



F R I E D M A N B I L L I N G S R A M S E Y ®

CAPITAL FOR YOUR CONQUEST

Friedman, Billings, Ramsey Group, Inc.  
**CORPORATE PRESENTATION**

2005  
J U N E

All information as of March 31, 2005 unless indicated.



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## CAUTIONS ABOUT FORWARD-LOOKING INFORMATION

This presentation and the information incorporated by reference in this presentation include forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Some of the forward-looking statements can be identified by the use of forward-looking words such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “approximately,” “plans,” “estimates” or “anticipates” or the negative of those words or other comparable terminology. Statements concerning projections, future performance developments, events, revenues, expenses, earnings, run rates, and any other guidance on present or future periods constitute forward-looking statements. Such statements include, but are not limited to, those relating to the effects of growth, revenues and earnings, our principal investing activities, levels of assets under management and our current equity capital levels. Forward-looking statements involve risks and uncertainties. You should be aware that a number of important factors could cause our actual results to differ materially from those in the forward-looking statements. These factors include, but are not limited to, the overall environment for interest rates, repayment speeds within the mortgage backed securities market, risk associated with equity investments, the demand for public offerings, activity in the secondary securities markets, competition among financial services firms for business and personnel, the high degree of risk associated with venture capital investments, the effect of demand for public offerings, mutual fund and 401(k) pension plan inflows or outflows in the securities markets, volatility of the securities markets, available technologies, the effect of government regulation and of general economic conditions on our own business and on the business in the industry areas on which we focus, fluctuating quarterly operating results, the availability of capital to us and risks related to online commerce. We will not necessarily update the information presented or incorporated by reference in this presentation if any of these forward looking statements turn out to be inaccurate. Risks affecting our business are described throughout our Form 10-K, especially in the section entitled “Risk Factors.” The entire Form 10-K, including the Consolidated Financial Statements and the notes and any other documents incorporated by reference into the Form 10-K, as well as, the Forms 10-Q and 8-K filed subsequent to the forms 10-K, should be read for a complete understanding of our business and the risks associated with that business.

On March 31, 2003, Friedman, Billings, Ramsey Group, Inc. merged with FBR Asset Investment Corporation (“FBR Asset”), a real estate investment trust (“REIT”) managed by FBR prior to the merger. The merged company, Friedman, Billings, Ramsey Group, Inc. is structured as a REIT for U.S. Federal Income Tax purposes and conducts its brokerage, sales and trading, investment banking, asset management and banking business through taxable REIT subsidiaries.

This document is intended for information purposes only, and shall not constitute a solicitation or an offer to buy or sell, any security or services, or an endorsement of any particular investment strategy.

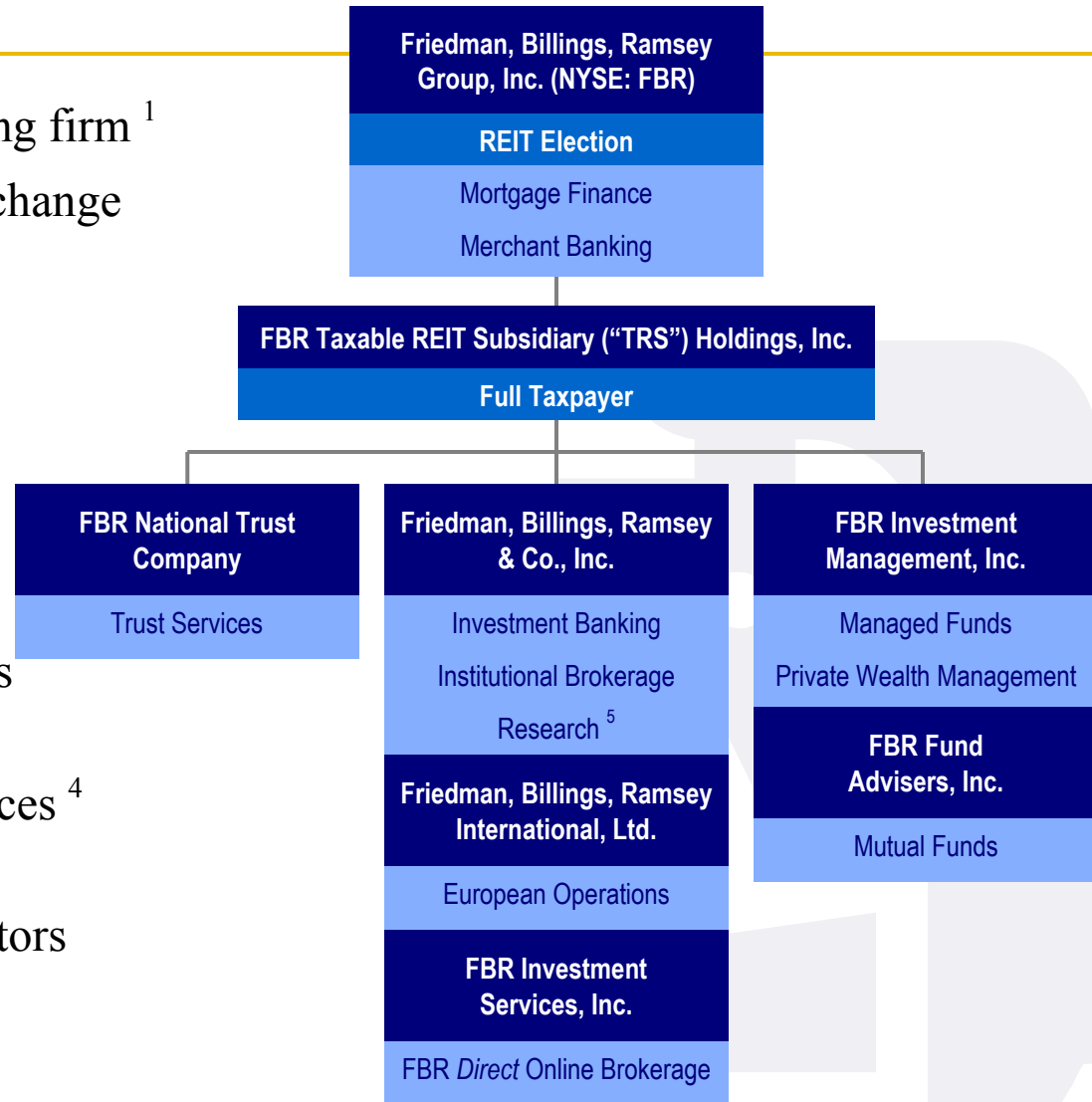
For additional important information, please visit our website, [www.fbr.com](http://www.fbr.com).

1. Research is provided by FBR & Co.’s Research department, which is independent from the Investment Banking department of FBR & Co., and has the sole authority to determine which companies receive research coverage and the recommendation contained in the coverage. In the normal course of its business, FBR & Co. seeks to perform investment banking and other fee generating services for companies that are the subject of FBR & Co. research reports. Research analysts are eligible to receive bonus compensation that is based on FBR & Co.’s overall operating revenues, including revenues generated by FBR & Co.’s investment banking department. Specific information is contained in each research report concerning FBR & Co.’s relationship with the company that is the subject of the report.



# Introduction

- FBR is a top ten investment banking firm <sup>1</sup>
- Listed on the New York Stock Exchange (NYSE: FBR)
- Market cap of \$2.4 billion <sup>2</sup>
- Annualized core dividend: \$1.36 (yield 9.9%) <sup>2</sup>
- Book value per share: GAAP - \$8.62; Core – \$9.63 <sup>3</sup>
- Equity of \$1.5 billion; Total Assets of \$13.7 billion <sup>3</sup>
- 740 full-time employees in 14 offices <sup>4</sup> (excluding FNLC)
- Focused on 8 specific industry sectors



1. See pages 9-10. 2. 6/20/05 closing price of \$13.74. 3. As of 3/31/05; See FBR 2005 Q1 Earnings Release, ex. 99.1. 4. As of 5/11/05.  
 5. Research is provided by FBR & Co.'s Research department, which is independent from the Investment Banking department of FBR & Co., and has the sole authority to determine which companies receive research coverage and the recommendation contained in the coverage. In the normal course of its business, FBR & Co. seeks to perform investment banking and other fee generating services for companies that are the subject of FBR & Co. research reports. Research analysts are eligible to receive bonus compensation that is based on FBR & Co.'s overall operating revenues, including revenues generated by FBR & Co.'s investment banking department. Specific information is contained in each research report concerning FBR & Co.'s relationship with the company that is the subject of the report.



# Highlights

- Unique capital markets investment and distribution franchise
- #1 lead underwriter of U.S. companies valued \$1 billion and under <sup>1</sup>
- 30% Revenue Compound Annual Growth Rate (CAGR) 1992 through Q1 2005
- First quarter 2005 performance:
  - #1 underwriter for companies with \$1 billion market cap and under for the quarter <sup>2</sup>
  - Investment banking transactions of \$7.7 billion versus \$6.6 in Q1 2004
  - Institutional brokerage revenue of \$28.0 million versus \$ 25.7 for Q4 2004
  - \$3.8 billion raised in 5 ABS transactions
- Most efficient platform among Major Investment Banks as measured by net income and revenue per employee <sup>3</sup>
- Significant new business opportunities in investment banking, fixed income capital markets and asset management



1. Full year 2004; source: Dealogic; see page 9.

2. Q1 2005; source: Dealogic; see page 10.

3. Major Investment Banks: Publicly traded U.S. underwriters of public common stock in 2004, classified as Securities Brokers & Dealers (SIC 6211) with greater than \$200 million in revenue in their last reported twelve months (ltm). Sources: SEC filings, Dealogic, FactSet.

4. The number of FBR employees excludes those employed by recently acquired FNLC.

5. Some SEC filings did not provide complete employee information. Number of employees is from the prior quarterly filing.



# Business Overview

Taxable Subsidiaries (TRSs) (3 Profit Centers and Research)			REIT Principal Activities (2 Profit Centers)	
Investment Banking <sup>1</sup>	Institutional Brokerage <sup>1</sup>	Asset Management	Mortgage Finance	Merchant Banking
<p>160 Investment Banking personnel</p> <p>8 focused industry sectors</p> <ul style="list-style-type: none"> <li>• Consumer</li> <li>• Diversified Industrials</li> <li>• Energy</li> <li>• Financial Institutions</li> <li>• Healthcare</li> <li>• Insurance</li> <li>• Real Estate</li> <li>• Technology, Media &amp; Telecommunications</li> </ul> <p>Top 10 underwriter in 2004: <sup>3</sup></p> <ul style="list-style-type: none"> <li>• 127 transactions with \$27.4B in total transaction value</li> <li>• 61 lead and sole-managed public underwritings / private placements</li> <li>• 24 M&amp;A and Advisory assignments</li> <li>• \$10.1 B of Asset-Backed Securitizations (ABS) in inaugural year</li> </ul>	<p><b>Sales &amp; Trading</b></p> <p>191 Institutional Brokers, Traders and Sales Traders Market-maker in over 590 equity and debt securities Cover over 700 institutional investors</p> <p><b>Research <sup>2</sup></b></p> <p>50 Senior Analysts Department total 129 Over 585 companies under coverage</p> <ul style="list-style-type: none"> <li>• Consumer</li> <li>• Diversified Industrials</li> <li>• Energy &amp; Natural Resources</li> <li>• Financial Institutions</li> <li>• Healthcare</li> <li>• Insurance</li> <li>• Real Estate</li> <li>• Technology, Media &amp; Telecom</li> </ul> <p>Fixed-Income and ABS Research Coverage</p>	<p>Hedge funds</p> <p>Equity mutual funds</p> <p>Fixed income mutual funds</p> <p>Tax-exempt funds</p> <p>Money market funds</p> <p>Private equity</p> <p>Venture capital</p> <p>Private Wealth Management</p> <ul style="list-style-type: none"> <li>• Restricted 144 stock sales</li> <li>• Financial planning</li> <li>• Diversification Strategies</li> <li>• Hedging &amp; monetization</li> <li>• Employee stock option management</li> <li>• Cash management</li> </ul>	<p><b>Mortgage-Backed Securities</b></p> <p>Assets of \$11.6 billion, as of March 31, 2005</p> <ul style="list-style-type: none"> <li>• Mortgage-backed securities primarily guaranteed by Freddie Mac, Fannie Mae or Ginnie Mae (GSEs)</li> <li>• Portfolio composition 1/1 ARMs through 5/1 Hybrid ARMs<sup>4</sup></li> <li>• Dedicated \$12 billion funding source</li> </ul> <p><b>Mortgage Loans</b></p> <ul style="list-style-type: none"> <li>• Loans acquired through wholly-owned FNLCo or purchased from third parties</li> <li>• Focus on higher quality non-prime loans</li> <li>• Ultimately funded through securitization</li> </ul>	<p>\$430 million long-term investment portfolio as of March 31, 2005</p> <p>17 Merchant Banking equity investments funded with FBR Group equity as of March 31, 2005</p> <p>FBR Group potential long-term investments include:</p> <ul style="list-style-type: none"> <li>• Preferred and common equity</li> <li>• Senior secured and mezzanine loans</li> <li>• Interest in proprietary funds</li> <li>• Direct assets</li> </ul>

1. Headcount numbers and companies covered approximate as of 3/31/05.

2. As of 4/27/05. Research is provided by FBR & Co.'s Research department, which is independent from the Investment Banking department of FBR & Co., and has the sole authority to determine which companies receive research coverage and the recommendation contained in the coverage. In the normal course of its business, FBR & Co. seeks to perform investment banking and other fee generating services for companies that are the subject of FBR & Co. research reports. Research analysts are eligible to receive bonus compensation that is based on FBR & Co.'s overall operating revenues, including revenues generated by FBR & Co.'s investment banking department. Specific information is contained in each research report concerning FBR & Co.'s relationship with the company that is the subject of the report.

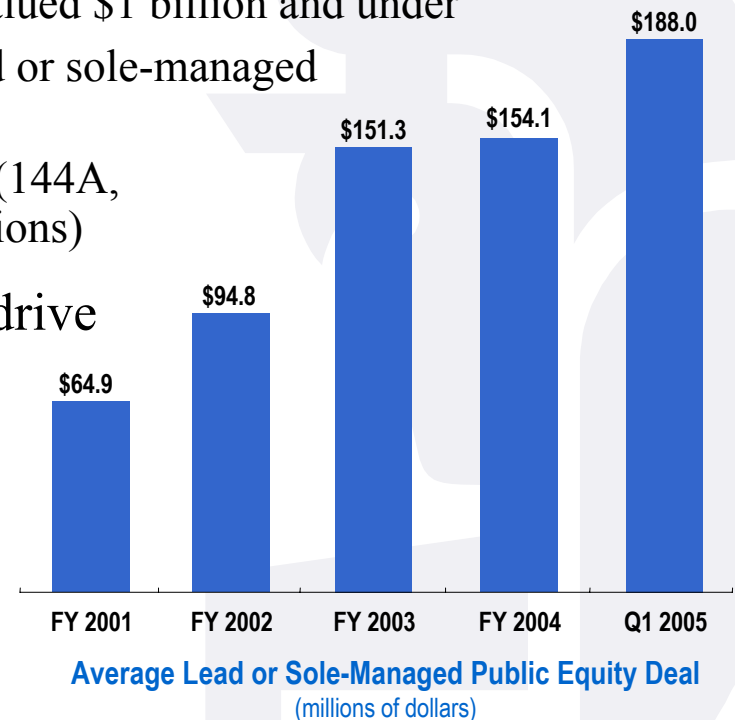
3. Source Dealogic; see page 9.

4. See page 15.



# Investment and Distribution Franchise

- Fundamental valuation approach
- Premier investment banking/institutional brokerage platform
  - #1 lead underwriter of U.S. companies valued \$1 billion and under <sup>1</sup>
  - #9 lead underwriter of all U.S. public equity <sup>1</sup>
  - #1 lead underwriter of IPOs for U.S. companies valued \$1 billion and under <sup>2</sup>
  - Top ten equity underwriter <sup>1</sup> — \$8.8 billion of lead or sole-managed new equity raised in 2004
  - Market leader in innovative transaction structures (144A, private block secondaries, public corporate formations)
- Superior proprietary investment returns also drive growth in fees
  - Investment banking fees associated with portfolio companies have totaled over \$434 million since January 1, 2001
- Top tier asset management products <sup>3</sup>



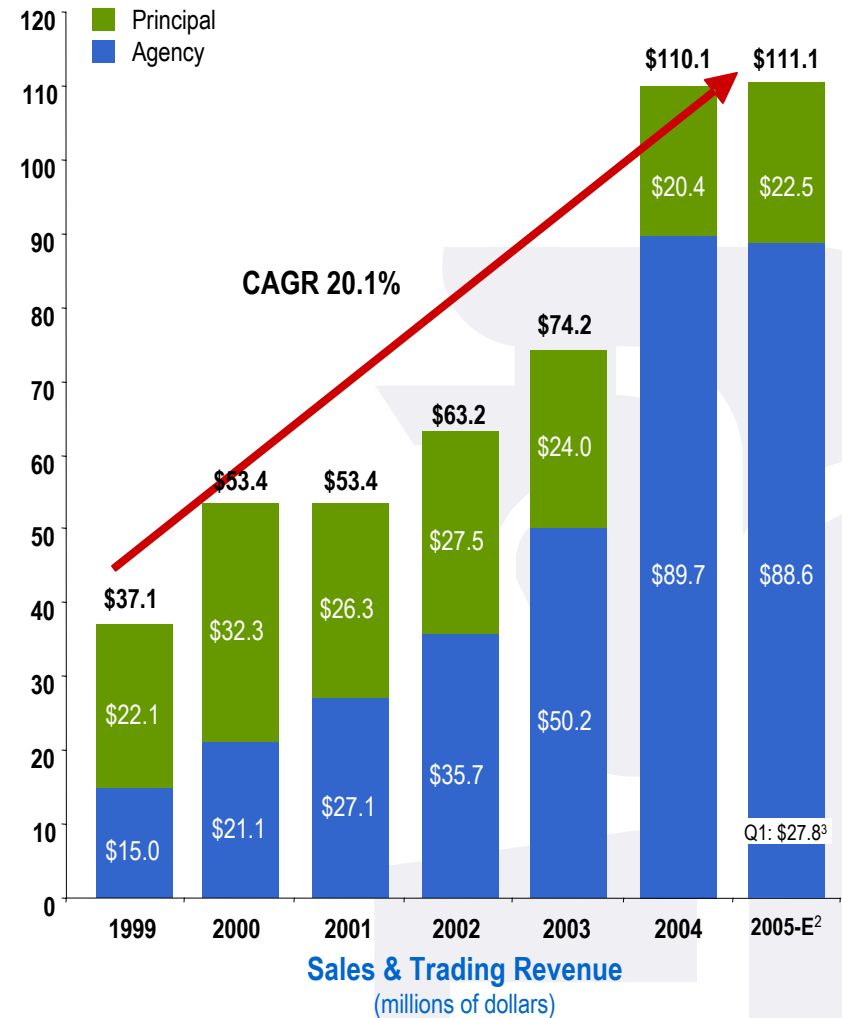
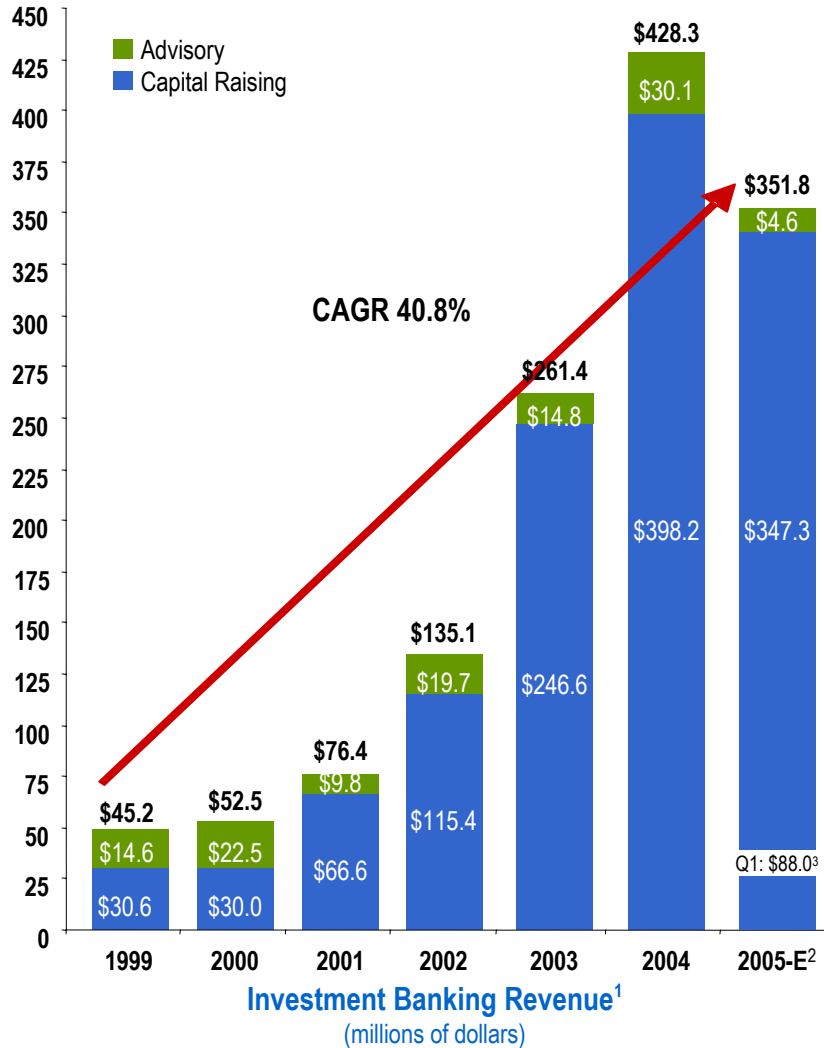
1. Full year 2004; source: Dealogic; see page 9.

2. See note and headers on page 9; limits data set to only IPOs of companies valued at \$1 billion and under.

3. See page 13.



# Capital Markets Revenue Growth



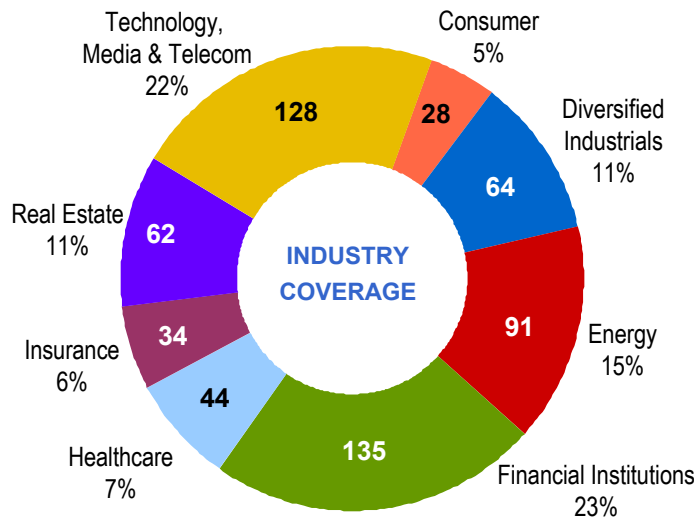
1. Adjusted for elimination of all revenue from and fees paid to FBR Asset (including trading gains – see page 1).  
2. Q1 2005 Annualized (12-month estimate).  
3. Q1 2005 Actual (3 months).



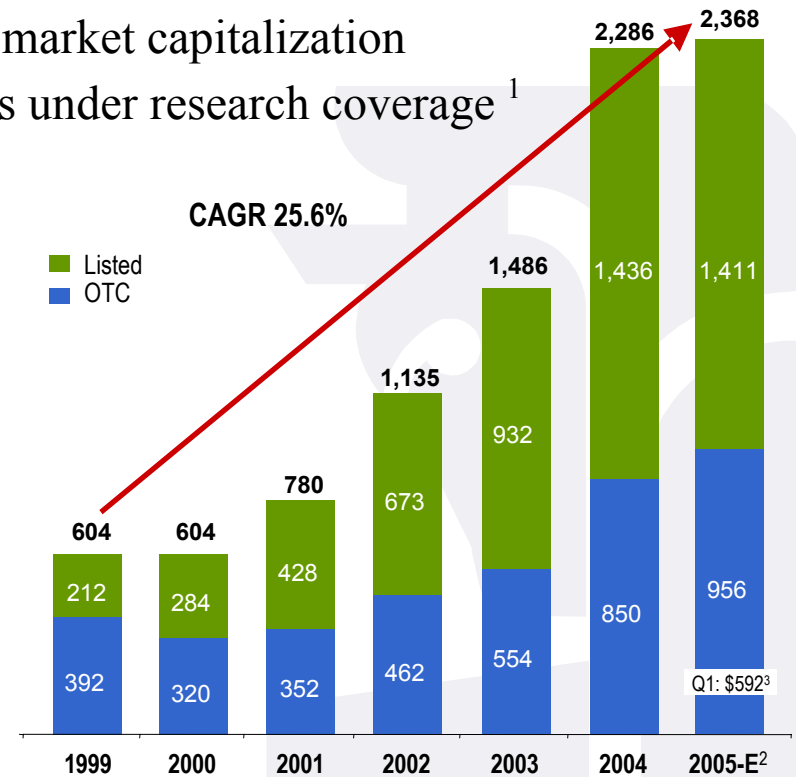
# Capital Markets

## Research and Institutional Brokerage

- 191 institutional brokers, traders and sales traders; 50 senior analysts
- Understanding of investment philosophy leads to powerful distribution platform
- 26% volume growth CAGR from 1999 through Q1 2005
- Currently provide research on 36% of S&P 500 by market capitalization
- Over 585 companies and 98 fixed-income securities under research coverage <sup>1</sup>
- Make markets in more than 590 securities



**Research Coverage: All Companies**  
(number of companies; as of April 27, 2005)



**Customer Trading Volumes**  
(millions of shares)

1. As of 4/27/05. Research is provided by FBR & Co.'s Research department, which is independent from the Investment Banking department of FBR & Co., and has the sole authority to determine which companies receive research coverage and the recommendation contained in the coverage. In the normal course of its business, FBR & Co. seeks to perform investment banking and other fee generating services for companies that are the subject of FBR & Co. research reports. Research analysts are eligible to receive bonus compensation that is based on FBR & Co.'s overall operating revenues, including revenues generated by FBR & Co.'s investment banking department. Specific information is contained in each research report concerning FBR & Co.'s relationship with the company that is the subject of the report.

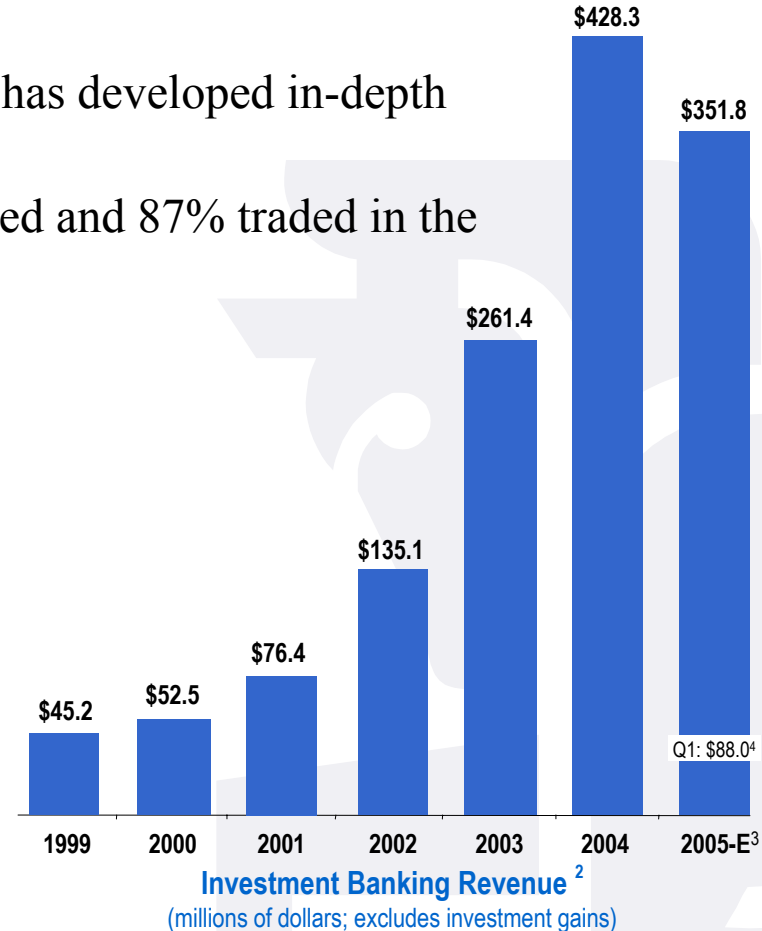
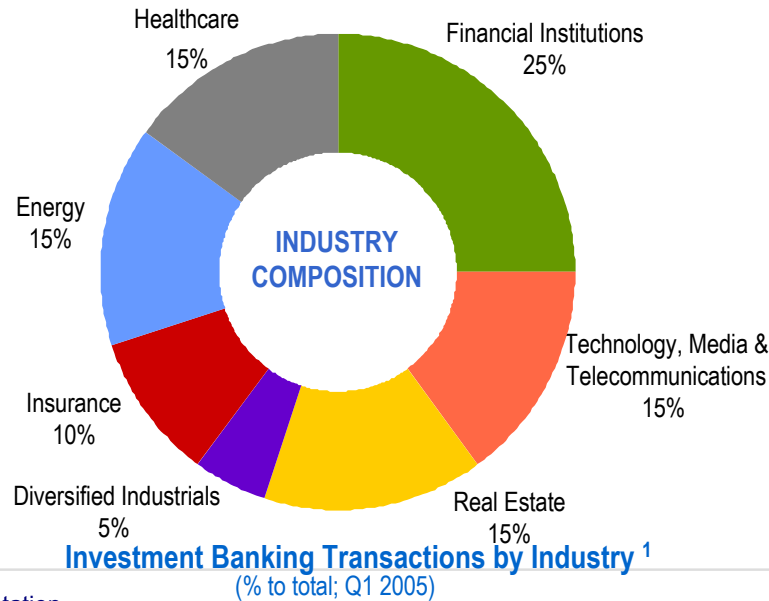
2. Q1 2005 Annualized (12-month estimate).

3. Q1 2005 Actual (3 months).



# Capital Markets Investment Banking

- Unique origination & distribution franchise
- FBR evaluates all underwritings and provides financial advice based on a disciplined investment approach
- We concentrate on specific industries where FBR has developed in-depth expertise and relationships
- These industries comprised 80% of the equity raised and 87% traded in the U.S. in 2004
- We continue to see new business opportunities



1. Excluding asset-backed securities transactions.  
 2. Adjusted for elimination of all revenue from and fees paid to FBR Asset (including trading gains – see page 1).  
 3. Q1 2005 Annualized (12-month estimate).  
 4. Q1 2005 Actual (3 months).



# Investment Banking Rankings

## Full Year 2004 Underwriting

### Issuer Mkt Cap \$1B & Under — All Industries 1/1/2004 – 12/31/2004 All Common Stock (IPO, Secondary, Private)

Book-Running Manager	# of Deals	Amount Raised
<b>Friedman Billings Ramsey</b>	<b>37</b>	<b>\$ 6,442.8</b>
Goldman, Sachs & Co	36	4,309.5
Merrill Lynch & Co	38	4,162.3
UBS Investment Bank	51	3,808.8
Morgan Stanley	30	3,630.6
JP Morgan Securities Inc	47	3,592.9
Citigroup Global Markets Inc	30	3,443.4
Lehman Brothers	37	3,371.5
Credit Suisse First Boston	36	3,065.7
Banc of America Securities	27	1,671.0
Deutsche Bank Securities	25	1,611.2
Bear, Stearns & Co Inc	16	1,254.0
Raymond James	9	983.8
Wachovia Capital Markets LLC	16	968.5
SG Cowen Securities Corp	24	852.3
Ryan, Beck & Co	6	769.3
CIBC World Markets	13	559.4
Keefe Bruyette & Woods Inc	9	520.7
Piper Jaffray & Co	11	505.3
AG Edwards	12	452.5

### All Market Caps — All Industries 1/1/2004 – 12/31/2004 IPOs and Secondaries

Book-Running Manager	# of Deals	Amount Raised
Morgan Stanley	80	\$ 19,392.7
Goldman, Sachs & Co	74	17,178.7
Citigroup Global Markets Inc	71	12,148.1
JP Morgan Securities Inc	77	11,277.6
Merrill Lynch & Co	74	11,202.4
Credit Suisse First Boston	61	9,067.8
Lehman Brothers	63	7,826.8
UBS Investment Bank	66	6,667.9
<b>Friedman Billings Ramsey</b>	<b>34</b>	<b>4,596.5</b>
Banc of America Securities	37	3,583.8
Deutsche Bank Securities	34	3,324.7
Bear, Stearns & Co Inc	22	2,927.9
Wachovia Capital Markets LLC	24	2,096.6
Raymond James	9	1,056.7
AG Edwards	17	866.2
SG Cowen Securities Corp	23	831.1
CIBC World Markets	14	764.7
Ryan, Beck & Co	4	752.3
RBC Capital Markets	12	740.6
Legg Mason Wood Walker Inc	6	551.8

### All Market Caps — All Industries 1/1/2004 – 12/31/2004 IPOs Only

Book-Running Manager	# of Deals	Amount Raised
Morgan Stanley	21	\$ 7,322.5
Goldman, Sachs & Co	26	6,391.6
Merrill Lynch & Co	28	4,247.8
JP Morgan Securities Inc	24	3,834.2
Citigroup Global Markets Inc	19	3,636.4
Credit Suisse First Boston	22	3,547.1
<b>Friedman Billings Ramsey</b>	<b>19</b>	<b>3,230.3</b>
UBS Investment Bank	17	2,039.0
Lehman Brothers	16	2,037.9
Banc of America Securities	15	1,050.1
Raymond James	2	726.8
Ryan, Beck & Co	2	725.3
Wachovia Capital Markets LLC	6	573.6
Deutsche Bank Securities	9	560.4
Bear, Stearns & Co Inc	5	482.4
Piper Jaffray & Co	7	350.2
SG Cowen Securities Corp	8	335.4
Ferris Baker Watts Inc	3	206.3
Keefe Bruyette & Woods Inc	3	162.8
Thomas Weisel Partners LLC	4	142.1

Source: Dealogic.



# Investment Banking Rankings

## First Quarter 2005 Underwriting

### Issuer Mkt Cap \$1B & Under — All Industries

1/1/2005 – 3/31/2005 All Common Stock  
(IPO, Secondary, Private)

### All Market Caps — All Industries

1/1/2005 – 3/31/2005  
IPOs and Secondaries

### All Market Caps — All Industries

1/1/2005 – 3/31/2005  
IPOs Only

Book-Running Manager	# of Deals	Amount Raised
<b>Friedman Billings Ramsey</b>	<b>7</b>	<b>\$ 1,553.73</b>
Merrill Lynch & Co	10	1,055.08
JP Morgan Securities Inc	11	1,011.52
UBS Investment Bank	11	802.49
Credit Suisse First Boston	6	742.84
Deutsche Bank Securities	3	615.91
Goldman, Sachs & Co	5	614.03
Jefferies & Co Inc	5	375.62
Citigroup Global Markets Inc	6	358.54
Piper Jaffray & Co	4	300.29
Morgan Stanley	3	297.64
Banc of America Securities	6	268.14
Bear, Stearns & Co Inc	3	210.18
Lehman Brothers	2	196.16
CIBC World Markets	7	189.43
SG Cowen Securities Corp	7	179.54
Wachovia Capital Markets LLC	4	173.11
Raymond James	3	126.86
Cantor Fitzgerald & Co	1	123.88
Daiwa Securities Group	1	116.40

Book-Running Manager	# of Deals	Amount Raised
Morgan Stanley	14	\$ 4,216.16
Merrill Lynch & Co	19	3,515.36
JP Morgan Securities Inc	17	3,202.15
Citigroup Global Markets Inc	17	2,921.96
Goldman, Sachs & Co	11	2,594.16
UBS Investment Bank	16	1,237.27
Lehman Brothers	7	1,031.51
<b>Friedman Billings Ramsey</b>	<b>5</b>	<b>966.29</b>
Credit Suisse First Boston	6	911.09
Banc of America Securities	11	722.86
Wachovia Capital Markets LLC	9	670.66
Deutsche Bank Securities	4	649.60
Bear, Stearns & Co Inc	6	534.69
Jefferies & Co Inc	6	495.85
Piper Jaffray & Co	4	300.29
Raymond James	4	251.86
CIBC World Markets	7	189.43
SG Cowen Securities Corp	7	179.54
Cantor Fitzgerald & Co	1	123.88
Stephens Inc	1	121.90

Book-Running Manager	# of Deals	Amount Raised
Morgan Stanley	6	\$ 1,571.17
Merrill Lynch & Co	7	1,409.34
Citigroup Global Markets Inc	6	1,218.25
Goldman, Sachs & Co	7	1,001.73
JP Morgan Securities Inc	6	876.17
Credit Suisse First Boston	4	707.44
Deutsche Bank Securities	2	513.88
<b>Friedman Billings Ramsey</b>	<b>2</b>	<b>476.59</b>
Banc of America Securities	4	465.93
Lehman Brothers	3	421.18
UBS Investment Bank	4	387.99
Jefferies & Co Inc	2	180.23
Bear, Stearns & Co Inc	2	148.01
Daiwa Securities Group Inc	1	116.40
Stephens Inc	1	106.00
Piper Jaffray & Co	2	97.38
Sandler O'Neill & Partners	1	80.56
CIBC World Markets	2	49.52
Wachovia Capital Markets LLC	1	37.38
WR Hambrecht & Co	1	35.10

Source: Dealogic.

Note: Apportioned credit to all book-running managers; U.S. Issuers; excludes closed-end funds.



# Investment Banking Rankings

## Aftermarket Performance <sup>1</sup>

### 5 Years 4/1/2000 – 3/31/2005 Non-Weighted Aftermarket Performance <sup>2</sup>

Book-Running Manager	# of Deals	% Change from Offer
Bear, Stearns & Co Inc	103	56.1
<b>Friedman Billings Ramsey</b>	<b>99</b>	<b>31.0</b>
Merrill Lynch & Co	340	22.1
Lehman Brothers	213	22.0
Citigroup Global Markets Inc	272	19.9
Morgan Stanley	276	19.4
Credit Suisse First Boston	349	19.2
Goldman, Sachs & Co	292	18.7
Deutsche Bank Securities	117	13.0
JP Morgan Securities Inc	219	11.8
Banc of America Securities	171	8.1
UBS Investment Bank	220	6.3
CIBC World Markets	78	4.9

### 3 Years 4/1/2002 – 3/31/2005 Non-Weighted Aftermarket Performance <sup>3</sup>

Book-Running Manager	# of Deals	% Change from Offer
Bear, Stearns & Co	73	51.5
Credit Suisse First Boston	178	40.7
Morgan Stanley	184	34.9
Banc of America Securities	98	31.4
Lehman Brothers	132	30.4
Goldman, Sachs & Co	168	26.3
Merrill Lynch & Co	195	26.6
Wachovia Capital Markets LLC	52	25.5
Citigroup Global Markets Inc	182	24.9
<b>Friedman Billings Ramsey</b>	<b>73</b>	<b>24.0</b>
JP Morgan Securities Inc	157	23.9
Deutsche Bank Securities	75	20.8
UBS Investment Bank	149	7.6
SG Cowen Securities Corp	56	6.2

### 1 Year 4/1/2004 – 3/31/2005 Non-Weighted Aftermarket Performance <sup>4</sup>

Book-Running Manager	# of Deals	%Change from Offer
Credit Suisse First Boston	52	22.2
Citigroup Global Markets Inc	75	17.3
Morgan Stanley	71	17.0
Goldman, Sachs & Co	69	15.8
Wachovia Capital Markets LLC	29	15.2
JP Morgan Securities Inc	77	14.5
Banc of America Securities	42	14.3
Merrill Lynch & Co	84	12.2
Bear, Stearns & Co Inc	21	12.2
Lehman Brothers	54	11.1
<b>Friedman Billings Ramsey</b>	<b>30</b>	<b>11.0</b>
Deutsche Bank Securities	29	4.2
UBS Investment Bank	69	0.3
CIBC World Markets	21	-1.09
SG Cowen Securities Corp	22	-3.41
AG Edwards	17	-7.75

Source: Dealogic.

<sup>1</sup> IPOs and secondaries only, excludes closed end funds; Credit to book-running managers; Market prices through 3/31/2005.

<sup>2</sup> More than 75 deals.

<sup>3</sup> More than 45 deals.

<sup>4</sup> More than 15 deals.

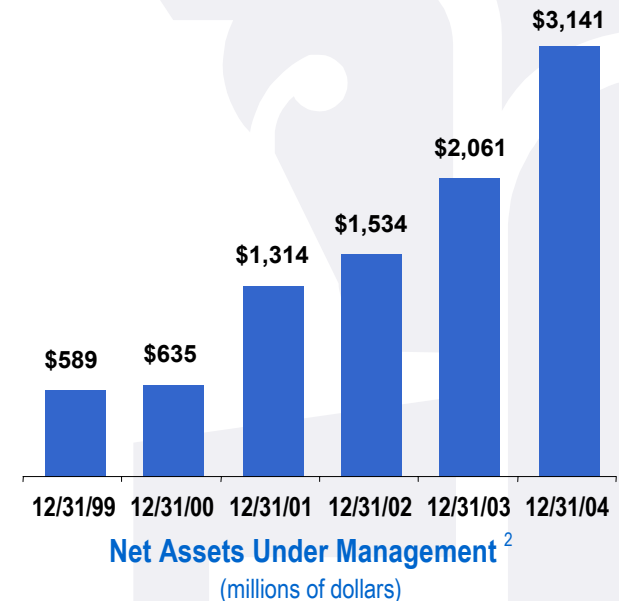
**PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS**



# Asset Management

- Broad spectrum of products – mutual funds/alternative asset investments
- Alternative asset investment vehicles, including 2 hedge funds with greater than 10 year records
- Private Wealth Management provides customized solutions to individuals, families and foundations controlling significant assets
- Multiple mutual fund offerings <sup>1</sup>
  - FBR Gas Utility Index Fund
  - FBR Small Cap Fund
  - FBR Small Cap Financial Fund
  - FBR Small Cap Technology Fund
  - FBR Large Cap Financial Fund
  - FBR Large Cap Technology Fund

*Investors are asked to consider the investment objectives, risks, charges and expenses of The FBR Funds carefully before investing. For more complete information about The FBR Funds, and a copy of a FREE prospectus please call 888.888.0025 or visit us at [www.fbrfunds.com](http://www.fbrfunds.com). Please read the prospectus carefully before you invest or send money. The FBR Funds are distributed by FBR Investment Services, Inc., member NASD/SIPC.*



1. See page 13 for important disclosures.

2. Net assets under management represents total gross assets under management, net of any repo debt, margin loans, securities sold but not yet purchased, lines of credit, and any other liabilities. Excludes FBR Asset (see page 1).



# FBR Mutual Funds

Commenced 01/03/97

Average Annual Total Returns thru 3/31/2005

	MORNINGSTAR® Rating	Q1 2005	1- Year	3- Years	5-Years	10- Years	Since Inception
FBR Small Cap Fund <sup>1,5*</sup>	★★★★★	-3.40%	16.85%	20.96%	15.87%	n/a	17.61%
FBR Small Cap Financial Fund <sup>1,2,5</sup>	★★★★★	-5.78%	1.72%	18.02%	26.70%	n/a	17.89%
FBR Large Cap Technology Fund <sup>4,5*</sup>	★★★★★	-4.23%	-2.27%	5.04%	n/a	n/a	5.24%
FBR Gas Utility Index Fund <sup>3*</sup>	★★★★★	3.13%	22.38%	4.48%	7.36%	11.22%	9.52%
FBR Large Cap Financial Fund <sup>2,5</sup>	★★★★★	-6.01%	1.07%	8.69%	13.51%	n/a	11.58%
FBR Small Cap Technology Fund <sup>1,4,5*</sup>		-9.30%	-7.41%	n/a	n/a	n/a	-9.55%

The Overall Morningstar Rating™ is derived from a weighted average of the performance figures associated with its 3-, 5-, and 10-year (if applicable) Morningstar Rating Metrics. FBR Small Cap Fund rated 5 stars for 3- and 5-yrs among 565 and 404 small growth funds respectively. FBR Small Cap Financial Fund rated 5 stars for 3- and 5-yrs among 103 and 70 financial funds respectively. FBR Large Cap Technology Fund rated 5 stars for 3-yrs among 265 technology funds. FBR Gas Utility Index Fund rated 2 stars for 3-yrs, 5 stars for 5-yrs and 4 stars for 10-yrs among 68, 60 and 36 utility funds respectively. FBR Large Cap Financial Fund rated 4 stars for 3- and 5-yrs among 103 and 70 financial funds respectively. For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar risk-adjusted return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star.

**TOTAL RETURNS REPRESENT PAST PERFORMANCE, WHICH IS NO GUARANTEE OF FUTURE RESULTS.** The current performances may be lower or higher than performance data quoted. To obtain performance data current to the most recent month-end please call 888.888.0025 or visit us at [www.fbrfunds.com](http://www.fbrfunds.com). Investment return and principal will fluctuate so that investors' shares, when redeemed, may be worth more or less than their original cost.

Investors are asked to consider the investment objectives, risks, charges and expenses of The FBR Funds carefully before investing. For more complete information about The FBR Funds, including fees and expenses, and a copy of a FREE prospectus please call 888.888.0025 or visit us at [www.fbrfunds.com](http://www.fbrfunds.com). Please read the prospectus carefully before you invest or send money. The FBR Funds are distributed by FBR Investment Services, Inc., member NASD/SIPC.

- 1 Small capitalization stocks as a group may not respond to market rallies and downturns as much as other types of equity securities.
- 2 Fund investments are focused in the financial services industry, which may be adversely affected by regulatory or other market conditions, such as interest rates.
- 3 Fund investments are focused in the natural gas industry, which may be adversely affected by issues such as interest rates, weather, and the wholesale pricing of alternative fuels.
- 4 Fund investments are focused in the technology industry, which may be adversely affected by rapidly changing technology, availability of capital, R&D, government regulation and the relatively high risks of obsolescence caused by scientific and technological advances.
- 5 The non-diversified nature of the Fund may subject investors to greater volatility than other diversified funds.

\* The FBR Gas Utility Index Fund commenced on 05/15/89 as the American Gas Index Fund. The FBR Large Cap Technology Fund commenced on 02/01/02. The FBR Small Cap Technology Fund commenced on 01/20/04. The FBR Small Cap Fund was closed to new investors on 10/01/04.



# Principal Investing

## Mortgage-Backed Securities

- \$11.6 billion portfolio as of March 31, 2005
- Portfolio securities are primarily agency issues guaranteed by Freddie Mac, Fannie Mae or Ginnie Mae
- Low duration target of 1 to 2 — limits price risk
- Leverage guideline — 6x to 11x debt to equity, 10x to 11x long-term target
- Georgetown Funding, FBR's proprietary \$12 billion A1+/P1 commercial paper funding source
- Consistent high prepayments allow for continuous reinvestment
- Long-term average target ROE of > 20%

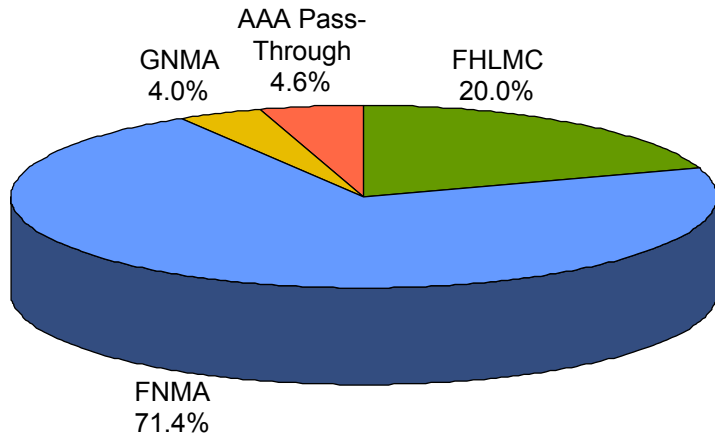


# Principal Investing

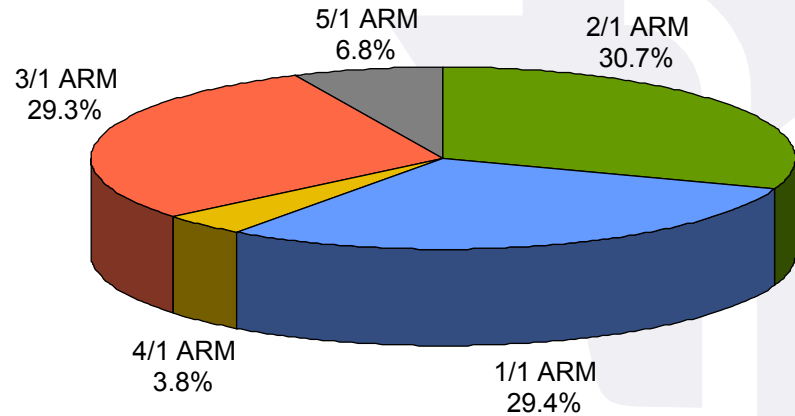
## Mortgage-Backed Securities as of March 31, 2005

(Dollars in millions)

Current Face	Book Value	Market Value	Average Coupon	Book Yield	Cost Premium	WTD Avg. CPR	Average Life	Effective Duration
\$11,514	\$11,698	\$11,524	4.01%	3.49%	101.60	20.27	1.8 yrs	1.23 yrs



**MBS Portfolio Breakout**



**MBS Portfolio By Security**

Note: Excludes principal receivables.



# Principal Investing

## Non-Conforming Mortgage Loans

- Portfolio run in conjunction with mortgage-backed securities portfolio
- Loans acquired through owned origination platform (First NLC) or purchased from third parties
- Current portfolio focus is on non-prime loans with summary characteristics of:
  - Average Fair Isaac FICO score<sup>1</sup> of approximately 630
  - Average loan to value of approximately 81.5%
  - Approximately 87% of loans become adjustable rate loans after 2 to 3 years
- Loans are funded through in-place warehouse lines or Arlington Funding (a proprietary commercial paper conduit) then securitized with permanent funding
- Permanent funding reduces mark to market liquidity risk and allows for 13-16x leverage
- Loan portfolio target IRR > 25%

<sup>1</sup>FICO® risk scores rank-order consumers according to the likelihood that their credit obligations will be paid as expected. Source: Fair Isaac Corporation ([www.fairisac.com](http://www.fairisac.com)).



# Principal Investing

## First NLC Financial Services, LLC

### Business Summary

- Mortgage Originator
- Headquartered in Deerfield Beach, FL
- Licensed in 40 States
- 40 Retail Branches
- 6 Operation Centers
- Approximately 1,400 Employees

### Transaction Summary

Originations (\$ in billions)	
2004	\$ 3.3
Q1 2005 Run-Rate	\$ 4.0
Purchase Price (\$ in millions)	
Cash	\$74.4
Stock	24.4
Acquisition Costs	2.1
	<hr/>
	\$100.9
FNLC Tangible Equity	31.9
Book Value Premium	<hr/>
	\$69.0
2004 Pre-Tax Income (\$ in millions)	\$32.9



## Principal Investing Merchant Banking

- All investment decisions driven by fundamental valuation approach
- Proprietary deal flow through FBR & Co., Inc.
- Independent due diligence and investment committee process
- Deep industry knowledge allows for expedited execution and innovative structures enhance potential for premium returns
- Investment banking experience improves accuracy of our predicted liquidity outcomes
- Portfolio of 17 investments funded with FBR Group equity



# Principal Investing

## Access to Capital Drives Revenue

FBR Merchant Banking  
has invested in 29  
companies out of 149 lead  
managed and 228 total  
transactions completed by  
FBR since January of  
2001<sup>8</sup>

	Period of Investment	Investment Amount	Total Banking Fees Earned
Fieldstone Mortgage Company	Nov-03	\$ 50,000,000	\$ 46,078,984
AmeriCredit Corp.	Sep-02	40,329,295	26,462,476
American Financial Realty Trust	Sep-02	40,000,001 <sup>1</sup>	43,883,007
Aames Investment Corporation	Nov-04	39,525,000	16,736,691
New Century	Sep-04	35,050,015	14,225,154
Peoples' Choice Financial Corporation	Dec-04	32,900,000	22,638,972
Provident	Aug-04	25,000,004	26,919,910
Quanta Capital Holdings	Aug-03	25,000,000	35,090,698
ECC Capital Corporation	Feb-05	24,999,998	21,639,199
KKR Financial Corp.	Aug-04	23,250,000	33,041,790
Southwest Royalties	Apr-02	18,333,333 <sup>2</sup>	1,714,662
Medical Properties Trust	Mar-04	15,000,000	17,270,432
Oxford Finance Corp.	Mar-02	14,650,000 <sup>3</sup>	2,889,359
Specialty Underwriters' Alliance	Dec-03	12,976,692 <sup>4</sup>	6,436,194
Vintage Wine Trust	Mar-05	9,999,992	11,014,111
MCG Capital	Nov-01	9,934,375	13,776,396
Saxon Capital, Inc.	Jul-01	9,300,000	15,058,315
Annaly	Jan-01	7,144,000	8,274,551
Accredited Home Lenders	Feb-03	6,789,586	4,163,044
Equity Inns	Jul-03	5,750,000	1,191,423
Franklin Bank Corporation	Oct-02	5,580,000	4,369,198
JER Investors Trust	Jun-04	5,264,033	11,124,647
Taberna Realty Finance Trust	Apr-05	4,999,996	12,500,000
CMET Finance Holdings	Dec-03	4,650,000	7,351,588
Tower Group Holdings	Oct-04	3,952,500	7,179,741
Anworth	Dec-01	3,890,650	11,568,421
Government Properties Trust	Oct-03	3,050,000 <sup>5</sup>	11,004,095
Atlas Pipeline	Sep-03	- <sup>6</sup>	375,000
Quaker Coal	Nov-02	- <sup>7</sup>	113,789
		<u>\$ 477,319,470</u>	<u>\$ 434,091,847</u>

<sup>1</sup> Includes \$5 million note which has been repaid and \$35,000,001 equity investment.

<sup>2</sup> Represents a loan commitment of up to \$25,000,000, of which \$18,333,333 was funded and has been repaid.

<sup>3</sup> Includes \$10 million note which has been repaid and \$4,650,000 equity investment.

<sup>4</sup> Represents a loan of \$2,000,000 which has been repaid and \$10,976,692 equity investment.

<sup>5</sup> Includes \$950,000 note which has been repaid and \$2,100,000 equity investment.

<sup>6</sup> Represents a loan commitment of up to \$25,000,000. This commitment was not funded.

<sup>7</sup> Break-up fee.

<sup>8</sup> Transaction total composed of public and private equity and debt offerings.

Excludes M&A, Advisory and ABS transactions. As of March 31, 2005.



# Industry Selected Comparables

Selected Comparable Broker / Dealer	Fiscal Year End	LTM Period End	Equity Capital (\$000)	LTM Net Income (\$000)	LTM Net Income per Employee (\$000)	LTM Net Revenue (\$000)	LTM Net Rev. per Employee (\$000)	Compensation / Net Revenue	Total Assets / Tangible Equity	ROE	Price / Tangible Book <sup>1</sup>	Price / LTM Diluted EPS <sup>1</sup>
A.G. Edwards	2/28	2/28/2005	1,787,691	186,500	12	2,607,814	169	65.2%	2.62 x	10.5%	1.82 x	17.82 x
Bear Stearns	11/30	2/28/2005	9,518,900	1,335,300	121	6,924,800	628	47.8%	28.20 x	15.4%	1.23 x	10.44 x
Goldman Sachs	11/26	2/28/2005	26,075,000	4,772,000	231	21,440,000	1,037	45.7%	29.23 x	18.7%	2.41 x	11.81 x
Jefferies Group	12/31	3/31/2005	1,121,386	136,163	75	1,065,700	587	56.2%	14.40 x	13.5%	2.32 x	17.88 x
Lehman Brothers	11/30	2/28/2005	15,754,000	2,501,000	128	12,242,000	625	49.4%	29.14 x	16.9%	2.14 x	10.93 x
Merrill Lynch	12/31	3/31/2005	32,876,000	4,393,000	86	22,322,000	439	47.4%	24.44 x	13.9%	1.95 x	12.60 x
Morgan Stanley	11/30	2/28/2005	28,495,000	4,638,000	86	24,154,000	450	52.9%	30.94 x	17.0%	2.18 x	12.17 x
Raymond James <sup>2</sup>	9/30	3/31/2005	1,160,400	134,200	26	1,868,800	366	70.8%	7.19 x	12.4%	1.89 x	15.52 x
Stifel Financial	12/31	3/31/2005	132,873	20,584	18	239,538	206	63.8%	3.37 x	16.6%	1.82 x	14.33 x
SWS Group <sup>2</sup>	6/24	3/31/2005	261,825	24,800	27	282,018	304	48.3%	20.44 x	9.6%	1.19 x	11.86 x
<b>Average Comparable</b>					<b>81</b>		<b>481</b>	<b>54.8%</b>	<b>19.00 x</b>	<b>14.4%</b>	<b>1.89 x</b>	<b>13.54 x</b>
<b>Friedman Billings Ramsey <sup>3</sup></b>	<b>12/31</b>	<b>3/31/2005</b>	<b>1,458,861</b>	<b>284,173</b>	<b>384</b>	<b>830,141</b>	<b>1,122</b>	<b>39.1%</b>	<b>10.80 x</b>	<b>18.1%</b>	<b>1.86 x</b>	<b>8.15 x</b>

<sup>1</sup> Market data as of 06/20/05

<sup>2</sup> Number of Employees was not available in the latest SEC filing. Numbers are taken from prior filings.

<sup>3</sup> The number of FBR employees excludes those employed by FNLC

Source: SEC filings, FactSet



# Conclusion Summary

- Top 10 investment banking firm <sup>1</sup>
- \$2.4 billion market cap
- Strong, highly-liquid balance sheet: equity \$1.5 billion; assets \$13.7 billion
- One of the most efficient cost structures in the industry
- Record full year 2004 performance:
  - Record total revenue (\$1.1 billion) and earnings (\$350 million)
  - Net income profit margin of 39.4%
  - Annualized ROE of 22.3%
- Leading investment banking platform
  - #1 lead underwriter of U.S. companies valued \$1 billion and under <sup>1</sup>
  - #9 lead underwriter for 2004 U.S. public equity <sup>1</sup>
  - #1 lead underwriter of IPOs for U.S. companies valued \$1 billion and under <sup>2</sup>
  - Top ten underwriter <sup>1</sup> — \$8.8 billion lead/sole managed equity in 2004
- Stable, diversified and growing earnings stream supports dividend growth
- History of significant growth; significant future growth opportunities



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NOTE: Not all services are available from all offices.

Does not include FNLC offices.



F R I E D M A N B I L L I N G S R A M S E Y ®

CAPITAL FOR YOUR CONQUEST

**ADDENDUM**



**2005**  
JUNE



# Financial Results

## Income Statement

(Dollars in 000's)

	Three Months Ended March 31,		Years Ended December 31,	
	2005	2004	2004	2003
<b>REVENUES</b>				
Investment banking	\$ 87,951	\$ 91,111	\$ 428,298	\$ 261,382
Institutional brokerage	27,784	35,156	110,094	74,143
Asset management	8,093	9,200	39,247	38,741
Principal investment	111,451	116,576	467,308	243,090
Other	2,496	1,316	7,155	11,169
Total revenues	<u>237,775</u>	<u>253,359</u>	<u>1,052,102</u>	<u>628,525</u>
Interest expense	<u>74,822</u>	<u>32,647</u>	<u>164,156</u>	<u>68,995</u>
Revenues, net of interest expense	<u>162,953</u>	<u>220,712</u>	<u>887,946</u>	<u>559,530</u>
<b>EXPENSES</b>				
Compensation and benefits	75,799	74,889	323,524	226,389
Other expenses	57,170	41,294	155,702	87,136
Total expenses	<u>132,969</u>	<u>116,183</u>	<u>479,226</u>	<u>313,525</u>
Net income before income taxes	29,984	104,529	408,720	246,005
Income tax provision	<u>5,572</u>	<u>14,890</u>	<u>59,161</u>	<u>44,591</u>
<b>Net income</b>	<u><u>24,412</u></u>	<u><u>89,639</u></u>	<u><u>349,559</u></u>	<u><u>201,414</u></u>
Diluted earnings per share	\$ 0.14	\$ 0.54	\$ 2.07	\$ 1.63
Dividends declared per share	\$ 0.34	\$ 0.34	\$ 1.53	\$ 1.36



# Financial Results

## Balance Sheet

(Dollars in 000s)

	March 31, 2005	December 31, 2004      2003	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 164,435	\$ 231,527	\$ 92,688
Mortgage-backed securities, at fair value	11,591,405	11,726,689	10,551,570
Mortgage loans, net	827,102	-	-
Long-term investments	430,355	441,499	379,002
Intangible assets	190,724	122,417	124,103
Other assets	494,146	406,156	181,722
<b>Total assets</b>	<b>13,698,167</b>	<b>12,928,288</b>	<b>11,329,085</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Commercial paper	\$ 6,913,801	\$ 7,294,949	\$ 4,392,965
Repurchase agreements	4,949,038	3,467,569	5,095,676
Other liabilities	376,467	587,246	286,105
<b>Total liabilities</b>	<b>12,239,306</b>	<b>11,349,764</b>	<b>9,774,746</b>
<b>Total shareholders' equity</b>	<b>1,458,861</b>	<b>1,578,524</b>	<b>1,554,339</b>
<b>Total liabilities and shareholders' equity</b>	<b>13,698,167</b>	<b>12,928,288</b>	<b>11,329,085</b>
Book Value Per Share - GAAP	\$ 8.62	\$ 9.46	\$ 9.41
Book Value Per Share - Core	\$ 9.63	\$ 9.68	\$ 9.04
Shares Outstanding	169,214	166,932	165,189