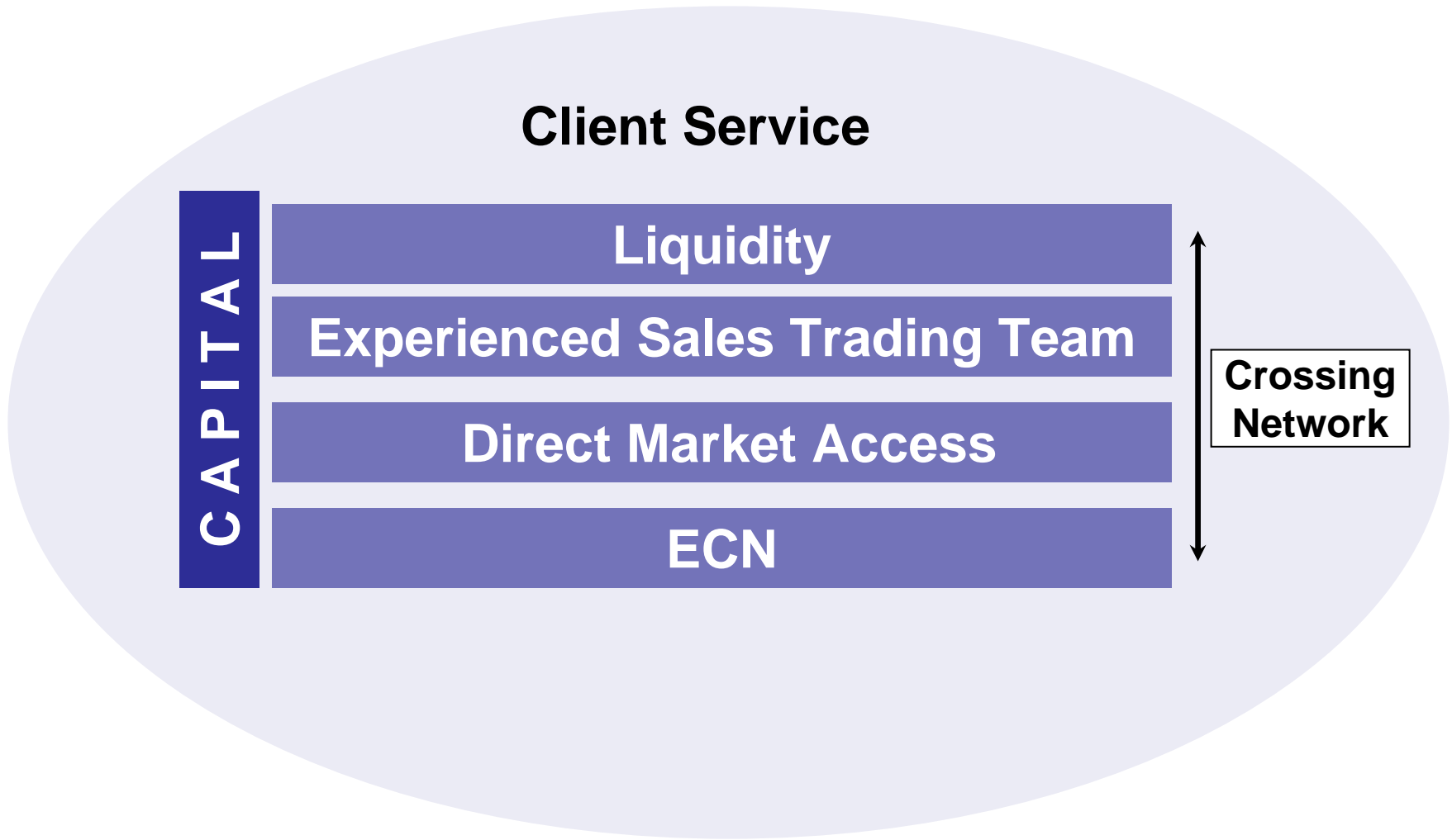
As of March 31, 2005

Consolidated Outlook – Goals for 2006

Revenue & Earnings Potential

- Growing institutional sales and trading business
- Large and superior broker-dealer platform
- Focused on increasing assets under management
- New channel for electronic trading

A New Equity Model



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**Thomas M. Joyce, Chairman & CEO
Knight Capital Group, Inc.**