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Specialists in Financial Services

KBW Indices

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BKX VOLUME SOARS AND QUARTERLY REBALANCING

Industry Opinion:

The KBW family of tradable indices has been developed to provide investors with a way to track the performance of the Banking, Broker/Dealer-Asset Management, and Insurance sectors within the Financial Services industry. With the flexibility of trading sector index options on the Philadelphia Stock Exchange the indices can now be used to hedge exposure to these segments of the industry.

- During December 2004, the KBW family of tradable indices moved to the PHLX XL electronic trading platform. The transition appears to have been a smooth one.
- The KBW Bank Index (BKX, \$96.44) has been ranked #1 among sector index options by open interest at the Philadelphia Stock Exchange.
- Volume in the BKX during the Q1:05 increased 109% linked quarter.
- Effective March 18, 2005, KBW performed a quarterly rebalancing on its family of tradable indices, which include the KBW Bank Index, KBW Insurance Index (KIX, \$132.79), and the KBW Capital Markets Index (KSX, \$217.62).



Transition to the PHLX XL Electronic Platform

Transition Appears to be Smooth...

During the month of December 2004, KBW's family of tradable indices made a transition to the Philadelphia Stock Exchange's PHLX XL electronic trading platform from the traditional floor-based trading platform.

We believe the transition has been smooth thus far as it aimed at facilitating numerous market makers (including the specialist), actionable bid/offer quotes with deep liquidity, and quicker order execution. The results of the transition have positively impacted the KBW indices. We highlight below the performance of KBW indices during the first quarter 2005.

Performance of the KBW Family of Tradable Indices in Q1:05

BKX Ranks #1

The KBW Bank Index now ranks #1 (YTD March 2005) among listed sector index options by open interest from #4 at year-end 2004.

During the same time the KBW Insurance Index slipped a notch while the KBW Capital Markets Index improved its rank to 13 from 15. (See Exhibit 1.)

Exhibit 1: BKX Ranking Among Sector Index Options at PHLX

YTD MARCH 2005

Rank		Sector	Ticker	Open Interest	% Share
2004	2005				
4	1	KBW Bank	BKX	125,294	39.46%
1	2	Oil Service	OSX	67,893	21.38%
2	3	Gold and Silver	XAU	64,985	20.47%
3	4	Semiconductor	SOX	38,382	12.09%
6	5	Utility	UTY	7,857	2.47%
10	11	KBW Insurance	KIX	455	0.14%
15	13	KBW Capital Markets	KSX	135	0.04%

Source: Philadelphia Stock Exchange and KBW research.



Open interest in the BKX at the PHLX increased to 125,112 year to date from 21,152 contracts at the year-end 2004. Volume increased by 109% to 233,345 contracts in the Q1:05 from 113,088 contracts at Q4:04. (See Exhibit 2.)

Exhibit 2: Performance of BKX by Volume and Open Interest, 2003–2005

Period	2003		2004		2005	
	Volume	Opn. Int	Volume	Opn. Int	Volume	Opn. Int
Jan	5,771	3,205	29,929	14,208	45,319	47,323
Feb	11,947	5,398	17,120	10,086	95,889	102,256
Mar	21,145	6,404	52,994	86,706	95,297	125,294
Apr	14,157	5,887	197,242	72,708	-	-
May	12,727	5,656	78,017	69,352	-	-
Jun	9,658	4,806	67,301	46,164	-	-
Jul	7,778	4,179	33,585	38,921	-	-
Aug	22,574	14,133	29,784	38,841	-	-
Sep	20,024	14,253	18,685	13,892	-	-
Oct	20,856	16,805	38,257	26,578	-	-
Nov	13,734	14,492	41,982	23,265	-	-
Dec	33,995	14,868	32,849	21,152	-	-
	194,366		637,745		236,505	

Note: Data as of the close of markets on March 31, 2005.
BKX underwent a 10:1 split during the month of March 2004.

Source: The Options Clearing Corporation and KBW research.

Quarterly Rebalancing the Indices

Quarterly Rebalancing

Effective March 18, 2005, KBW conducted the quarterly rebalancing for its family of tradable indices. During this quarter rebalancing, KBW has updated the share counts for all the components within its family of tradable indices.

For a detailed set of the rules on rebalancing for each individual index please refer to the following KBW reports: *KBW Bank and Insurance Index Changes*, dated October 20, 2004, and *Introducing the KBW Capital Markets Index (KSX)*, dated November 30, 2004. The above reports are also available on KBW's website at www.kbw.com/indices.asp.

The rebalanced indices with their individual components and respective weightings as of March 30, 2005 are shown in Exhibits 3-5.



Exhibit 3: KBW Bank Index (BKX)

4 Individual components >5% of index equals			5 Individual components >5% of index equals 43.89%			5 Individual components >5% of index equals 44.35%		
Composition as of 10/20/04			Composition as of 12/23/04			Composition as of 03/30/05		
		MMCap % Weight			MMCap % Weight			MMCap % Weight
C	Citigroup	10.00	C	Citigroup	10.05	C	Citigroup	10.26
BAC	Bank of America	10.00	BAC	Bank of America	9.69	BAC	Bank of America	9.88
JPM	JPMorgan Chase	10.00	JPM	JPMorgan Chase	9.55	WFC	Wells Fargo	9.26
WFC	Wells Fargo	9.23	WFC	Wells Fargo	9.00	JPM	JPMorgan Chase	9.16
WB	Wachovia Corp.	4.50	WB	Wachovia Corp.	5.61	WB	Wachovia Corp	5.79
USB	US Bancorp	4.50	USB	US Bancorp	4.53	USB	US Bancorp	4.51
WM	Washington Mutual	4.37	KRB	MBNA Corp.	4.39	WM	Washington Mutual	4.37
KRB	MBNA Corp.	4.04	WM	Washington Mutual	4.30	KRB	MBNA Corp	4.09
FITB	Fifth Third Bancorp	3.79	STI	SunTrust Banks	3.48	STI	SunTrust Banks	3.64
NCC	National City Corp.	3.54	BK	Bank of New York	3.43	FITB	Fifth Third Bancorp	3.47
STI	SunTrust Banks	3.48	FITB	Fifth Third Bancorp	3.41	BK	Bank of New York	3.21
BK	Bank of New York	3.42	NCC	National City Corp.	3.24	BBT	BB&T Corp.	3.18
BBT	BB&T Corp.	3.24	BBT	BB&T Corp.	3.21	NCC	National City Corp.	3.11
GDW	Golden West Financial	2.80	GDW	Golden West Financial	2.86	GDW	Golden West Financial	2.96
RF	Regions Financial	2.65	STT	State Street Corp.	2.65	STT	State Street Corp.	2.57
PNC	PNC Financial Services	2.58	PNC	PNC Financial Services	2.58	PNC	PNC Financial Services	2.53
STT	State Street Corp.	2.51	RF	Regions Financial	2.56	RF	Regions Financial	2.53
NFB	North Fork Bank	2.45	MEL	Mellon Financial Corp.	2.40	KEY	Keycorp	2.40
KEY	Keycorp	2.43	KEY	Keycorp	2.37	MEL	Mellon Financial Corp.	2.36
MTB	M&T Bank Corp.	2.29	NTRS	Northern Trust Corp.	2.33	NFB	North Fork Bank	2.35
MEL	Mellon Financial Corp.	2.28	NFB	North Fork Bank	2.28	MTB	M&T Bank Corp.	2.32
CMA	Comerica	2.20	MTB	M&T Bank Corp	2.27	NTRS	Northern Trust Corp.	2.18
NTRS	Northern Trust Corp.	2.00	CMA	Comerica	2.03	CMA	Comerica	1.95
ZION	Zions Bancorporation	1.71	ZION	Zions Bancorporation	1.78	ZION	Zion Bancorporation	1.92
Total		100.00	Total		100.00	Total		100.00



Exhibit 4: KBW Insurance Index (KIX)

Composition as of 10/20/04		MMCap % Weight	Composition as of 12/23/04		MMCap % Weight	Composition as of 03/30/05		MMCap % Weight
AIG	American International Group	10.00	AIG	American International Group	9.72	AIG	American International Group	8.71
ALL	Allstate Corp.	7.58	ALL	Allstate Corp.	7.04	ALL	Allstate Corp.	7.73
MET	MetLife	5.89	MET	MetLife	6.12	PRU	Prudential Financial	6.13
PRU	Prudential Financial	5.31	PRU	Prudential Financial	5.63	MET	MetLife	6.07
STA	St. Paul Travelers	4.50	HIG	Hartford Financial Services	4.92	HIG	Hartford Financial Services	5.14
AFL	AFLAC, Corp.	4.47	STA	St Paul Travelers	4.52	MMC	Marsh McLennan	5.04
PGR	Progressive Corp.	4.50	CB	Chubb Corp	4.49	CB	Chubb Corp.	4.83
HIG	Hartford Financial Services	4.50	MMC	Marsh & McLennan	4.48	STA	St. Paul Travelers	4.69
MMC	Marsh & McLennan	4.50	ACE	ACE	4.10	ACE	ACE	4.19
CB	Chubb Corp.	4.44	PFG	Principal Financial Group	4.10	PGR	Progressive Corp.	4.14
PFG	Principal Financial Group	4.07	AFL	AFLAC, Corp.	4.08	PFG	Principle Financial Group	4.01
ACE	ACE	3.82	XL	XL Capital	3.77	AFL	AFLAC, Corp.	3.97
XL	XL Capital	3.71	PGR	Progressive Corp.	3.70	XL	XL Capital	3.54
MBI	MBIA	3.36	MBI	MBIA	3.41	CNA	CNA Financial Corp.	3.20
LNC	Lincoln National Corp.	3.31	FNF	Fidelity National Financial	3.25	AOC	AON Corp.	3.13
AOC	AON Corp.	3.06	LNC	Lincoln National Corp.	3.13	MBI	MBIA	3.11
CINF	Cincinnati Financial Corp.	3.05	AOC	AON Corp.	3.10	LNC	Lincoln Financial Corp.	3.08
JP	Jefferson-Pilot Corp.	3.03	CINF	Cincinnati Financial Corp.	3.02	CINF	Cincinnati Financial Corp.	3.06
FNF	Fidelity National Financial	2.99	CNA	CNA Financial Corp.	2.99	UNM	UnumProvident Corp.	2.96
MTG	MGIC Investment Corp.	2.93	UNM	UnumProvident Corp.	2.97	JP	Jefferson-Pilot Corp.	2.81
CNA	CNA Financial Corp.	2.86	JP	Jefferson-Pilot Corp.	2.94	SAFC	SAFECO Corp.	2.74
SAFC	Safeco Corp.	2.84	MTG	MGIC Investment Corp.	2.89	MTG	MGIC Investment Corp.	2.66
TMK	Torchmark Corp.	2.82	SAFC	Safeco Corp.	2.84	TMK	Torchmak Corp.	2.59
UNM	UnumProvident Corp.	2.44	TMK	Torchmark Corp.	2.78	FNF	Fidelity National Financial	2.47
Total		100.00	Total		100.00	Total		100.00

Note: MMCAP = Modified Market Capitalization Weighted Method.

Source: KBW research.



Exhibit 5: KBW Capital Markets Index (KSX)

Composition as of 12/23/04		MMCap % Weight	Composition as of 03/30/05		MMCap % Weight
MWD	Morgan Stanley	10.03	MWD	Morgan Stanley	10.62
MER	Merrill Lynch	9.96	GS	Goldman Sachs	10.46
GS	Goldman Sachs	9.43	MER	Merrill Lynch	10.05
BK	Bank of New York	7.10	BK	Bank of New York	6.45
MEL	Mellon Financial Corp.	5.20	LEH	Lehman Brothers Holdings	5.06
SCH	Charles Schwab Corp.	4.79	BSC	Bear Stearns	4.87
STT	State Street Corp.	4.68	BEN	Franklin Resources	4.70
BEN	Franklin Resources	4.62	STT	State Street Corp.	4.44
LEH	Lehman Brothers Holdings	4.43	SCH	Charles Schwab Corp.	4.40
BSC	Bear Stearns	4.32	MEL	Mellon Financial Corp.	4.27
NTRS	Northern Trust Corp.	4.02	NTRS	Northern Trust Corp.	3.70
TROW	T Rowe Price Group	3.32	TROW	T Rowe Price Group	3.30
CME	Chicago Mercantile. Exchange	3.09	LM	Legg Mason	2.93
AMTD	Ameritrade Holding Corp.	2.83	CME	Chicago Mercantile. Exchange	2.85
ET	E*Trade Financial Corp.	2.61	BLK	Blackrock	2.56
BLK	Blackrock	2.51	AC	Alliance Capital Management Holding	2.46
LM	Legg Mason	2.40	IFIN	Investors Financial Services Corp.	2.40
SEIC	SEI Investments Company	2.31	AGE	A G Edwards	2.25
JNS	Janus Capital Group	2.21	ET	E*Trade Financial Corp.	2.20
IFIN	Investors Financial Services Corp.	2.20	AMTD	Ameritrade Holding Corp.	2.17
AC	Alliance Capital Management Holding	2.08	SEIC	SEI Investments Company	2.10
AGE	A G Edwards, Inc.	2.07	FII	Federated Investors	1.95
FII	Federated Investors, Inc.	2.03	JNS	Janus Capital Group	1.94
RJF	Raymond James Financial	1.78	RJF	Raymond James Financial	1.86
Total		100.00	Total		100.00

5 Individual components >5% of index equals 41.72% of the index

5 Individual components >5% of index equals 42.64% of the index

Note: MMCAP = Modified Market Capitalization Weighted Method.

Source: KBW research.



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