



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

The WALL STREET FORUM  
45<sup>th</sup> Institutional Investor Conference  
The Roosevelt Hotel, New York, New York  
**September 13, 2002**

*Prepared Remarks of  
Robert S. Smith, Chief Operating Officer  
and  
Kurt R. Harrington, Chief Financial Officer*

2002  
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*For additional important information, please visit our website, [www.fbr.com](http://www.fbr.com).*

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# Introduction

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- FBR is an institutional research capital markets company
- Listed on the New York Stock Exchange (NYSE: FBR)
- Market cap of approximately \$500 million
- More than 440 full-time employees in 15 offices as of June 30, 2002
- Strong, highly-liquid balance sheet: Equity of almost \$250 million; \$6 million long term debt



# Drivers of FBR's Business, Revenue and Earnings Growth

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- **Industry Focus:** 6 verticals
- **Independent Research:** High-quality, objective and timely research
- **Institutional Sales & Trading:** Increasing business with the largest institutional investors in both the United States and Europe
- **Investment Banking:** Mid-market emphasis; top 10 investment banking rankings for below \$1 billion market caps\*
- **Asset Management:** Growing assets under management, including FBR Asset (NYSE: FB), 10 mutual funds, and alternative investments
- **Private Client Group:** Brokerage, investment management, and private banking
- **Expense Containment:** Relentless attention to the expense:revenue relationship



# Second Quarter 2002 Financial Highlights

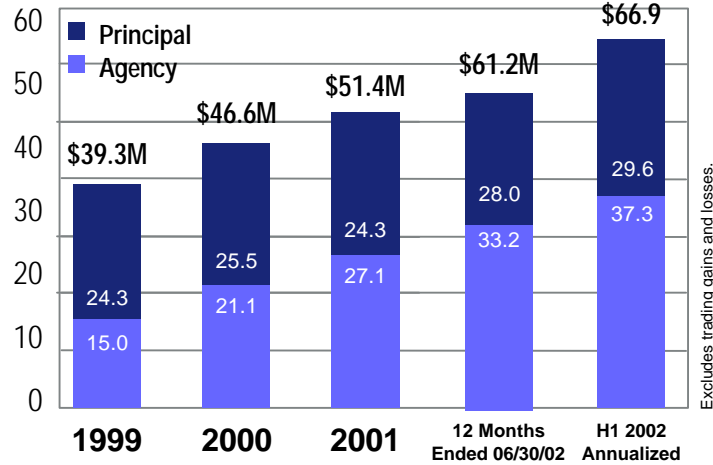
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- Earnings of \$17.8 million or \$0.39 per share (basic)
- Revenues up 33% over second quarter 2001, \$73.3 million
- Continuing expense containment
- Assets under management up 110% since the beginning of 2002
- ROE 34.5%; fully taxed equivalent 21% = the highest in the brokerage universe

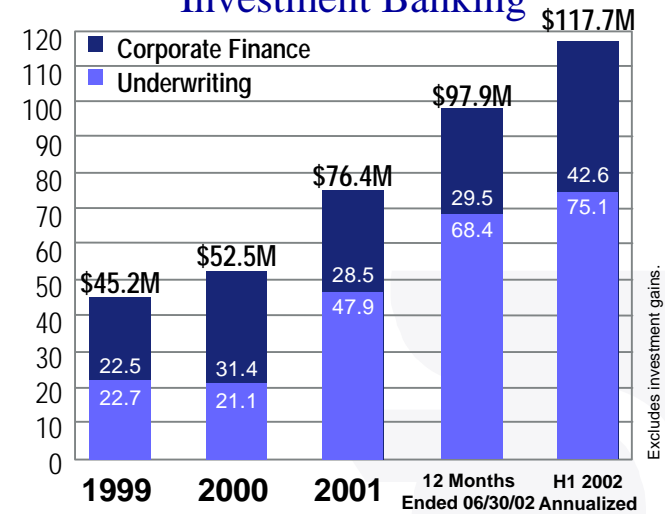


# Revenue Growth

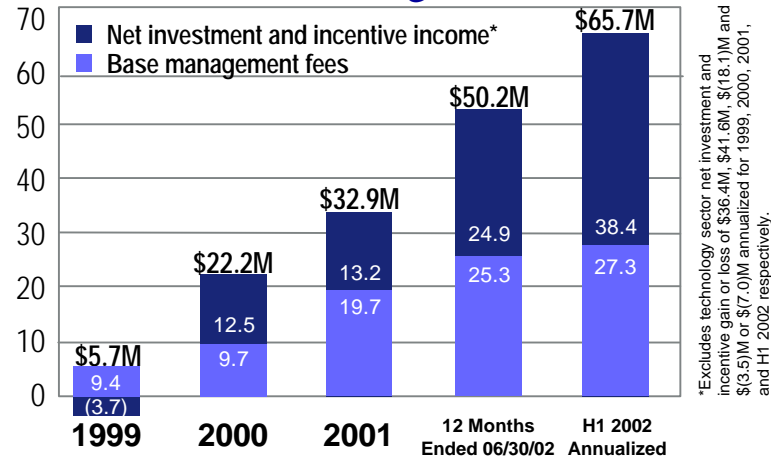
## Sales & Trading



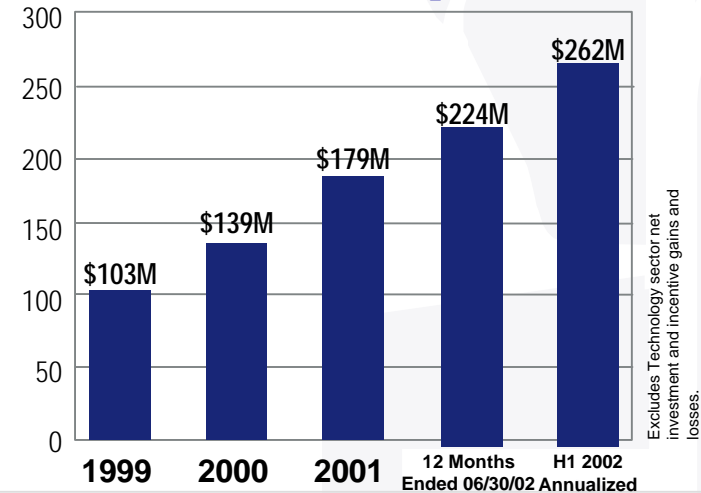
## Investment Banking



## Asset Management



## FBR Group



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# 10 Years of Building

On the foundation of a financial services research boutique to become a leading capital markets firm.

<b>1993</b>	Investment Banking added
<b>1994</b>	Real Estate added
<b>1996</b>	Technology added
<b>1997</b>	FBR Asset created
<b>1998</b>	Energy added
<b>2000</b>	Refocus: Broaden Business / Focused Hiring



- \$250M Equity Capital in FBR (\$850M with FBR Asset)
- 3 Broad, Profitable Business Lines
- 6 Industry Verticals
- Rational Cost Structure



# Business

Research	Institutional Sales & Trading	Investment Banking	Asset Management	Private Client Group
<p>60 analysts</p> <p>Over 400 companies under coverage</p> <ul style="list-style-type: none"><li>• Independence</li><li>• In-depth company analysis</li><li>• Theme-driven industry coverage</li><li>• Daily morning note</li><li>• Daily meetings with sales force</li><li>• Up-to-date economic and policy news</li><li>• Frequent management roadshows</li><li>• Annual investor conferences</li></ul>	<p>50 Institutional Brokers</p> <p>30 Traders &amp; Sales Traders</p> <p>Market-maker in over 460 equity and debt securities</p> <ul style="list-style-type: none"><li>• Covering over 1,000 institutional accounts</li><li>• Hedge funds</li><li>• Money managers</li><li>• Mutual funds</li><li>• Pension funds</li></ul>	<p>75 Investment Bankers</p> <p>6 Focused industry sectors</p> <ul style="list-style-type: none"><li>• Financial Services</li><li>• Real Estate</li><li>• Technology</li><li>• Energy</li><li>• Diversified Industries</li><li>• Healthcare</li></ul> <p>Middle-market emphasis</p> <p>Top 10 lead-managing underwriter</p>	<p>Almost \$6 billion under management</p> <ul style="list-style-type: none"><li>• FBR Asset Investment Corporation (NYSE: FB)</li><li>• Mutual funds</li><li>• Separate accounts</li><li>• Alternative investments<ul style="list-style-type: none"><li>▪ Hedge funds</li><li>▪ Private equity</li><li>▪ Venture capital</li></ul></li></ul>	<p>Investment services for high net worth individuals, foundations, and endowments</p> <ul style="list-style-type: none"><li>• Investment management</li><li>• Financial planning</li><li>• Trust &amp; estate services</li><li>• Restricted (144) stock sales</li><li>• Credit lines</li><li>• Hedging and monetization</li><li>• Employee stock option management</li><li>• Cash management</li><li>• FBR National Bank &amp; Trust<sup>1</sup></li></ul>

All numbers approximate as of June 30, 2002 unless otherwise stated.

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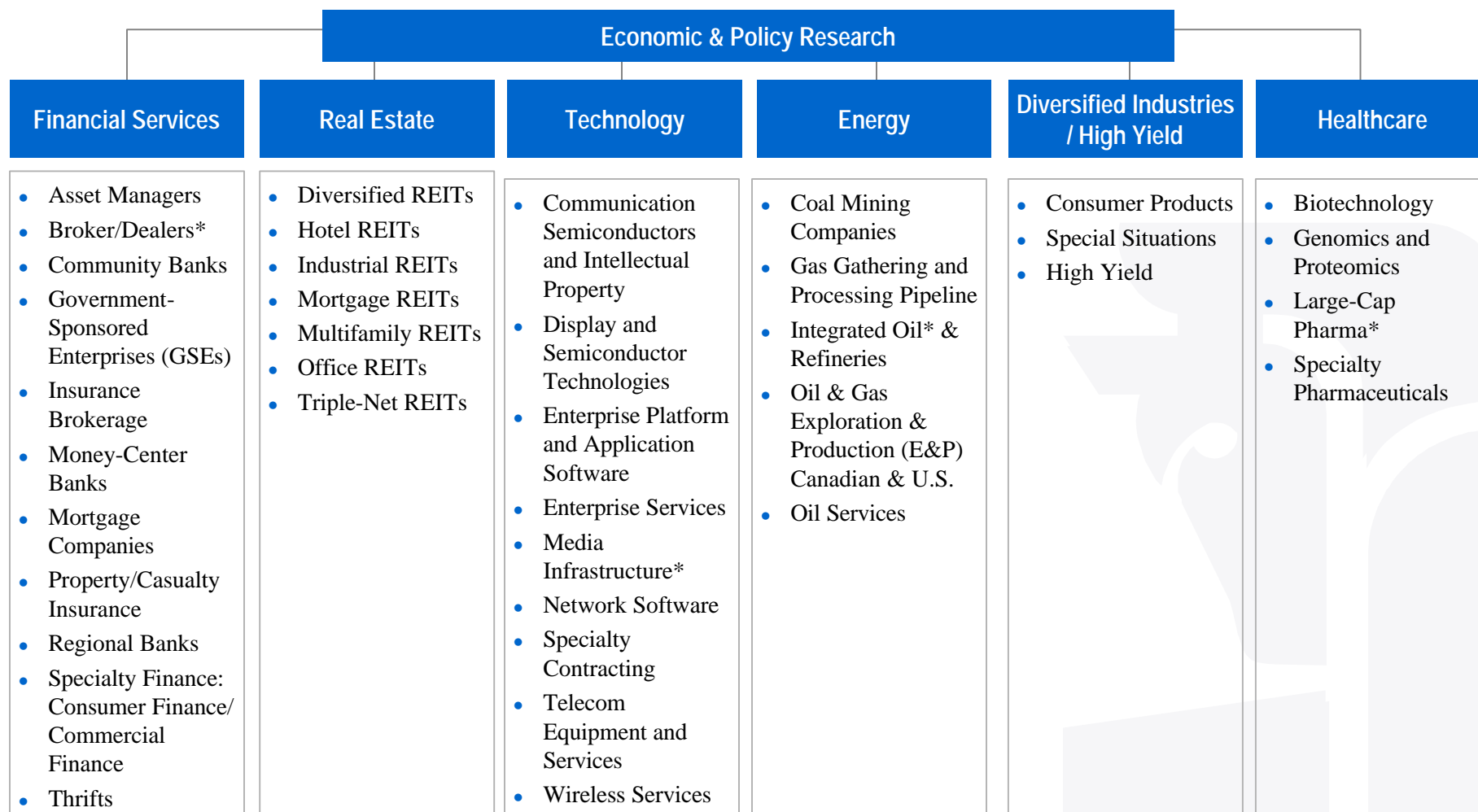
# RESEARCH



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# Research



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\*In process



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# INSTITUTIONAL SALES & TRADING



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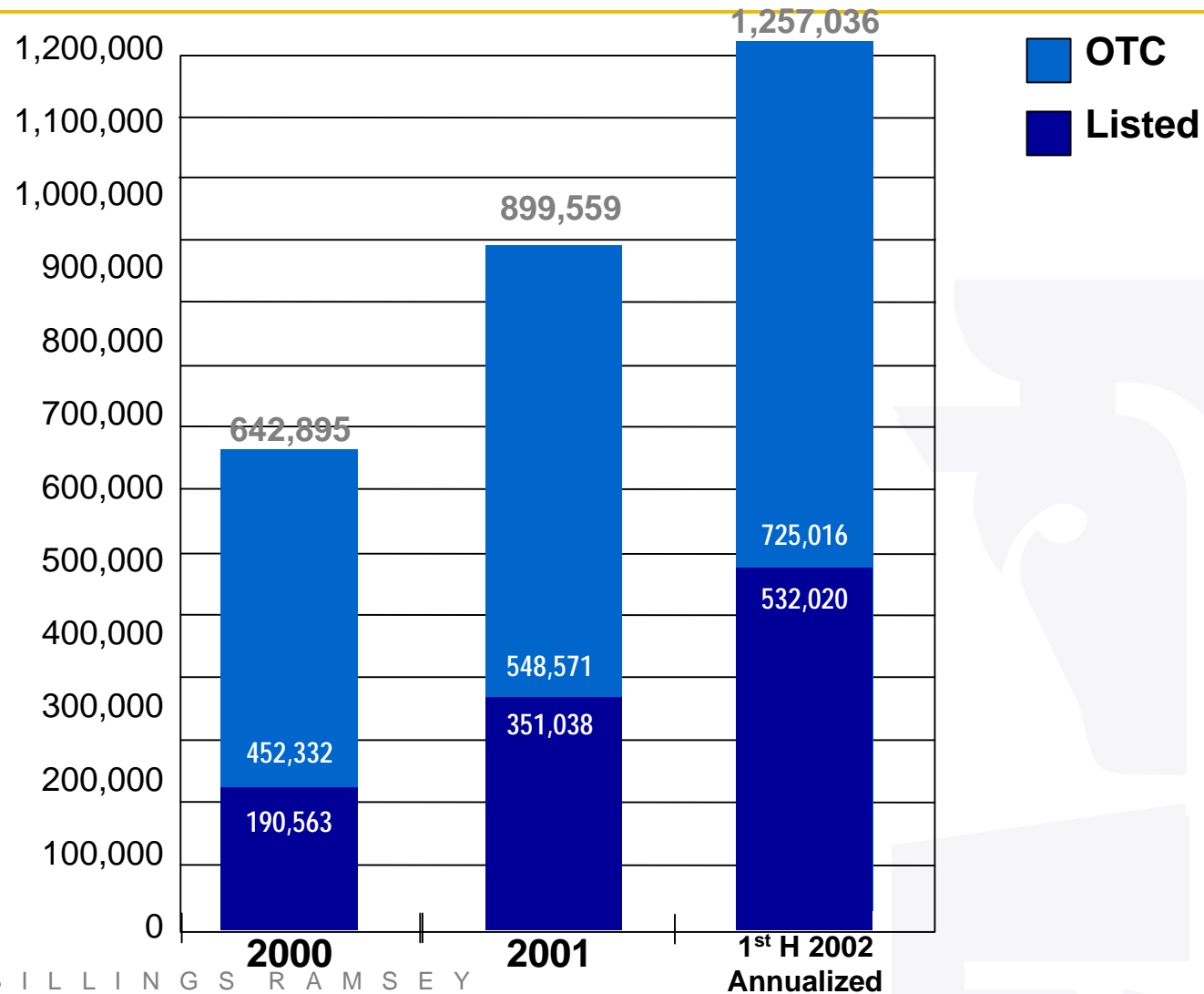


# Sales & Trading

- FBR focuses on institutional sales and trading services to equity and high-yield investors in the United States, Europe and elsewhere
  - Market maker in over 460 Nasdaq and other securities
  - 79 management teams on the road (excluding syndicate roadshows) year to date through June 30, 2002 plus 8 conference calls and 4 investor days
  - Over 80 professionals
  - Current information from research analysts at two daily sales meetings and throughout the day



# Trading Volumes



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# INVESTMENT BANKING



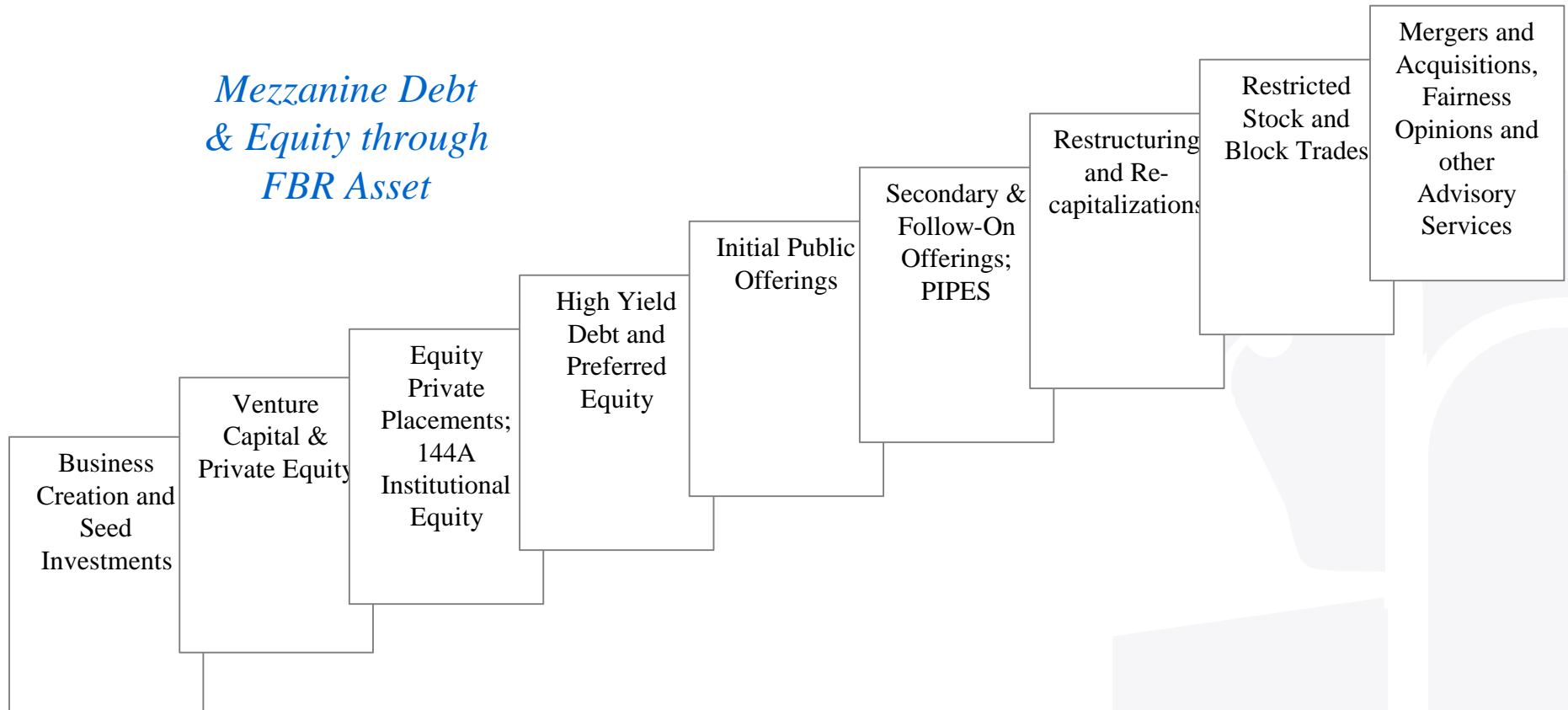
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# Investment Banking

FBR provides comprehensive capital raising and financial advisory services to our corporate clients.

*Mezzanine Debt  
& Equity through  
FBR Asset*



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# Investment Banking

Aftermarket Performance Across All Industries 18 months 1/1/01–6/30/02

	Lead Manager*	# of Deals	% Change Offer to Current
1	Friedman Billings Ramsey	33	20.03
2	Raymond James	16	5.25
3	Wachovia Securities	17	3.19
4	A.G. Edwards & Sons, Inc.	17	-0.06
5	Salomon Smith Barney Inc.	112	-2.26
6	CIBC World Markets	22	-5.41
7	Deutsche Bank Securities	40	-5.83
8	SG Cowen Securities Corporation	14	-6.56
9	Bear, Stearns & Co.	38	-6.73
10	Credit Suisse First Boston	149	-7.40
11	U.S. Bancorp Piper Jaffray Inc.	25	-10.49
12	Goldman, Sachs & Co.	98	-10.97
13	J.P. Morgan Securities Inc.	66	-11.42
14	Merrill Lynch & Co.	134	-15.71
15	UBS Warburg LLC	91	-16.71
16	Morgan Stanley	71	-20.78
17	Lehman Brothers	72	-20.89
18	Robertson Stephens	19	-35.58
19	Banc of America Securities	42	-37.91
20	Thomas Weisel Partners L.L.C.	12	-57.08
	Source: CommScan LLC	<b>Total: 899</b>	<b>Average: -11.08</b>

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# Investment Banking

18 Months 01/01/01 – 06/30/02

37 lead and sole managed capital raising transactions;  
total almost 90 transactions

2001	1H 2002
<ul style="list-style-type: none"><li>• 51 transactions</li><li>• \$2.7 billion in transaction value</li><li>• 29 capital raising transactions<ul style="list-style-type: none"><li>▪ 1 lead-managed IPO</li><li>▪ 15 lead-managed secondaries</li><li>▪ 9 co-managed secondaries</li><li>▪ 4 sole-managed private placements / PIPEs</li></ul></li><li>• 22 M&amp;A and advisory assignments<ul style="list-style-type: none"><li>▪ 8 M&amp;A</li><li>▪ 14 Advisory</li></ul></li></ul>	<ul style="list-style-type: none"><li>• More than 36 transactions</li><li>• \$3.4 billion in transaction value</li><li>• 27 capital raising transactions<ul style="list-style-type: none"><li>▪ 14 lead-managed secondaries</li><li>▪ 5 co-managed secondaries</li><li>▪ 3 sole-managed private placements</li><li>▪ 1 co-managed IPO</li><li>▪ 2 co-managed trust preferred offerings</li><li>▪ 2 co-managed debt offerings</li></ul></li><li>• 9 M&amp;A transactions, plus advisory assignments</li></ul>

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# Investment Banking First Half 2002 Rankings

## Number of Deals and Dollar Amount Raised

### Issuer Market Cap under \$1B — All Industries 1<sup>st</sup> Half 2002 — IPOs and Secondaries

Lead Manager	# of Deals	Amt. Raised
UBS Warburg LLC	24	\$2,298.87
Credit Suisse First Boston	23	3,023.80
Merrill Lynch & Co.	20	2,567.10
Bear, Stearns & Co.	17	2,295.68
<b>Friedman Billings Ramsey</b>	<b>15</b>	<b>1,107.64</b>
Lehman Brothers	14	1,670.47
Salomon Smith Barney Inc.	12	1,436.78
Morgan Stanley	12	1,311.97
Goldman, Sachs & Co.	11	1,536.35
Deutsche Bank Securities	11	1,166.70
Raymond James	10	477.48
J.P. Morgan Securities Inc.	9	794.20
Robertson Stephens	9	561.55
Bank of America Securities	8	752.84
CIBC World Markets	8	405.58
U.S. Bancorp Piper Jaffray Inc.	7	744.27
Thomas Weisel Partners L.L.C.	5	520.50
Robert W. Baird & Co. Incorporated	4	384.60
SG Cowen Securities Corporation	4	277.11
Legg Mason Wood Walker Incorporated	3	275.43
	<b>226</b>	<b>\$23,608.92</b>

### Issuer Market Cap under \$500M — All Industries 1<sup>st</sup> Half 2002 — IPOs and Secondaries

Lead Manager	# of Deals	Amt. Raised
<b>Friedman Billings Ramsey</b>	<b>12</b>	<b>\$ 725.20</b>
UBS Warburg LLC	12	764.76
Credit Suisse First Boston	9	985.92
Bear, Stearns & Co.	9	887.94
Raymond James	8	289.41
CIBC World Markets	7	350.38
Merrill Lynch & Co.	6	581.44
Salomon Smith Barney Inc	6	476.18
J.P. Morgan Securities Inc.	6	445.27
Robertson Stephens	6	226.02
Banc of America Securities	5	340.53
Lehman Brothers	5	276.48
Wachovia Securities	5	262.37
A.G. Edwards & Sons, Inc.	5	248.95
SG Cowen Securities Corporation	4	277.11
U.S. Bancorp Piper Jaffray Inc.	4	271.2
Legg Mason Wood Walker Incorporated	3	275.43
Morgan Stanley	3	265.57
Jefferies & Company, Inc.	3	257.21
Thomas Weisel Partners L.L.C.	3	252.14
	<b>121</b>	<b>\$8,459.51</b>

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# ASSET MANAGEMENT



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# Asset Management

## Almost \$6 Billion Under Management

### Alternative Asset Investments

#### Hedge Funds

- FBR Ashton
- FBR Weston
- FBR Arbitrage
- FBR Biotech
- FBR Pegasus (fund of funds)

#### Venture Capital

- FBR Technology Venture Partners I & II
- FBR Co-Motion
- ETP/FBR Genomic I & II\*
- FBR Infinity II\*

#### Private Equity

- FBR Private Equity Fund
- FBR Future Financial Fund
- FBR Financial Services Partners

### FBR Asset and other managed accounts

#### FBR Asset Investment Corporation

- NYSE: FB
- REIT tax status
- Mortgage backed securities
- Mezzanine and senior loans
- Equity securities

#### Private Client Group

- Asset allocation and other managed accounts
- Investment management
- Wealth planning
- Access to FBR proprietary products

### Mutual Funds

Equity funds, Morningstar Rated™,  
5 & 4 Stars over the 5 years ended 06/30/02\*\*:

- FBR Small Cap Financial Fund P P P P P
- FBR Financial Services Fund P P P P
- FBR Small Cap Value Fund\* P P P P P
- FBR American Gas Index Fund P P P P P

Our newest fund (02/02):

- FBR Technology Fund

Fixed income and money market funds:

- FBR Fund for Government Investors \*\*\*
- FBR Tax-Free Money Market Portfolio \*\*\*
- FBR Maryland Tax-Free Portfolio \*\*\*\*
- FBR Virginia Tax-Free Portfolio \*\*\*\*
- FBR U.S. Government Bond Fund

Stated asset amount represents total gross assets under management.

\*Funds offered through FBR, managed by third-party managers

\*\***Past performance is no guarantee of future results.** 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. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) Morningstar Rating metrics. The FBR Small Cap Financial Fund received 5 stars for the 3- and 5-year periods and was rated among 71 and 33 U.S. domiciled specialty financial funds. The FBR Financial Services received 4 stars for the 3- and 5-year period and was rated among 71 and 33 U.S. domiciled specialty financial funds. The FBR Small Cap Value Fund received 4 and 5 stars for the 3- and 5-year periods and was rated among 392 and 258 U.S. domiciled small growth funds. The FBR American Gas Index Fund received 5 stars for the 3-, 5-, and 10-year periods and was rated among 81, 69 and 21 U.S. domiciled specialty utility funds respectively. ©2002 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

\*\*\*An investment in the money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the money market fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund."

\*\*\*\*Some income earned in the tax-free portfolios may be subject to the Federal Alternative Minimum Tax. Income earned by non-Maryland or non-Virginian residents will be subject to applicable state and local taxes.

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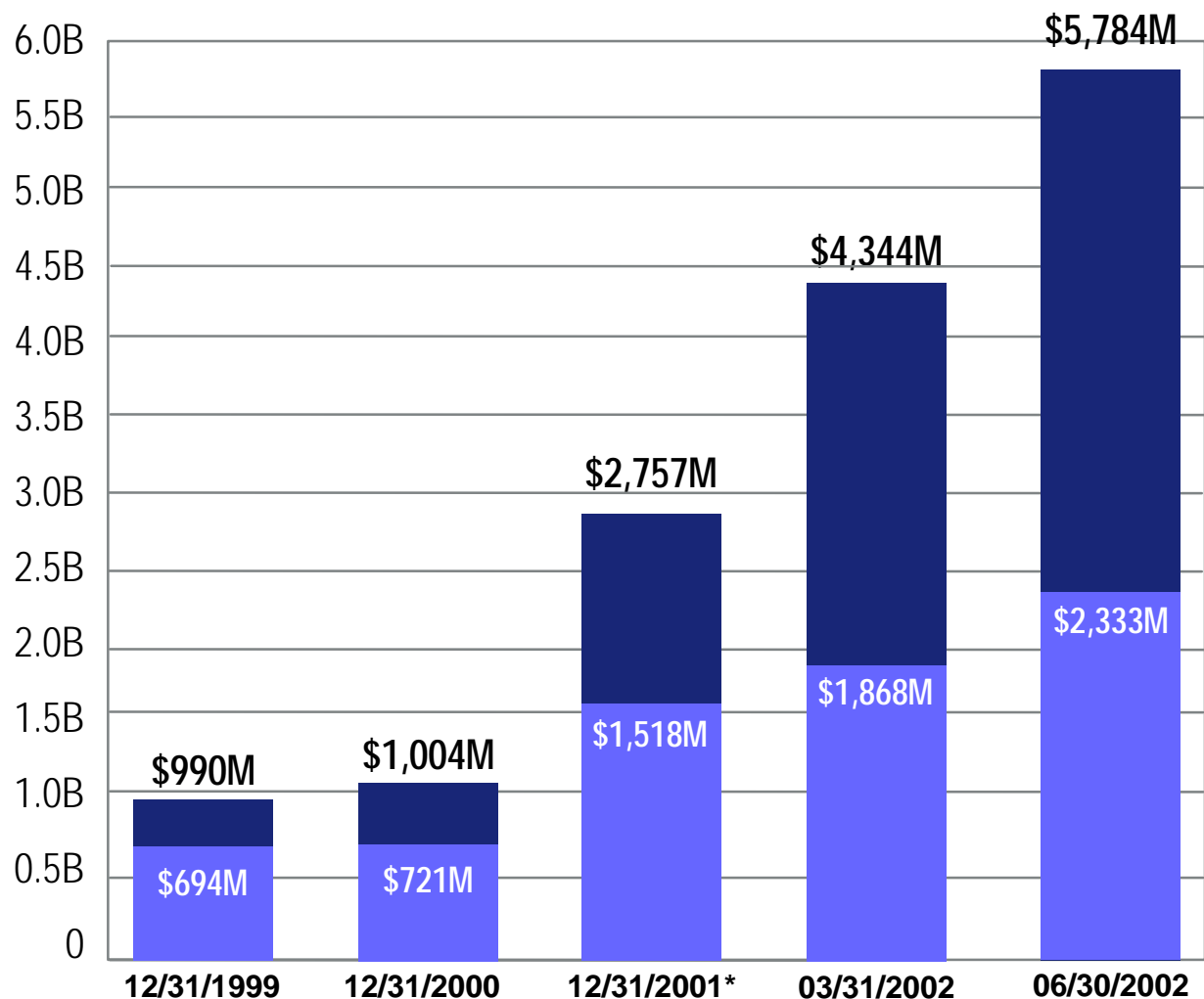
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For more complete information about FBR mutual funds, including fees and expenses, call 888.888.0025 for a free prospectus. Investing in the Funds involves certain risks which are fully discussed in the Fund's prospectus. Please read the prospectus carefully before you invest or send money.

FBR mutual funds are distributed by FBR Investment Services, Inc., member NASD/SIPC.



# Assets Under Management



## Net assets under management<sup>#</sup>

<sup>#</sup> 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.

### AUM Growth

12/31/2001 – 06/30/2002 = 110%

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\*Includes technology sector assets of \$71.0M (\$64.9M net).



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# PRIVATE CLIENT GROUP



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# Private Client Group

Brokerage	Investment Management	Corporate Executive Services	Banking Services*
<ul style="list-style-type: none"><li>• FBR proprietary research</li><li>• Portfolio management</li><li>• Access to FBR IPOs and other new issues</li><li>• Block trades</li><li>• Private placements</li><li>• Direct trading with FBR's institutional trading desk</li></ul>	<ul style="list-style-type: none"><li>• Financial Planning</li><li>• Asset allocation</li><li>• Manager selection &amp; monitoring</li><li>• Tax-efficient investment policy design</li><li>• Portfolio risk management</li><li>• Trust &amp; estate services</li><li>• FBR proprietary products</li></ul>	<ul style="list-style-type: none"><li>• Restricted stock sales / 144 sales</li><li>• Hedging &amp; monetization</li><li>• Stock option execution &amp; management</li><li>• Secured lending</li><li>• Fixed income strategies</li></ul>	<ul style="list-style-type: none"><li>• Private banking</li><li>• Lines of credit</li><li>• Mortgage loans</li><li>• Trust and custody services</li><li>• Cash management</li><li>• Mutual fund accounting and shareholder services</li><li>• Transfer agent services</li></ul>



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NOTE: Not all services are available from all offices.