



Fannie Mae

Selected Financial Information

This information is unaudited and should be read in conjunction with Fannie Mae's audited financial statements and notes to the financial statements contained in our most recent Annual Report on Form 10K and subsequent periodic filings with the Securities and Exchange Commission. This information speaks only as of the date of the earnings release that accompanies this information. We do not undertake any obligation to update the information, whether as a result of new information, future events or otherwise.

Dollars and shares in millions, except per share amounts
Numbers may not foot due to rounding.

Income Statement:	Quarter Ended					Six Months Ended June 30,	
	6/30/2004	3/31/2004	12/31/2003	9/30/2003	6/30/2003	2004	2003
Net interest income.....	\$ 3,113.5	\$ 3,195.9	\$ 3,210.7	\$ 3,489.3	\$ 3,500.3	\$ 6,309.4	\$ 6,868.7
Guaranty fee income.....	656.7	736.9	618.6	613.2	632.3	1,393.6	1,178.9
Fee and other income (expense), net.....	(170.1)	2.2	(12.2)	104.4	231.5	(167.9)	344.8
Credit-related income (expense).....	21.2	(7.8)	(40.1)	(28.6)	(22.6)	13.4	(42.9)
Administrative expenses.....	(384.4)	(383.0)	(417.9)	(347.0)	(354.2)	(767.4)	(698.0)
Purchased options income (expense).....	(1,979.7)	(959.3)	(132.8)	471.7	(1,882.7)	(2,939.1)	(2,507.3)
Debt extinguishments, net.....	23.5	(26.7)	(227.0)	(902.0)	(739.8)	(3.3)	(1,132.0)
Income before federal income taxes and cumulative effect of change in accounting principle.....	1,280.7	2,558.1	2,999.3	3,401.0	1,364.8	3,838.8	4,012.2
Federal income taxes.....	(168.5)	(658.7)	(802.8)	(920.1)	(262.9)	(827.2)	(969.8)
Cumulative effect of change in accounting principle, net of tax (1).....	-	-	-	185.1	-	-	-
Net income.....	<u>\$ 1,112.2</u>	<u>\$ 1,899.4</u>	<u>\$ 2,196.5</u>	<u>\$ 2,666.0</u>	<u>\$ 1,101.9</u>	<u>\$ 3,011.6</u>	<u>\$ 3,042.4</u>
Preferred stock dividends and issuance costs on redemptions.....	(40.0)	(43.7)	(43.9)	(41.9)	(34.2)	(83.7)	(64.5)
Earnings per diluted common share:							
Before cumulative effect of change in accounting principle.....	\$ 1.10	\$ 1.90	\$ 2.21	\$ 2.50	\$ 1.09	\$ 3.01	\$ 3.02
After cumulative effect of change in accounting principle.....	1.10	1.90	2.21	2.69	1.09	3.01	3.02
Cash dividends per share.....	.52	.52	.45	.45	.39	1.04	.78
Weighted average diluted common shares outstanding.....	970.3	975.1	974.0	975.9	982.3	972.8	986.5
Effective tax rate on reported income (1).....	13%	26%	27%	28%	19%	22%	24%
Return on common equity.....	21.2%	42.6%	51.9%	63.8%	31.3%	30.6%	43.1%
Core Business Earnings Data: (2)							
Core business earnings (3).....	\$ 1,896.3	\$ 2,019.7	\$ 1,769.8	\$ 1,826.1	\$ 1,860.4	\$ 3,916.0	\$ 3,710.1
Core business earnings per diluted common share (3).....	1.91	2.03	1.77	1.83	1.86	3.94	3.70
Core net interest income (4).....	2,340.1	2,421.7	2,421.5	2,668.8	2,784.5	4,761.8	5,388.6
Core taxable-equivalent revenue (5).....	3,258.9	3,526.9	3,407.8	3,803.0	3,979.8	6,785.8	7,583.0
Core taxable-equivalent revenue growth.....	(18.1%)	(2.1%)	10.0%	27.3%	33.9%	(10.5%)	30.5%
Effective tax rate on core business earnings (1).....	24%	26%	24%	24%	27%	25%	26%
Return on average realized common equity (6).....	23.4%	25.6%	23.4%	25.4%	27.7%	24.5%	27.9%

(1) Cumulative effect of change in accounting principle represents a one-time after-tax gain associated with the adoption of FAS 149, an amendment to FAS 133 that resulted in the majority of Fannie Mae's mortgage purchase commitments being accounted for as derivatives. The effective tax rate included the tax effect associated with FAS 149.

(2) Core business earnings data are non-GAAP (generally accepted accounting principles) measures management uses to track and analyze financial performance. For information regarding why management believes non-GAAP financial measures provide useful information to investors and how management uses these measures, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Core Business Earnings and Business Segment Results" in our Annual Report on Form 10-K for the year ended December 31, 2003.

(3) Excludes unrealized gains and losses on purchased options recorded under FAS 133 and includes purchased option premiums amortized over the original estimated life of the option. Presented on a net of tax basis.

(4) Includes non-GAAP adjustment for the amortization of purchased options premiums that would have been recorded as part of net interest income prior to the adoption of FAS 133 in 2001.

(5) Includes revenues net of operating losses on low-income housing tax credit limited partnerships and amortization expense of purchased options premiums, plus taxable-equivalent adjustments for tax-exempt income and investment credits using the applicable federal income tax rate.

(6) Core business earnings less preferred stock dividends and issuance costs on redemptions divided by average realized common stockholders' equity (common stockholders' equity excluding accumulated other comprehensive income).



Fannie Mae

Selected Financial Information

Dollars in millions

Numbers may not foot due to rounding.

Other Data:	Quarter Ended						Six Months Ended June 30,	
	6/30/2004	3/31/2004	12/31/2003	9/30/2003	6/30/2003	2004	2003	
Mortgage portfolio (1):								
Retained commitments.....	\$ 86,918	\$ 53,683	\$ 33,474	\$ 148,991	\$ 190,726	\$ 140,601	\$ 306,609	
Mortgage purchases.....	91,299	41,004	58,980	253,908	127,960	132,303	259,965	
Mortgage liquidations.....	76,786	54,136	72,158	147,774	125,947	130,922	231,555	
Mortgage sales.....	4,163	4,374	5,554	1,477	5,425	8,537	6,696	
Mortgage portfolio, gross (2) (3).....	891,210	880,911	898,445	917,131	814,924	891,210	814,924	
Mortgage portfolio growth, gross (compounded) (3).....	4.8%	(7.6%)	(7.9%)	60.4%	(1.3%)	(1.6%)	5.3%	
Mortgage-Backed Securities (1):								
MBS issues acquired by others (4).....	\$ 134,595	\$ 122,008	\$ 189,911	\$ 173,858	\$ 282,502	\$ 256,603	\$ 486,435	
Outstanding MBS liquidations.....	124,495	80,367	105,490	201,043	157,789	204,862	284,818	
Outstanding MBS (5).....	1,360,045	1,345,892	1,300,166	1,211,079	1,237,461	1,360,045	1,237,461	
Outstanding MBS growth rate (compounded).....	4.3%	14.8%	32.8%	(8.3%)	55.9%	9.4%	44.5%	
Average effective MBS guaranty fee rate (bps).....	19.4	22.1	19.5	20.0	21.2	20.7	20.8	
Book-of-Business (1):								
Business volume.....	\$ 225,893	\$ 163,013	\$ 248,890	\$ 427,766	\$ 410,462	\$ 388,906	\$ 746,400	
Book of business (3).....	2,251,255	2,226,803	2,198,611	2,128,210	2,052,385	2,251,255	2,052,385	
Book of business growth rate (compounded) (3).....	4.5%	5.2%	13.9%	15.6%	29.2%	4.8%	26.6%	
Expense Ratios:								
Ratio of administrative expense to average gross mortgage portfolio and average outstanding MBS (annualized).....	0.069%	0.069%	0.077%	0.066%	0.071%	0.069%	0.072%	
Efficiency ratio (6).....	11.8%	10.9%	12.3%	9.1%	8.9%	11.3%	9.2%	
Credit-related:								
Single-family properties acquired.....	8,146	8,113	7,419	6,882	6,569	16,259	12,487	
Single-family conventional serious delinquency rate (7)								
Non-credit enhanced.....	0.29% (8)	0.30%	0.30%	0.29%	0.29%	N/A	0.29%	
Credit enhanced.....	1.61% (8)	1.62%	1.65%	1.56%	1.42%	N/A	1.42%	
Total.....	0.57% (8)	0.58%	0.60%	0.58%	0.56%	N/A	0.56%	
Multifamily serious delinquency rate (9).....	0.14% (8)	0.17%	0.27%	0.12%	0.13%	N/A	0.13%	
Charge-offs:								
Single-family.....	\$ 22.0	\$ 29.7	\$ 25.2	\$ 30.7	\$ 22.6	\$ 51.7	\$ 44.2	
Multifamily.....	3.6	4.6	0.7	5.4	3.8	8.2	5.3	
Total.....	25.6	34.3	25.9	36.1	26.4	59.9	49.5	
Foreclosed property (income) expense:								
Single-family.....	(13.5)	(26.8)	17.3	(0.2)	(3.6)	(40.3)	(6.3)	
Multifamily.....	4.5	2.2	(0.4)	1.1	0.1	6.7	0.1	
Total.....	(9.0)	(24.6)	16.9	0.9	(3.5)	(33.6)	(6.2)	
Credit-related losses.....	16.6	9.7	42.8	37.0	22.9	26.3	43.3	
Allowance for loan losses and guaranty liability for MBS.....	757.2	795.0	796.9	799.6	808.0	757.2	808.0	
Provision for losses.....	(12.2)	32.4	23.2	27.7	26.1	20.2	49.1	
Credit-related income (expense).....	21.2	(7.8)	(40.1)	(28.6)	(42.6)	13.4	(42.9)	
Credit-related losses as a percentage of average mortgage credit book of business (annualized).....	0.003%	0.002%	0.008%	0.007%	0.005%	0.002%	0.004%	

(1) Represents unpaid principal balance.

(2) Represents unpaid principal balance. Excludes the effect of unrealized gains or losses on available-for-sale securities, deferred balances, and the allowance for loan losses.

(3) Prior periods have been revised to be consistent with the balance sheet presentation in the 2004 first quarter Form 10Q.

(4) MBS and other mortgage-related securities guaranteed by Fannie Mae.

(5) MBS and other mortgage-related securities guaranteed by Fannie Mae and held by investors other than Fannie Mae's portfolio.

(6) Administrative expense divided by core taxable-equivalent revenue.

(7) Includes conventional loans three or more months delinquent or in foreclosure process as a percent of the number of loans.

(8) As of May 31, 2004, most recent data available.

(9) Includes loans two or more months delinquent as a percent of loan dollars.


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Dollars in millions
 Numbers may not foot due to rounding.

	Quarter Ended					Six Months Ended June 30,	
	6/30/2004	3/31/2004	12/31/2003	9/30/2003	6/30/2003	2004	2003
Net Interest Yield and Net Interest Margin:							
Average balances:							
Net mortgage investment.....	\$ 870,229	\$ 883,002	\$ 902,816	\$ 840,851	\$ 808,215	\$ 876,615	\$ 806,510
Liquid investments.....	76,732	66,525	65,848	85,504	81,966	71,629	74,550
Total net investment.....	<u>\$ 946,961</u>	<u>\$ 949,527</u>	<u>\$ 968,664</u>	<u>\$ 926,355</u>	<u>\$ 890,181</u>	<u>\$ 948,244</u>	<u>\$ 881,060</u>
Net interest yield, taxable-equivalent basis (2).....	1.37%	1.40%	1.37%	1.56%	1.63%	1.38%	1.61%
Net interest margin, taxable-equivalent basis (3).....	1.04%	1.07%	1.05%	1.20%	1.30%	1.05%	1.28%

Fee and Other Income (Expense), net:

Transaction fees.....	\$ 57.0	\$ 48.1	\$ 62.7	\$ 132.2	\$ 159.7	\$ 105.1	\$ 296.4
Technology fees.....	53.3	59.4	43.7	68.0	91.8	112.7	161.9
Multifamily fees.....	55.8	46.5	36.3	37.9	31.7	102.3	65.7
Tax-advantaged investments.....	(75.5)	(80.1)	(59.6)	(80.1)	(52.4)	(155.6)	(123.7)
Credit enhancement expense.....	(40.6)	(43.8)	(46.0)	(36.6)	(45.1)	(84.4)	(86.5)
Other.....	(220.1)	(27.9)	(49.3)	(17.0)	45.8	(248.0)	31.0
Total.....	<u>\$ (170.1)</u>	<u>\$ 2.2</u>	<u>\$ (12.2)</u>	<u>\$ 104.4</u>	<u>\$ 231.5</u>	<u>\$ (167.9)</u>	<u>\$ 344.8</u>

	June 30,	March 31,	December 31,	September 30,	June 30,
	2004	2004	2003	2003	2003
Selected Balance Sheet Data:					
Mortgage portfolio, net (4).....	\$ 891,386	\$ 886,316	\$ 901,803	\$ 921,400	\$ 822,733
Liquid investments (1) (4).....	51,850	64,935	65,635	57,425	66,632
Total assets.....	989,341	995,268	1,009,569	1,019,171	923,795
Debentures, notes, and bonds, net.....	939,668	945,343	961,732	975,734	884,081
Stockholders' Equity:					
Preferred stock.....	\$ 4,108	\$ 4,108	\$ 4,108	\$ 4,108	\$ 3,882
Realized common equity.....	32,007	31,593	30,297	28,644	26,792
Accumulated other comprehensive income (OCI)					
Unrealized gains on securities, net.....	1,034	3,677	2,618	3,415	3,642
Cash flow hedging results, net-- FAS 133.....	(8,266)	(16,198)	(12,192)	(16,092)	(16,952)
Cash flow hedging results, net-- FAS 149.....	(2,762)	(2,375)	(2,458)	(2,551)	-
Total accumulated OCI.....	<u>(9,994)</u>	<u>(14,896)</u>	<u>(12,032)</u>	<u>(15,228)</u>	<u>(13,310)</u>
Total stockholders' equity.....	<u>\$ 26,121</u>	<u>\$ 20,805</u>	<u>\$ 22,373</u>	<u>\$ 17,524</u>	<u>\$ 17,364</u>
Core capital (5).....	\$ 36,115	\$ 35,701	\$ 34,405	\$ 32,752	\$ 30,675
Total capital (6).....	36,862	36,481	35,182	33,542	31,469

(1) Liquid investments include cash and cash equivalents, nonmortgage investments, and mortgage assets designated for securitization.

(2) Annualized net interest income on a tax-equivalent basis divided by the weighted average net investment balance.

(3) Annualized core net interest income on a tax-equivalent basis divided by the weighted average net investment balance.

(4) Prior periods have been revised to be consistent with changes to our balance sheet presentation implemented during the first quarter of 2004.

(5) The sum of (a) the stated value of common stock, (b) the stated value of outstanding noncumulative perpetual preferred stock, (c) paid-in capital, and (d) retained earnings, less (e) treasury stock. Represents a regulatory measure of capital.

(6) The sum of (a) core capital and (b) the total allowance for loan losses and guaranty liability for MBS, less (c) any specific loss allowances. Represents a regulatory measure of capital.



Reconciliation of Core Business Earnings to Reported Results

Dollars and shares in millions, except per share amounts
Numbers may not foot due to rounding.

	Quarter Ended June 30, 2004			Quarter Ended June 30, 2003			Six Months Ended June 30, 2004			Six Months Ended June 30, 2003		
	Core Business Earnings	Reconciling Items	Reported Results	Core Business Earnings	Reconciling Items	Reported Results	Core Business Earnings	Reconciling Items	Reported Results	Core Business Earnings	Reconciling Items	Reported Results
Net interest income.....	\$ 3,113.5	\$ -	\$ 3,113.5	\$ 3,500.3	\$ -	\$ 3,500.3	\$ 6,309.4	\$ -	\$ 6,309.4	\$ 6,868.7	\$ -	\$ 6,868.7
Purchased options amortization expense (1).....	(773.4)	773.4	-	(715.8)	715.8	-	(1,547.6)	1,547.6	-	(1,480.1)	1,480.1	-
Core net interest income.....	2,340.1	773.4	3,113.5	2,784.5	715.8	3,500.3	4,761.8	1,547.6	6,309.4	5,388.6	1,480.1	6,868.7
Guaranty fee income.....	656.7	-	656.7	632.3	-	632.3	1,393.6	-	1,393.6	1,178.9	-	1,178.9
Fee and other income (expense), net.....	(170.1)	-	(170.1)	231.5	-	231.5	(167.9)	-	(167.9)	344.8	-	344.8
Credit-related income (expense).....	21.2	-	21.2	(22.6)	-	(22.6)	13.4	-	13.4	(42.9)	-	(42.9)
Administrative expenses.....	(384.4)	-	(384.4)	(354.2)	-	(354.2)	(767.4)	-	(767.4)	(698.0)	-	(698.0)
Purchased options expense under FAS 133 (2).....	-	(1,979.7)	(1,979.7)	-	(1,882.7)	(1,882.7)	-	(2,939.1)	(2,939.1)	-	(2,507.3)	(2,507.3)
Debt extinguishments, net.....	23.5	-	23.5	(739.8)	-	(739.8)	(3.3)	-	(3.3)	(1,132.0)	-	(1,132.0)
Income before federal income taxes.....	2,487.0	(1,206.3)	1,280.7	2,531.7	(1,166.9)	1,364.8	5,230.2	(1,391.5)	3,838.8	5,039.4	(1,027.2)	4,012.2
Provision for federal income taxes (3).....	(590.7)	422.2	(168.5)	(671.3)	408.4	(262.9)	(1,314.2)	487.0	(827.2)	(1,329.3)	359.5	(969.8)
Net income.....	\$ 1,896.3	\$ (784.1)	\$ 1,112.2	\$ 1,860.4	\$ (758.5)	\$ 1,101.9	\$ 3,916.0	\$ (904.5)	\$ 3,011.6	\$ 3,710.1	\$ (667.7)	\$ 3,042.4
Preferred stock dividends and issuance costs on redemptions.....	\$ (40.0)	\$ -	\$ (40.0)	\$ (34.2)	\$ -	\$ (34.2)	\$ (83.7)	\$ -	\$ (83.7)	\$ (64.5)	\$ -	\$ (64.5)
Weighted average diluted common shares outstanding.....	970.3	-	970.3	982.3	-	982.3	972.8	-	972.8	986.5	-	986.5
Diluted earnings per common share.....	\$ 1.91	\$ (0.81)	\$ 1.10	\$ 1.86	\$ (0.77)	\$ 1.09	\$ 3.94	\$ (0.93)	\$ 3.01	\$ 3.70	\$ (0.68)	\$ 3.02

	Reported Results				Core Business Earnings			
	Quarter Ended		Six Months Ended		Quarter Ended		Six Months Ended	
	6/30/04	6/30/03	6/30/04	6/30/03	6/30/04	6/30/03	6/30/04	6/30/03
Net interest income.....	\$ 3,113.5	\$ 3,500.3	\$ 6,309.4	\$ 6,868.7	\$ 3,113.5	\$ 3,500.3	\$ 6,309.4	\$ 6,868.7
Taxable-equivalent adjustment on tax-exempt investments (4).....	119.2	119.4	237.9	242.2	119.2	119.4	237.9	242.2
Taxable-equivalent net interest income.....	\$ 3,232.7	\$ 3,619.7	\$ 6,547.3	\$ 7,110.9	\$ 3,232.7	\$ 3,619.7	\$ 6,547.3	\$ 7,110.9
Purchased options amortization expense.....	(773.4)	(715.8)	(1,488.2)	(1,480.1)	(773.4)	(715.8)	(1,547.6)	(1,480.1)
Taxable-equivalent core net interest income.....	\$ 2,459.3	\$ 2,903.9	\$ 5,059.1	\$ 5,630.8	\$ 2,459.3	\$ 2,903.9	\$ 5,059.1	\$ 5,630.8
Average net investment balance.....	\$ 946,961	\$ 890,181	\$ 948,244	\$ 881,060	\$ 946,961	\$ 890,181	\$ 948,244	\$ 881,060
Average investment yield.....	5.10%	5.66%	5.16%	5.80%	5.10%	5.66%	5.16%	5.80%
Average borrowing cost.....	3.86%	4.24%	3.90%	4.37%	3.86%	4.24%	3.90%	4.37%
Purchased options amortization expense.....	0.34%	0.32%	0.34%	0.35%	0.34%	0.32%	0.34%	0.35%
Average core borrowing cost (5).....	4.20%	4.56%	4.24%	4.72%	4.20%	4.56%	4.24%	4.72%
Net interest yield, taxable-equivalent basis (6).....	1.37%	1.63%	1.38%	1.61%	1.37%	1.63%	1.38%	1.61%
Net interest margin, taxable-equivalent basis (7).....	1.04%	1.30%	1.05%	1.28%	1.04%	1.30%	1.05%	1.28%
Net interest income.....	\$ 3,113.5	\$ 3,500.3	\$ 6,309.4	\$ 6,868.7	\$ 3,113.5	\$ 3,500.3	\$ 6,309.4	\$ 6,868.7
Guaranty fee income.....	656.7	632.3	1,393.6	1,178.9	656.7	632.3	1,393.6	1,178.9
Fee and other income (expense), net.....	(170.1)	231.5	(167.9)	344.8	(170.1)	231.5	(167.9)	344.8
Total revenues.....	3,600.1	4,364.1	7,535.1	8,392.4	3,600.1	4,364.1	7,535.1	8,392.4
Investment tax credits (8).....	313.0	212.1	560.4	428.5	313.0	212.1	560.4	428.5
Tax-exempt investments (4).....	119.2	119.4	237.9	242.2	119.2	119.4	237.9	242.2
Total taxable-equivalent adjustments.....	432.2	331.5	798.3	670.7	432.2	331.5	798.3	670.7
Taxable-equivalent revenues.....	\$ 4,032.3	\$ 4,695.6	\$ 8,333.4	\$ 9,063.1	\$ 4,032.3	\$ 4,695.6	\$ 8,333.4	\$ 9,063.1
Purchased options amortization expense.....	(773.4)	(715.8)	(1,488.2)	(1,480.1)	(773.4)	(715.8)	(1,547.6)	(1,480.1)
Core taxable-equivalent revenues.....	\$ 3,258.9	\$ 3,979.8	\$ 6,845.2	\$ 7,583.0	\$ 3,258.9	\$ 3,979.8	\$ 6,785.8	\$ 7,583.0

- This amount represents the amortization of purchased options expense allocated to interest expense over the original expected life of the options. Included in core business earnings instead of the unrealized gains and losses on purchased options to make it consistent with the accounting for the embedded options in our callable debt and the vast majority of our mortgages.
- This amount represents unrealized gains and losses on purchased options recorded in accordance with FAS 133.
- The reconciling item represents the net federal income tax effect of core business earnings adjustments based on the applicable federal income tax rate of 35 percent.
- Reflects non-GAAP adjustments to permit comparison of yields on tax-exempt and taxable assets based on a 35 percent marginal tax rate.
- Includes the effect of purchased options amortization expense allocated to interest expense over the original expected life of the options.
- Annualized taxable-equivalent net interest income divided by the weighted average net investment balance.
- Annualized taxable-equivalent core net interest income divided by the weighted average net investment balance.
- Represents non-GAAP adjustments for tax credits related to losses on certain affordable housing tax-advantaged equity investments and other investment tax credits using a 35 percent marginal tax rate.