



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

**THE WALL STREET ANALYST FORUM
Presentation**

February 28, 2005

2005
FEBRUARY

All information as of December 31, 2004 unless indicated.



This document is intended solely for the use of the party to whom FBR has provided it, and is not to be reprinted or redistributed without the permission of FBR. All references to “FBR” refer to Friedman, Billings, Ramsey Group, Inc., and its predecessors and subsidiaries as appropriate. Investment banking, sales, trading, and research services¹ are provided by Friedman, Billings, Ramsey & Co., Inc. (FBR & Co.), except for those online offering, mutual fund distribution and discount brokerage services provided by FBR Investment Services, Inc. (FBRIS), and those services in the U.K., Europe and elsewhere outside the United States and Canada provided by Friedman, Billings, Ramsey International, Ltd. (FBRIL). FBR & Co. and FBRIS are broker-dealers registered with the SEC and are members of the NASD. FBRIL, based in the U.K., is regulated by the Financial Services Authority. Asset management services, including managed hedge funds, mutual funds, private equity and venture capital funds, are provided by FBR subsidiaries FBR Investment Management, Inc. (FBRIM), FBR Fund Advisers, Inc., and Money Management Advisers, Inc., which are investment advisers registered with the SEC. Trust services, including mutual fund custody and administration, are provided by FBR National Trust Company.

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, 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.

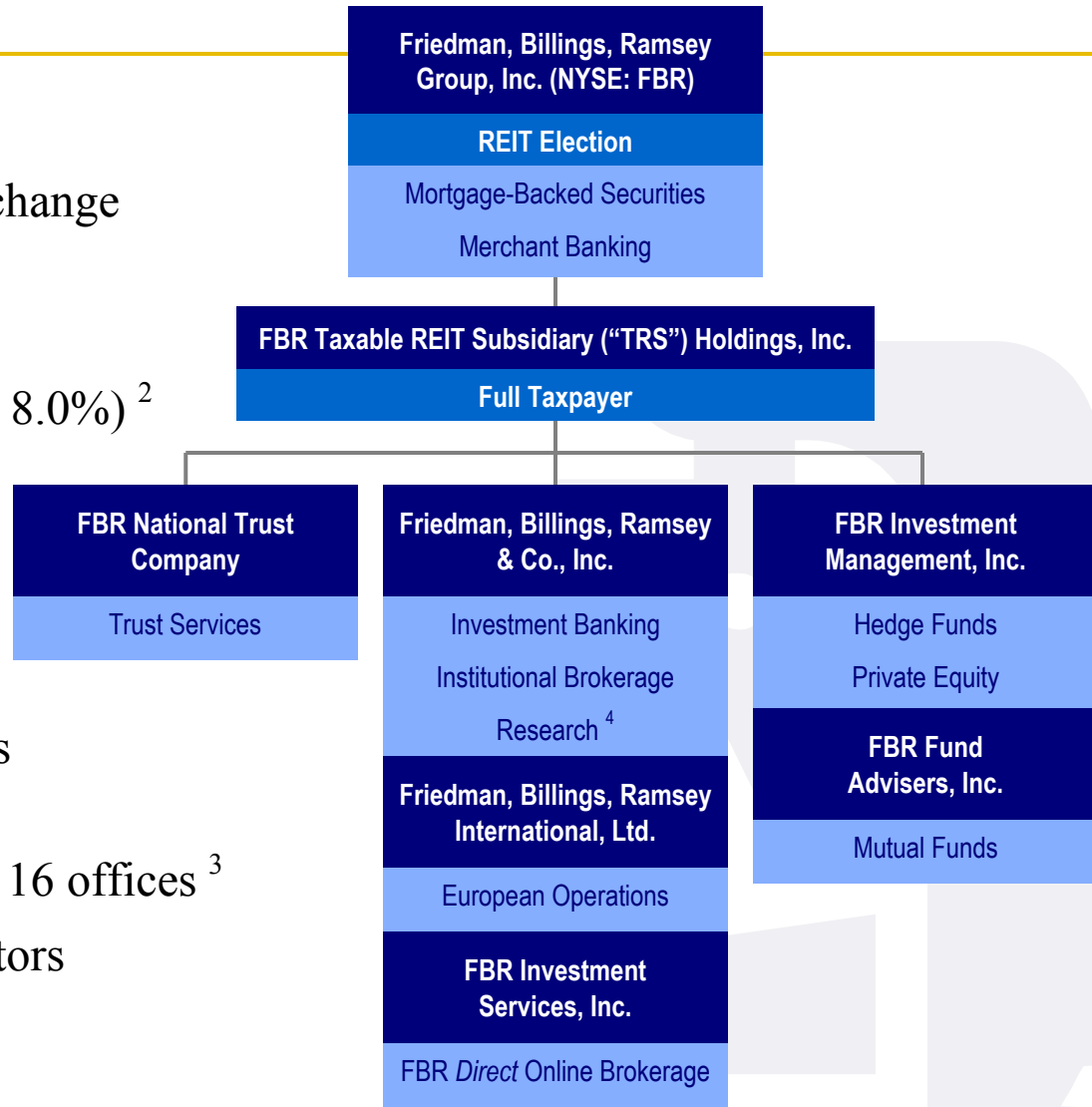
For additional important information, please visit our website, www.fbr.com.

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 bank ¹
- Listed on the New York Stock Exchange (NYSE: FBR)
- Market cap of \$3.2 billion ²
- Total 2004 dividends: \$1.53 (yield 8.0%) ²
- Annualized core dividend: \$1.36 (yield 7.1 %) ²
- Book value per share: GAAP - \$9.46; Core – \$9.68 ³
- Equity of \$1.6 billion; Total Assets of \$12.9 billion ³
- Nearly 700 full-time employees in 16 offices ³
- Focused on 8 specific industry sectors



1. See pp. 12-13. 2. 2/10/05 closing price of \$19.06. 3. As of 12/31/04; See FBR 2004 Q4 Earnings Release, p. 1.
 4. 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.



Financial Results

Income Statement

(Dollars in 000s)

	Years ended December 31,			
	2004	%	2003	%
REVENUES				
Investment banking	\$ 428,298	48%	\$ 261,382	47%
Institutional brokerage	110,094	12%	74,143	13%
Asset management	39,247	4%	38,741	7%
Principal investment	467,308	53%	243,090	43%
Other	7,155	1%	11,169	2%
Total revenues	<u>1,052,102</u>	<u>118%</u>	<u>628,525</u>	<u>112%</u>
Interest expense	<u>164,156</u>	<u>18%</u>	<u>68,995</u>	<u>12%</u>
Revenues, net of interest expense	<u>887,946</u>	<u>100%</u>	<u>559,530</u>	<u>100%</u>
EXPENSES				
Compensation and benefits	323,524	36%	226,389	40%
Other expenses	<u>155,702</u>	<u>18%</u>	<u>87,136</u>	<u>16%</u>
Total expenses	<u>479,226</u>	<u>54%</u>	<u>313,525</u>	<u>56%</u>
Net income before income taxes	408,720	46%	246,005	44%
Income tax provision	<u>59,161</u>	<u>7%</u>	<u>44,591</u>	<u>8%</u>
Net income	<u><u>\$ 349,559</u></u>	<u><u>39%</u></u>	<u><u>\$ 201,414</u></u>	<u><u>36%</u></u>
Diluted earnings per share	\$ 2.07		\$ 1.63	
Dividends declared per share	\$ 1.53		\$ 1.36	



Financial Results

Balance Sheet

(Dollars in 000s)

	December 31,	
	2004	2003
ASSETS		
Cash and cash equivalents	\$ 231,527	\$ 92,688
Mortgage-backed securities, at fair value	11,726,689	10,551,570
Long-term investments	441,499	379,002
Intangible assets	122,417	124,103
Other assets	406,156	181,722
Total assets	\$ 12,928,288	\$ 11,329,085
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Commercial paper	\$ 7,294,949	\$ 4,392,965
Repurchase agreements	3,467,569	5,095,676
Other liabilities	587,246	286,105
Total liabilities	11,349,764	9,774,746
Total shareholders' equity	1,578,524	1,554,339
Total liabilities and shareholders' equity	\$ 12,928,288	\$ 11,329,085
Book Value per Share - GAAP	\$ 9.46	\$ 9.41
Book Value per Share - Core	\$ 9.68	\$ 9.04
Shares Outstanding	166,932	165,189



Business Overview

Taxable Subsidiaries (TRSs) (3 Profit Centers and Research)			REIT Principal Activities (2 Profit Centers)	
Investment Banking ¹	Institutional Brokerage ¹	Asset Management	Mortgage-Backed Securities	Merchant Banking
<p>Over 165 Investment Banking personnel</p> <p>8 focused industry sectors</p> <ul style="list-style-type: none"> • Consumer • Diversified Industrials • Energy • Financial Institutions • Healthcare • Insurance • Real Estate • Technology, Media & Telecommunications <p>Top 10 underwriter in 2004: ³</p> <ul style="list-style-type: none"> • 127 transactions with \$27.4B in total transaction value • 61 lead and sole-managed public underwritings / private placements • 24 M&A and Advisory assignments • \$10.1 B of Asset-Backed Securitizations (ABS) in inaugural year 	<p>Sales & Trading</p> <p>185 Institutional Brokers, Traders and Sales Traders Market-maker in over 580 equity and debt securities Cover over 700 institutional investors</p> <p>Research ²</p> <p>51 Senior Analysts Department total 138 Over 550 companies under coverage</p> <ul style="list-style-type: none"> • Consumer • Diversified Industrials • Energy • Financial Institutions • Healthcare • Insurance • Real Estate • Technology, Media & Telecom <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 client group</p> <ul style="list-style-type: none"> • Restricted 144 stock sales • Financial planning • Diversification Strategies • Hedging & monetization • Employee stock option management • Cash management 	<p>Assets of \$11.7 billion, as of December 31, 2004</p> <ul style="list-style-type: none"> • Mortgage-backed securities guaranteed by Freddie Mac, Fannie Mae or Ginnie Mae (GSEs) • Portfolio composition 1/1 Arms and 3/1 and 5/1 Hybrid ARMs • Dedicated \$12 billion funding source 	<p>\$441million long-term investment portfolio as of December 31, 2004</p> <p>15 Merchant Banking investments funded with FBR Group equity</p> <ul style="list-style-type: none"> • Preferred and common equity • Senior secured and mezzanine loans • Interest in proprietary funds • Direct assets

1. Headcount numbers and companies covered approximate as of December 31, 2004.

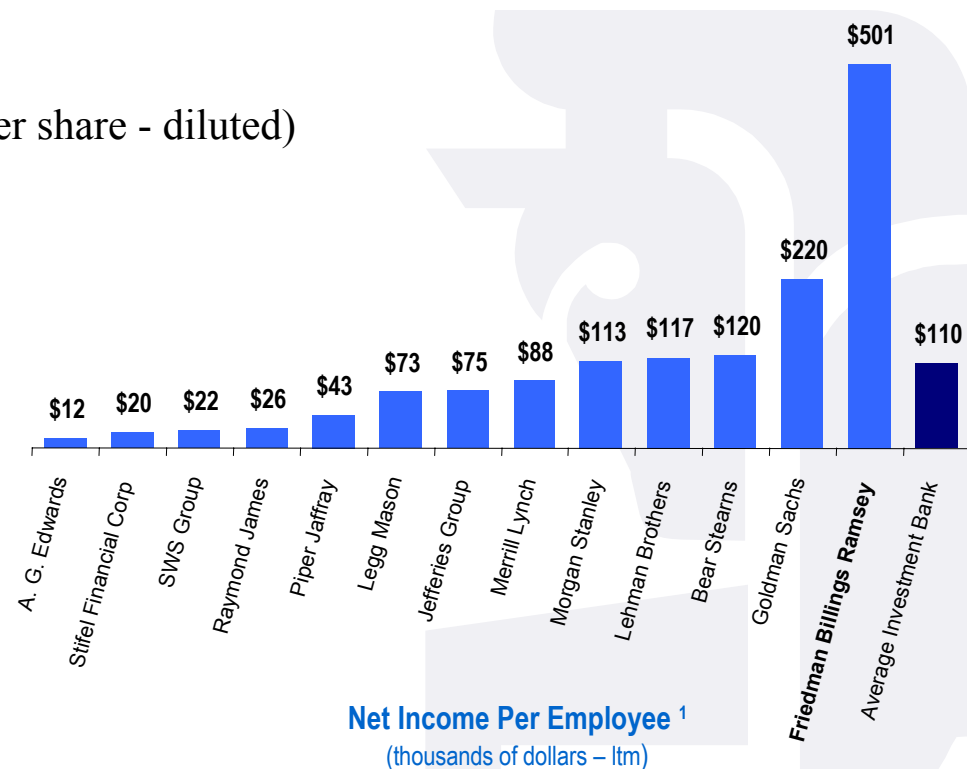
2. Research is provided by FBR & Co.'s Research department, which is independent from the Investment Banking department of FBR & Co., and has the sole authority to determine which companies receive research coverage and the recommendation contained in the coverage. In the normal course of its business, 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 11.



Highlights

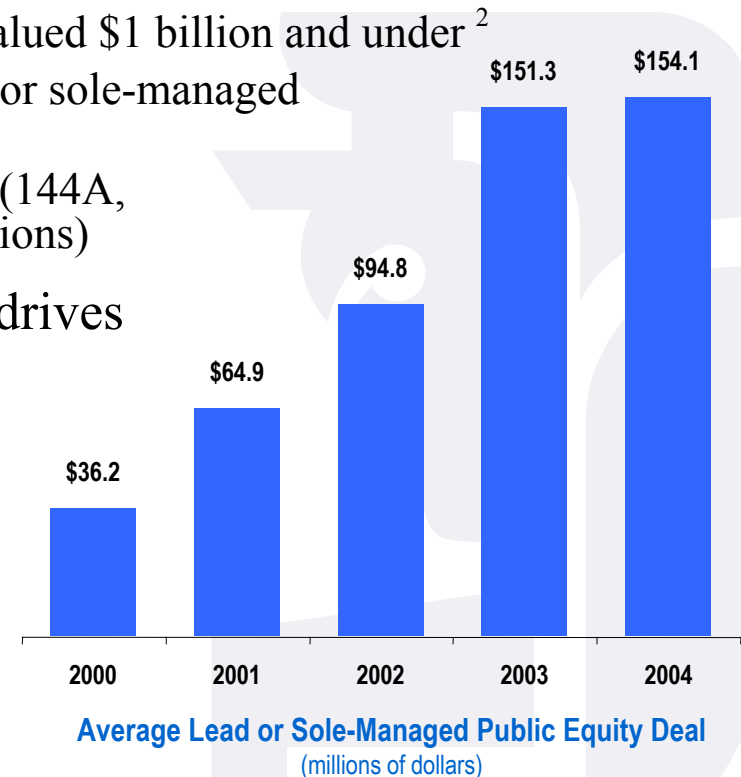
- Unique capital markets investment and distribution franchise
- Founded in 1989, only Major Investment Bank formed in over 30 years ¹
- Greater than 36% compound annual revenue growth rate since 1992
- Record full year 2004
 - Record total revenues: \$1.1 billion
 - Record earnings: \$350 million (\$2.07 per share - diluted)
 - Net income profit margin of 39.4%
 - Annualized ROE of 22.3%
- Most efficient platform among Major Investment Banks as measured by net income and revenue per employee ¹
- Significant new business opportunities in investment banking, fixed income capital markets and asset management





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 ¹
 - #7 lead underwriter of U.S. IPOs across all industries ¹
 - #1 lead underwriter of IPOs for U.S. companies valued \$1 billion and under ²
 - Top ten equity underwriter — \$8.8 billion of lead or sole-managed new equity raised in 2004 ¹
 - Market leader in innovative transaction structures (144A, private block secondaries, public corporate formations)
- Superior proprietary investment returns also drives growth in fees
 - 29% IRR since inception
 - Investment banking fees associated with portfolio companies have totaled over \$388 million since January 1, 2001
- Top tier asset management products

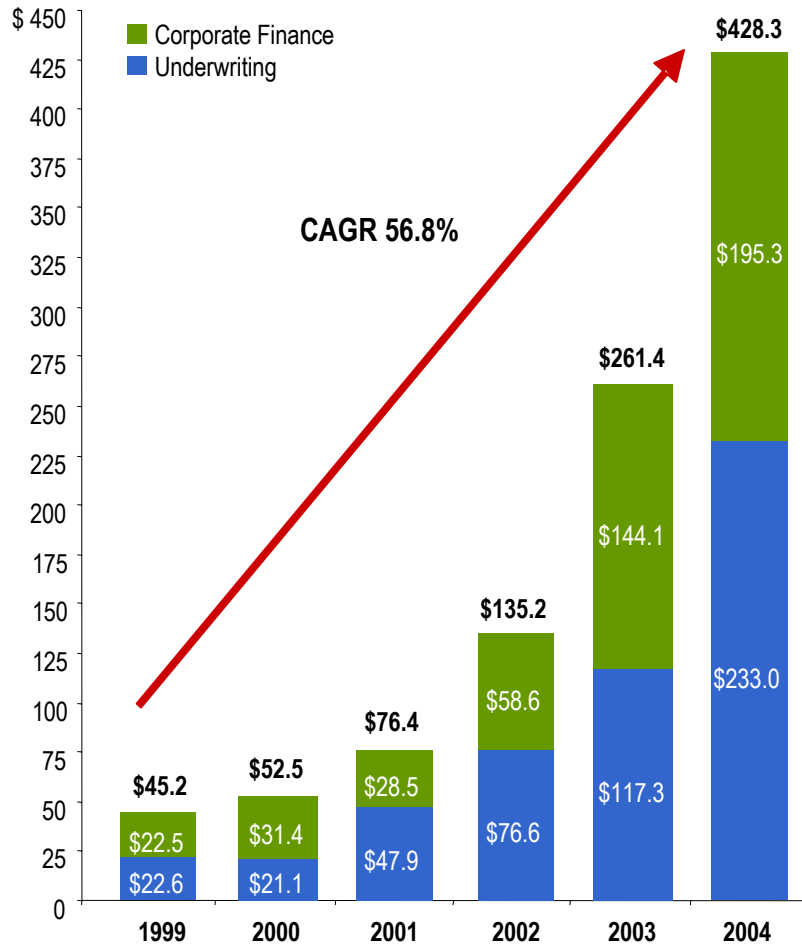


1. Full year 2004; source: Dealogic; see page 11.

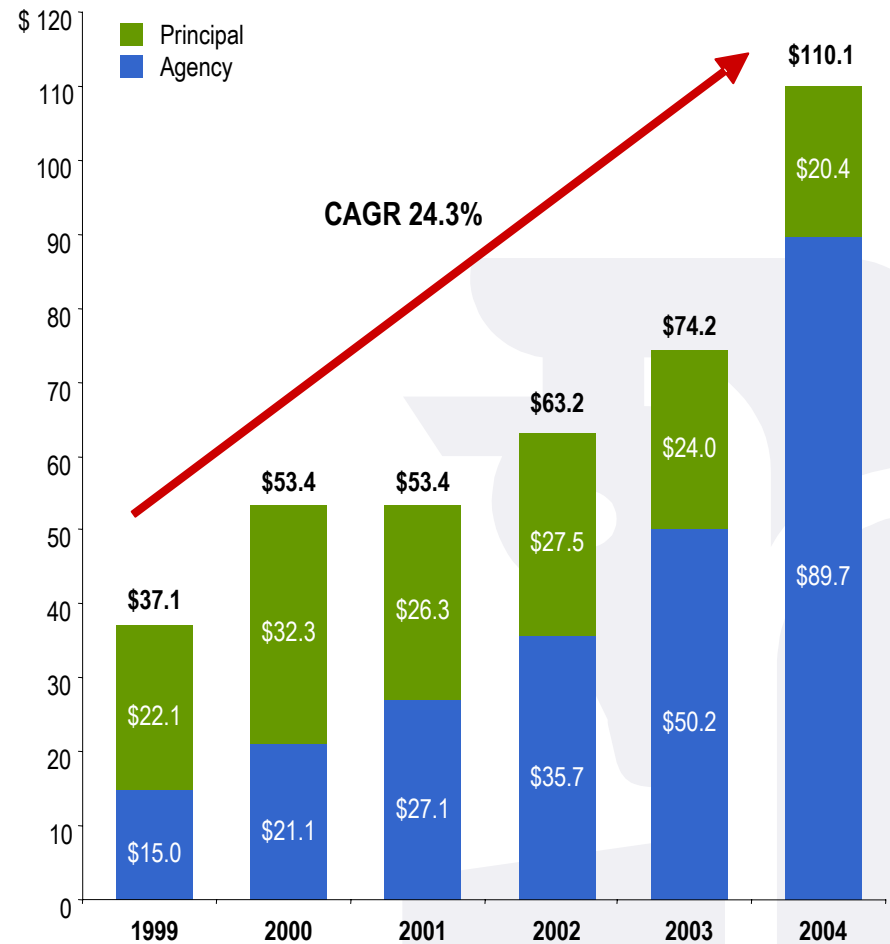
2. See notes on page 11; limits data set to IPOs only for companies valued at \$1 billion and under.



Capital Markets Revenue Growth



Investment Banking Revenue ¹
(millions of dollars)



Sales & Trading Revenue
(millions of dollars)

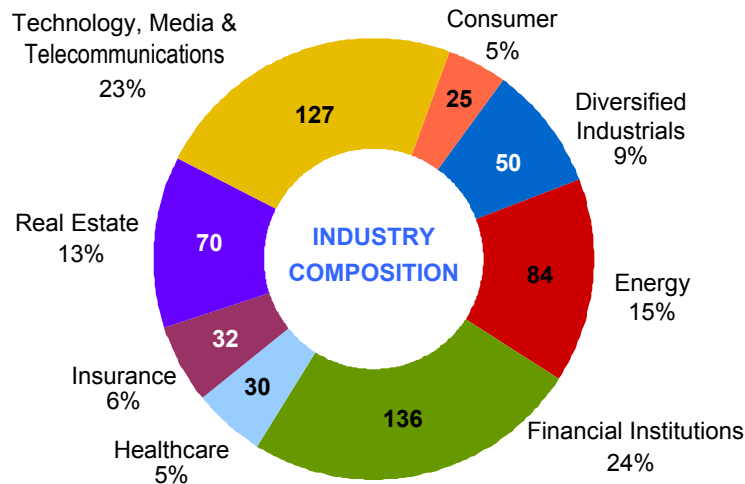
1. Adjusted for elimination of all revenue from and fees paid to FBR Asset (including trading gains).



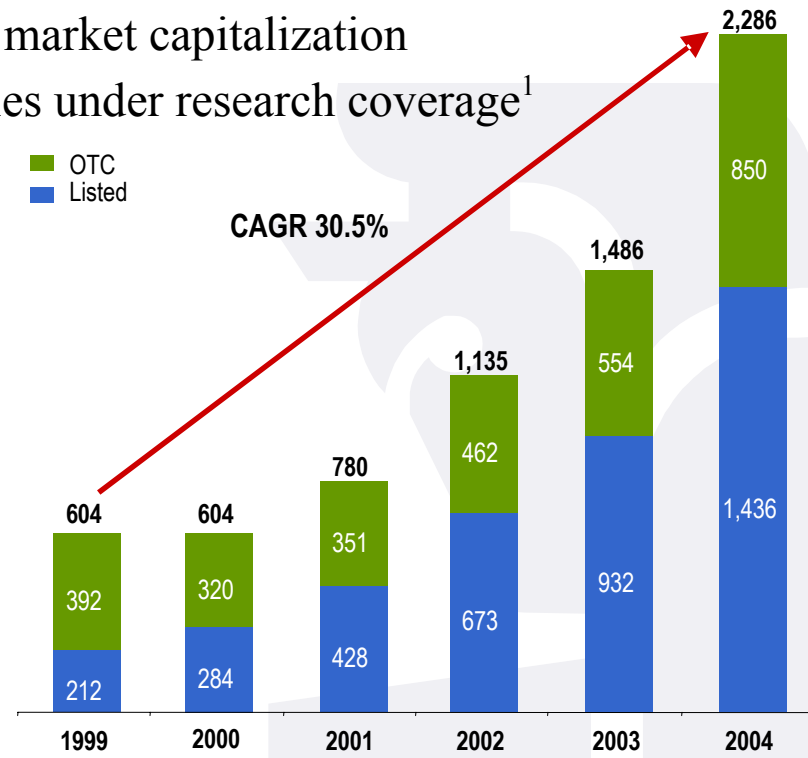
Capital Markets

Research and Institutional Brokerage

- 185 institutional brokers, traders and sales traders; 51 senior analysts
- Understanding of investment philosophy leads to powerful distribution platform
- 30% CAGR volume growth from 1999 through 12/31/2004
- Currently provide research on 35% of S&P 500 by market capitalization
- Over 550 companies and 205 fixed-income securities under research coverage¹
- Make markets in more than 580 securities



Research Coverage: All Companies
(number of companies as of December 2004)



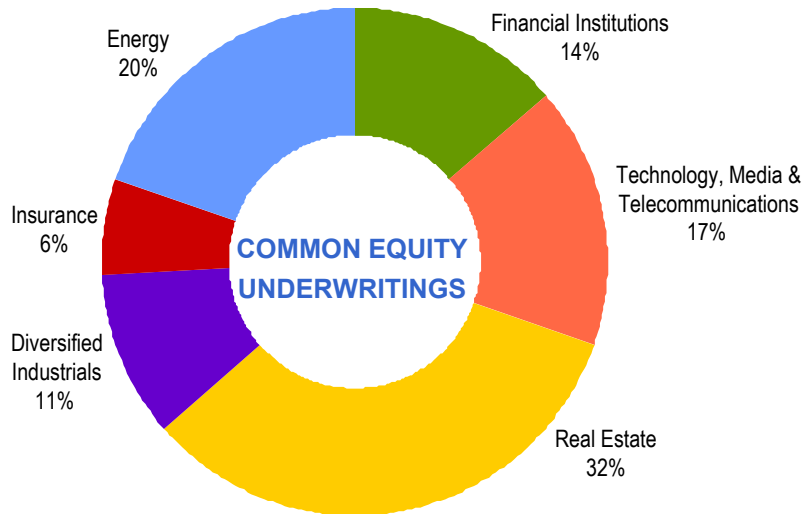
Customer Trading Volumes
(millions of shares)

1. As of 12/03/04. 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.



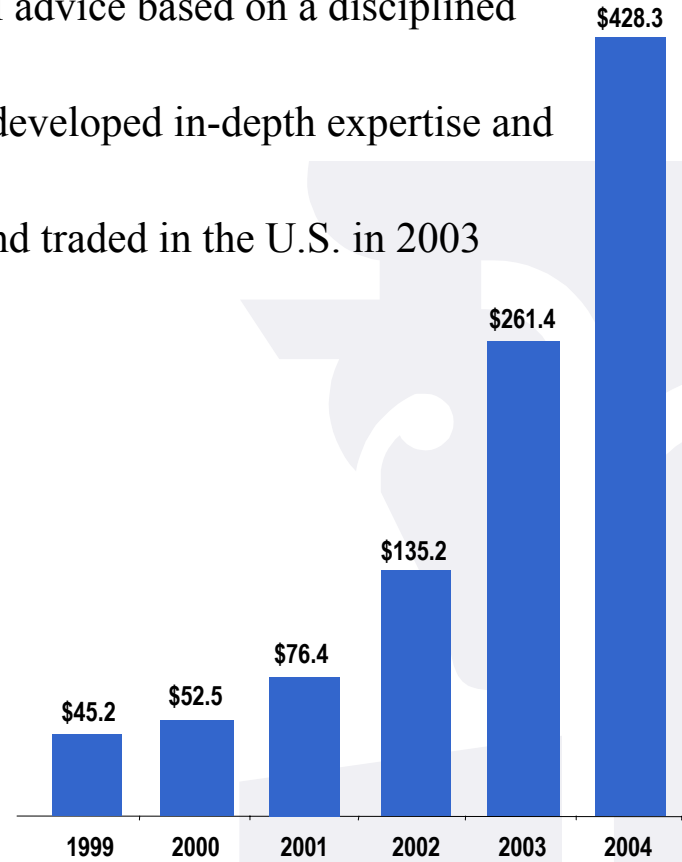
Capital Markets Investment Banking

- 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 traded in the U.S. in 2003
- We continue to see new business opportunities



Investment Banking Transactions by Industry

(Full Year 2004, % to total)



Investment Banking Revenue¹
(millions of dollars; excludes investment gains)

1. Adjusted for elimination of all revenue from and fees paid to FBR Asset (including trading gains).



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)

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

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

Book-Running Manager	# of Deals	Total Amt Raised
Friedman Billings Ramsey	37	\$ 6,442.8
Goldman, Sachs & Co	36	4,309.5
Merrill Lynch & Co	38	4,162.3
UBS Securities Inc	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 & Sons Inc	12	452.5

Book-Running Manager	# of Deals	Total Amt 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 Securities Inc	66	6,667.9
Friedman Billings Ramsey	34	4,596.5
Banc of America Securities	37	3,583.8
Deutsche Bank Securities	34	3,324.7
Bear, Stearns & Co	22	2,927.9
Wachovia Capital Markets LLC	24	2,096.6
Raymond James	9	1,056.7
AG Edwards & Sons Inc	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

Book-Running Manager	# of Deals	Total Amt 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
Friedman Billings Ramsey	19	3,230.3
UBS Securities Inc	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

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



Investment Banking Rankings

Aftermarket Performance ¹

5 Years 1/1/2000 – 12/31/2004 Non-Weighted Aftermarket Performance ²

Book-Running Manager	# of Deals	% Change from Offer
Bear, Stearns & Co Inc	100	55.6
Friedman Billings Ramsey	95	43.7
Merrill Lynch & Co	336	21.5
Lehman Brothers	222	21.3
Morgan Stanley	302	16.8
UBS Securities Inc	207	16.5
Citigroup Global Markets Inc	278	16.2
Credit Suisse First Boston	391	13.9
Goldman, Sachs & Co	317	12.6
Deutsche Bank Securities	127	12.3
JP Morgan Securities Inc	224	11.1
Banc of America Securities	196	-3.3

3 Years 1/1/2002 – 12/31/2004 Non-Weighted Aftermarket Performance ³

Book-Running Manager	# of Deals	% Change from Offer
Bear, Stearns & Co	68	65.7
Credit Suisse First Boston	186	45.3
Wachovia Capital Markets LLC	46	43.5
Morgan Stanley	184	39.9
Friedman Billings Ramsey	76	37.6
SG Cowen Securities Corp	49	37.3
Goldman, Sachs & Co	164	36.6
Banc of America Securities	96	35.1
Deutsche Bank Securities	72	34.3
Merrill Lynch & Co	188	33.5
Citigroup Global Markets Inc	180	31.6
JP Morgan Securities Inc	147	31.5
Lehman Brothers	135	31.4
UBS Securities Inc	142	23.8

1 Year 1/1/2004 – 12/31/2004 Non-Weighted Aftermarket Performance ⁴

Book-Running Manager	# of Deals	%Change from Offer
Morgan Stanley	83	24.4
Friedman Billings Ramsey	34	23.6
RBC Capital Markets	17	23.2
Goldman, Sachs & Co	76	23.0
JP Morgan Securities Inc	78	21.7
CIBC World Markets	18	21.0
AG Edwards & Sons Inc	17	20.1
Banc of America Securities	40	20.1
Credit Suisse First Boston	64	20.1
Wachovia Capital Markets LLC	24	19.8
Deutsche Bank Securities	33	19.2
Merrill Lynch & Co	85	18.9
SG Cowen Securities Corp	24	18.7
Citigroup Global Markets Inc	79	18.3
Lehman Brothers	67	17.6
Bear, Stearns & Co	23	14.5
UBS Securities Inc	68	11.5

Source: Dealogic

¹ IPOs and secondaries only, excludes closed end funds; Credit to book-running managers; Market prices through 12/31/04

² More than 75 deals

³ More than 45 deals

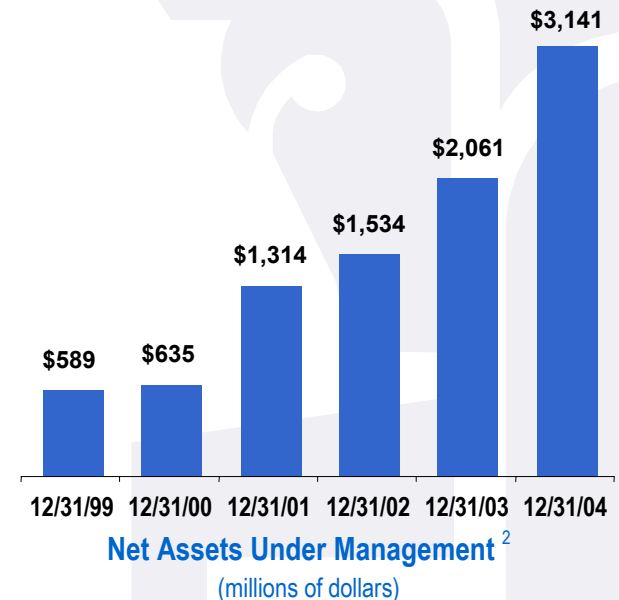
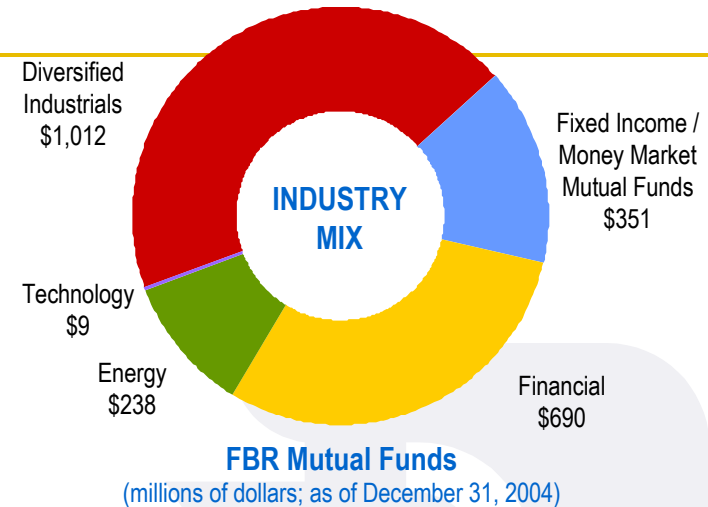
⁴ More than 15 deals



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 Client Group provides customized wealth management solutions to individuals, families and foundations controlling significant assets
- Multiple mutual fund offerings ¹
 - 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 FBR Mutual Funds, and a copy of a FREE prospectus please call 888.888.0025 or visit us at www.fbrfunds.com. Please read the prospectus carefully before you invest or send money. FBR Mutual Funds are distributed by FBR Investment Services, Inc., member NASD/SIPC.



1. See page 14 for more complete description.

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.



FBR Mutual Funds

Commenced 01/03/97

Average Annual Total Returns thru 12/31/2004

	MORNINGSTAR® Rating	Q4 2004	1- Year	3- Years	5-Years	10- Years	Since Inception
FBR Small Cap Fund ^{1,5*}	★★★★★	16.03%	30.65%	25.03%	18.78%	n/a	18.71%
FBR Small Cap Financial Fund ^{1,2}	★★★★★	8.28%	16.04%	24.77%	26.08%	n/a	19.38%
FBR Gas Utility Index Fund ^{3*}	★★★★	11.34%	23.03%	4.94%	8.95%	11.78%	9.46%
FBR Large Cap Financial Fund ²	★★★★	8.16%	11.73%	12.41%	15.49%	n/a	12.83%
FBR Large Cap Technology Fund ^{4*}		15.66%	6.75%	n/a	n/a	n/a	7.28%
FBR Small Cap Technology Fund ^{1,4*}		17.27%	n/a	n/a	n/a	n/a	n/a

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 554 and 402 small growth funds respectively. FBR Small Cap Financial Fund rated 5 stars for 3- and 5-yrs among 100 and 65 financial funds respectively. FBR Gas Utility Index Fund rated 5 stars for 3-yrs and 4 stars for 5- and 10-yrs among 65, 58 and 35 utility funds respectively. FBR Large Cap Financial Fund rated 4 stars for 3- and 5-yrs among 100 and 65 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. 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 FBR Mutual Funds carefully before investing. For more complete information about FBR Mutual Funds, including fees and expenses, and a copy of a FREE prospectus please call 888.888.0025 or visit us at www.fbrfunds.com. Please read the prospectus carefully before you invest or send money. FBR Mutual Funds are distributed by FBR Investment Services, Inc., member NASD/SIPC.

- Investing in small-cap funds involves the risks of investing in small-cap companies, which generally involve greater risk than investing in larger, more established companies.
- Fund investments are focused in the financial services industry, which may be adversely affected by regulatory or other market conditions, such as interest rates.
- The Fund is subject to risks associated with the natural gas industry which is sensitive to interest rates, weather and competition risks.
- Fund investments are focused in the technology sector, which may be affected by developments in the technology industry and its related businesses. In addition, the Fund may be subject to risks posed by use of derivative instruments.
- 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

- \$11.7 billion portfolio as of December 31, 2004
- Portfolio securities are guaranteed by Freddie Mac, Fannie Mae or Ginnie Mae at December 31, 2004
- Low duration target of 1 to 2 — limits price risk
- Leverage guideline — 6x to 11x debt to equity, 9.5x long-term target
- Allocation of FBR equity capital: 50%–90% (long-term average target 60%–65%)
- 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%

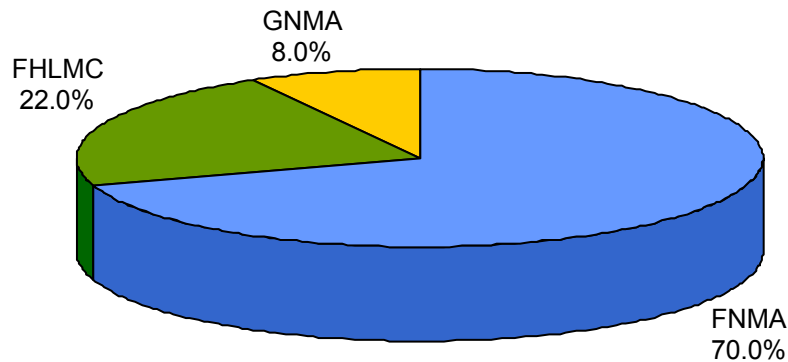


Principal Investing

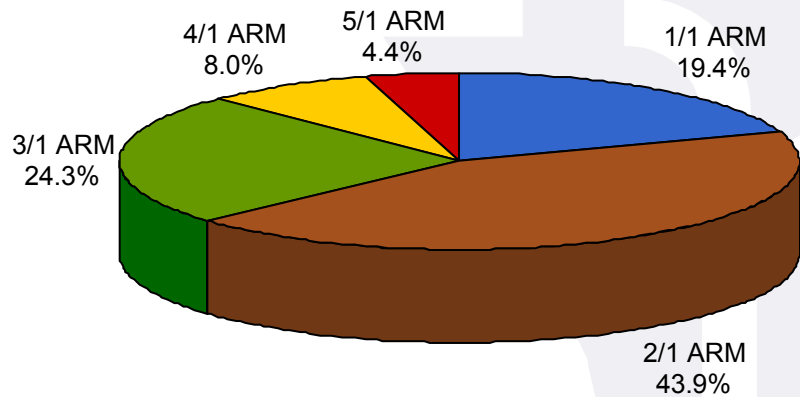
Mortgage-Backed Securities as of December 31, 2004

(Dollars in millions)

Current Face	Book Value	Market Value	Average Coupon	Book Yield	Cost Premium	WTD Avg. CPR	Average Life	Effective Duration
\$11,371	\$11,561	\$11,479	3.97%	3.23%	101.68	24.54	1.6 yrs	.78 yrs



MBS Portfolio By Agency



MBS Portfolio By Security

Note: Excludes principal receivables.



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 15 investments funded with FBR Group equity
- Allocation of 10%–30% of FBR's equity
- IRR of 29% from inception to December 31, 2004



Principal Investing

Access to Capital Drives Revenue

**FBR Merchant Banking
has invested in 26
companies out of 141 lead
managed and 211 total
transactions completed by
FBR since January of
2001⁸**

	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 ¹	43,883,007
Ames 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
KKR Financial Corp.	Aug-04	23,250,000	33,041,790
Southwest Royalties	Apr-02	18,333,333 ²	1,714,662
Medical Properties Trust	Mar-04	15,000,000	17,270,432
Oxford Finance Corp.	Mar-02	14,650,000 ³	2,889,359
Specialty Underwriters' Alliance	Dec-03	12,976,692 ⁴	6,436,194
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
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 ⁵	11,004,095
Atlas Pipeline	Sep-03	- ⁶	375,000
Quaker Coal	Nov-02	- ⁷	113,789
		<u>\$ 437,319,484</u>	<u>\$ 388,938,537</u>

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

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

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

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

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

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

⁷ Break-up fee.

⁸ Transaction total composed of public and private equity and debt offerings. Excludes M&A, Advisory and ABS transactions.



Principal Investing Opportunities

- Broadened investment in mortgages
 - Diversify risk (interest vs. credit)
 - Diversify products (jumbo, non-prime, etc.)
 - Diversify instruments (whole loans, ABS, CMOs)
 - Expand into value change (originate, aggregate, securitize, service, etc.)
- Take further advantage of deal flow by:
 - Acquiring majority stakes
 - Originators
 - Outsourcers (servicers, etc.)
 - Non Mortgage Companies
 - Energy
 - Real Estate
 - Healthcare
 - Other finance





Principal Investing

First NLC Financial Services, LLC

Business Summary

- Mortgage Originator - Non-conforming
- Deerfield Beach, Florida
- Licensed in 38 States
- 30 Retail Branches
- 6 Operation Centers
- 1100 Employees

Transaction Summary

Originations

2004	3.4 B
Q4 Run-Rate	4.0 B

Purchase Price

Cash	\$	76.8	M
Stock		24.4	
		<u>101.2</u>	

FNLC Tangible Equity		<u>27.0</u>	
Book Value Premium	\$	<u>74.2</u>	

Purchase Price Multiple		3.7 X	
-------------------------	--	-------	--



Conclusion

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 ¹	Price / LTM Diluted EPS ¹
A.G. Edwards	2/28	11/30/2004	1,712,700	190,500	12	2,615,000	170	65.1%	2.40 x	11.1%	1.91 x	17.84 x
Bear Stearns	11/30	11/30/2004	8,990,900	1,316,700	120	6,813,000	622	47.8%	29.67 x	16.0%	1.53 x	10.61 x
Goldman Sachs	11/26	11/26/2004	25,079,000	4,553,000	220	20,957,000	1,011	45.8%	26.29 x	19.5%	2.73 x	12.65 x
Jefferies Group ^{2,3}	12/31	12/31/2004	968,100	131,400	75	1,058,100	605	56.3%	16.35 x	14.5%	2.64 x	18.96 x
Lehman Brothers	11/30	11/30/2004	13,575,000	2,298,000	117	11,576,000	591	49.5%	34.84 x	17.9%	2.51 x	11.95 x
Merrill Lynch ³	12/31	12/31/2004	31,400,000	4,432,000	88	22,162,000	438	47.6%	22.94 x	14.7%	2.08 x	13.82 x
Morgan Stanley	11/30	11/30/2004	28,206,000	4,462,000	113	23,676,000	597	53.3%	29.82 x	16.8%	2.46 x	14.51 x
Raymond James ⁴	9/30	12/31/2004	1,120,500	142,600	28	1,866,200	366	70.8%	7.52 x	13.0%	2.16 x	16.17 x
Stifel Financial ^{2,3,4}	12/31	12/31/2004	123,154	23,100	20	246,800	213	63.7%	3.20 x	20.7%	1.70 x	11.11 x
SWS Group	6/24	12/31/2004	257,200	20,700	22	262,500	283	53.1%	19.14 x	8.1%	1.36 x	16.41 x
Average Comparable					82		490	55.3%	19.22 x	15.2%	2.11 x	14.40 x
Friedman Billings Ramsey	12/31	12/31/2004	1,578,500	349,400	501	887,900	1,272	36.4%	8.88 x	22.3%	2.18 x	9.18 x

¹ Market data as of 02/10/05

Some earnings release filings (form 8-K) did not provide complete balance sheet or employee information. The following table data are from prior quarterly filings:

² Shareholders' Equity

³ Goodwill, Intangible and Total Assets

⁴ Number of Employees

Source: SEC filings, FactSet



Conclusion Summary

- Top 10 investment banking firm ¹
- \$3.2 billion market cap
- Strong, highly-liquid balance sheet: equity \$1.6 billion; assets \$12.9 billion
- One of the most efficient cost structures in the industry
- Record full year 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 ¹
 - #7 lead underwriter for 2004 U.S. IPOs ¹
 - #1 lead underwriter of IPOs for U.S. companies valued \$1 billion and under ²
 - Top ten underwriter — \$8.8 billion lead/sole managed equity in 2004 ¹
- Stable, diversified and growing earnings stream supports dividend growth
- History of significant growth; significant future growth opportunities



Friedman Billings Ramsey Group, Inc.

Metropolitan Washington, D.C. Headquarters

1001 Nineteenth Street North • Arlington, Virginia 22209

Tel: 703.312.9500 • Fax: 703.312.9501

www.fbr.com

Bethesda

4922 Fairmont Avenue
Bethesda, Maryland 20814
301.657.1500

Boston

100 Federal Street
29th Floor
Boston, Massachusetts 02110
617.757.2900

Chicago

200 South Wacker Drive
31st Floor
Chicago, Illinois 60606
312.674.4635

Cleveland

3201 Enterprise Parkway
Suite 320
Cleveland, Ohio 44122
216.593.7000

Dallas

2100 McKinney Avenue
Suite 1940
Dallas, Texas 75201
469.341.1200

Denver

1200 17th Street
Suite 550
Denver, Colorado 80202
720.946.6000

Houston

600 Travis Street
Suite 6070
Houston, Texas 77002
713.343.1000

Irvine (Los Angeles)

18101 Von Karman Avenue
Suite 1000
Irvine, California 92612
949.477.3100

New York

299 Park Avenue
New York, New York 10171
212.457.3300

Phoenix

Camelback Esplanade V
Suite 180
Phoenix, Arizona 85016
602.794.3700

Portland

208 SW First Avenue
Suite 300
Portland, Oregon 97204
503.221.0200

San Francisco

4 Embarcadero Center
Suite 1950
San Francisco, California 94111
415.248.2900

Seattle

111 Third Avenue
Suite 2400
Seattle, Washington 98101
206.382.9191

London, UK

9-11 Grosvenor Gardens
London SW1W OBD
011.44.20.7663.9100

Vienna, Austria

Millenium Tower, 23rd floor
Handelskai 94-96
A-1201 Vienna
011.43.12.402.7250

NOTE: Not all services are available from all offices.