Fannie Mae
2005 10-K Investor Summary

May 2, 2007

- These materials present tables and other information contained in Fannie Mae's Annual Report on Form 10-K for the year ended December 31, 2005 and should be reviewed together with the 2005 Form 10-K, a copy of which is available on the company's Web site at www.fanniemae.com under the "Investor Relations" section of the Web site.
- More complete information about Fannie Mae, its business, business segments, financial condition and results of operations are contained in the 2005 Form 10-K, which also includes more detailed explanations and additional information relating to the information contained in this presentation. Footnotes to the included tables have been omitted.

Current Highlights

- **Continue to hit key milestones**
  - 2004 10-K with Restated Historical Results – 12/6/06
  - 2005 10-K – 5/2/07
  - Continued momentum towards timely reporting
- **Demonstrated commitment to return capital to shareholders**
  - Two dividend increases in last five months (to $0.50/share per quarter)
- **Businesses well-positioned for opportunities in evolving market**
  - Guaranty business momentum and Single-Family recapture of market share
  - Capital Markets' continued support of MBS and opportunistic purchases and sales focused on long-term total return
- **Risk measures demonstrate effectiveness of risk disciplines**
  - Strong credit characteristics of existing book
  - Low credit losses (though expected to trend up)
  - Duration gap continues in +/- one month range
- **Completed build-out of senior leadership team and announced transition to next CFO**
  - Disciplined, seamless transition
  - Assures continued high-quality leadership of Finance organization
- **Building the foundation needed to support a dynamic, growing business**
  - Strong and growing capital position
  - Remediation of many controls issues
  - Improving systems infrastructure
  - Progress toward lowering 2007 administrative expenses and establishing a lower run-rate

2005 Highlights

- Good 2005 results in a challenging market environment
  - Net income increased to $6.3 billion, a $1.4 billion or 28% increase
  - Book of business grew modestly to $2.4 trillion in a very competitive environment
  - Core capital grew to $39.4 billion, $2.7 billion above our regulator's 30% minimum capital requirement ($4.2 billion as of December 31, 2006)
  - Estimated fair value of net assets (non-GAAP), before capital transactions, grew by $3.5 billion, or 9%
  - Guaranty businesses' revenue grew to $6.5 billion, an increase of 15%
  - Interest rate risk and credit risk measures remain strong

2005 Financial Results by Segment

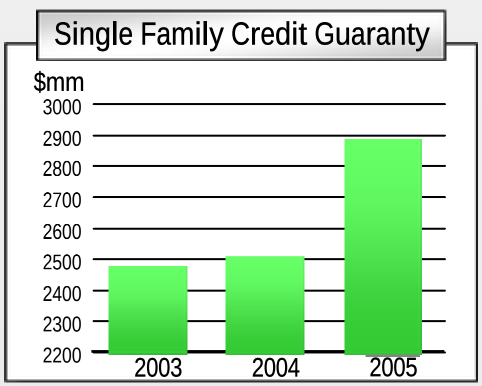
	For the Year Ended December 31,			Increase (Decrease) 2005 vs. 2004		Increase (Decrease) 2004 vs. 2003	
	2005	2004	2003	$	%	$	%
	(Dollars in millions)						
Revenues:							
Single-Family Credit Guaranty	$ 5,805	$ 5,153	$ 4,994	$ 652	13%	$ 159	3%
Housing and Community Development	743	538	398	205	38	140	35
Capital Markets	43,601	46,135	47,293	(2,534)	(5)	(1,158)	(2)
Total	$ 50,149	$ 51,826	$ 52,685	$ (1,677)	(3)%	$ (859)	(2)%
Net income:							
Single-Family Credit Guaranty	$ 2,889	$ 2,514	$ 2,481	$ 375	15%	$ 33	1%
Housing and Community Development	462	337	286	125	37	51	18
Capital Markets	2,996	2,116	5,314	880	42	(3,198)	(60)
Total	$ 6,347	$ 4,967	$ 8,081	$ 1,380	28%	$ (3,114)	(39)%

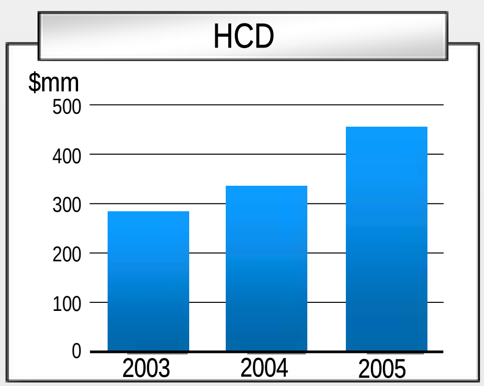
- GAAP Net Income increased to $6.3 billion, a $1.4 billion or 28% increase from 2004 levels.
- Single-Family revenues increased to $5.8 billion, up 13%. Net income increased to $2.9 billion, up 15% from 2004. Key drivers included higher interest income and guaranty fee income.
- Housing and Community Development revenues increased to $743 million, up 38% from 2004, while net income improved to $462 million, up 37%. Key drivers included higher fee and other income, and increased tax benefits from tax-advantaged investments.
- Our Capital Markets business generated $3 billion in net income, up 42%, as lower derivative fair value losses more than offset declines in net interest income. Capital Markets also sold approximately $85 billion of assets at attractive spreads.

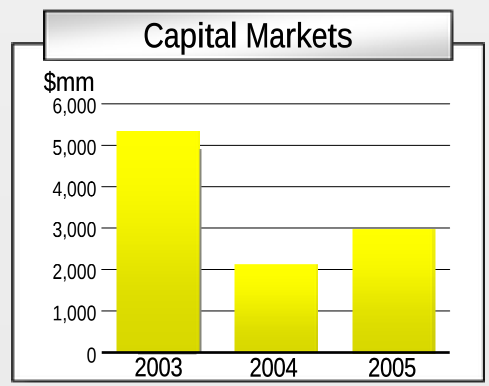
Source: Table 12, Consolidated Statements of Income, Table 13

2005 Income Statement by Segment

	For the Year Ended December 31, 2005			
	Single-Family Credit Guaranty	HCD	Capital Markets	Total
	(Dollars in millions)			
Net interest income (expense)…………………………………………………… ……..	$ 906	$ (217)	$ 10,816	$ 11,505
Guaranty fee income (expense)…………………………………………………….	4,649	342	(1,212)	3,779
Investment gains (losses), net…………………………………………………….	169	---	(1,503)	(1,334)
Derivatives fair value losses, net………………………………………………….	---	---	(4,196)	(4,196)
Debt extinguishment losses, net………………………………………………….	---	---	(68)	(68)
Losses from partnership investments………………………………………………..	---	(849)	---	(849)
Fee and other income……………………………………………….............….	250	628	648	1,526
Non-interest income (loss)………………………………………………………...	5,068	121	(6,331)	(1,142)
Provision (benefit) for credit losses……………………………………………..….	454	(13)	---	441
Restatement and related regulatory expenses..	226	80	263	569
Other expenses…………………………………………………………………..….	933	427	422	1,782
Income (loss) before federal income taxes and extraordinary gains……………..….	4,361	(590)	3,800	7,571
Provision (benefit) for federal income taxes………………………………………..	1,472	(1,052)	857	1,277
Income before extraordinary gains…………………………………………….….	2,889	462	2,943	6,294
Extraordinary gains, net of tax effect………………………………...………….….	---	---	53	53
2005 Net income………………………………………………………..…….….	$ 2,889	$ 462	$2,996	$6,347
2004 Net income…………………………………………………………..…….….	$ 2,514	$ 337	$ 2,116	$ 4,967
2003 Net income……………………………………………………………….….	$ 2,481	$ 286	$5,314	$ 8,081







Source: Notes to Consolidated Financial Statements – Footnote 20

GAAP Financial Results

FannieMae

Dollars in millions, except per share amounts	For the Year Ended December 31, 2005	2004	2003
Net interest income	$ 11,505	18,081	19,477
Guaranty fee income	3,779	3,604	3,281
Fee and other income	1,526	404	340
Investment losses, net	(1,334)	(362)	(1,231)
Derivatives fair value losses, net	(4,196)	(12,256)	(6,289)
Debt extinguishment losses, net	(68)	(152)	(2,692)
Loss from partnership investments	(849)	(702)	(637)
Provision for credit losses	(441)	(352)	(365)
Other non-interest expense	(2,351)	(2,266)	(1,598)
Income before federal income taxes, extraordinary gains (losses), and cumulative effect of change in accounting principle	7,571	5,999	10,286
Provision for federal income taxes	(1,277)	(1,024)	(2,434)
Extraordinary gains (losses), net of tax effect	53	(8)	195
Cumulative effect of change in accounting principle, net of tax effect	—	—	34
Net income	$ 6,347	4,967	8,081
Diluted earnings per common share	$ 6.01	4.94	8.08

Cumulative Net Income, 2003-2005 **$19,395**

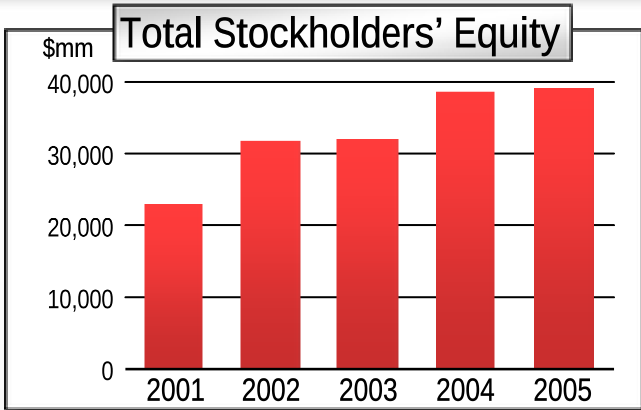
Source: Consolidated Statements of Income

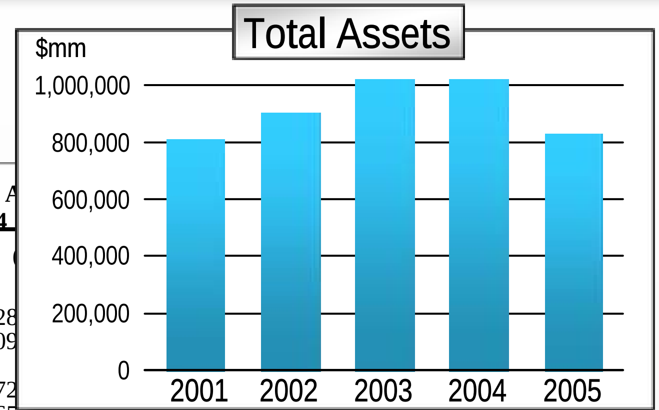
Selected Financial and Operating Statistics

Ratios:	**2005**	**2004**	**2003**	**2002**
Return on assets ratio..	0.63%	0.47%	0.82%	0.44%
Return on equity ratio……………………………………	19.5	16.6	27.6	15.2
Equity to assets ratio……………………………………	4.2	3.5	3.3	3.2
Dividend payout ratio……………………………………	17.2	42.1	20.8	34.5
Average effective guaranty fee rate (in basis points)…..	21.0 bp	20.8 bp	21.0 bp	19.3 bp
Credit loss ratio (in basis points)………………………	1.9 bp	1.0 bp	0.9 bp	0.8 bp

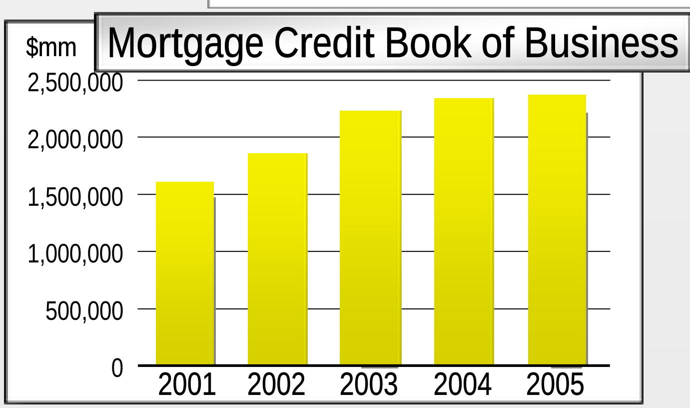
Source: Item 6: Selected Financial Information

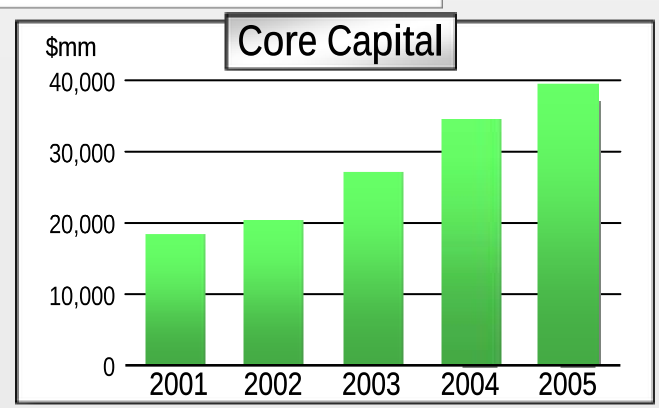
Selected On- and Off-Balance Sheet Data and Capital





	2005	2004			
…………	$ 15,110	$ 35,28			
………	390,964	532,09			
…….…...	5,064	11,72			
Loans held for investment, net of allowance…...	362,479	389,651	385,465	304,178	267,510
Total assets………………………………..	834,168	1,020,934	1,022,275	904,739	814,561
Short-term debt……………………………..….	173,186	320,280	343,662	293,538	280,848
Long-term debt…………………………………..	590,824	632,831	617,618	547,755	484,182
Total liabilities……………………………..…..	794,745	981,956	990,002	872,840	791,305
Preferred stock……………………………...….	9,108	9,108	4,108	2,678	2,303
Total stockholders' equity………………………..	39,302	38,902	32,268	31,899	23,256
Regulatory Capital Data:					
Core capital………………………………………	$ 39,433	$ 34,514	$ 26,953	$ 20,431	$ 18,234
Total capital………………………………………	40,091	35,196	27,487	20,831	18,500
Mortgage Credit Book of Business Data:					
Mortgage portfolio……………………………….	$ 737,889	$ 917,209	$ 908,868	$ 799,779	$ 715,953
Fannie Mae MBS held by third parties……….....	1,598,918	1,408,047	1,300,520	1,040,439	878,039
Other guarantees………………………………...	19,152	14,825	13,168	12,027	16,421
Mortgage credit book of business…………..	$2,355,959	$2,340,081	$2,222,556	$1,852,245	$1,610,413





Source: Item 6: Selected Financial Information

Net Interest Income and Yield

FannieMae

	For the Year Ended December 31,								
	2005			2004			2003		
	Average Balance	Interest	Yield	Average Balance	Interest	Yield	Average Balance	Interest	Yield
	(Dollars in millions)								
Interest-earning assets:									
Mortgage loans…………………………	$ 384,869	$ 20,688	5.38%	$ 400,603	$ 21,390	5.34%	$ 362,002	$ 21,370	5.90%
Mortgage securities	443,270	22,163	5.00	514,529	25,302	4.92	495,219	26,483	5.35
Non-mortgage securities	41,369	1,590	3.84	46,440	1,009	2.17	44,375	1,069	2.41
Federal funds sold and securities purchased under agreements to resell............................	6,415	299	4.66	8,308	84	1.01	6,509	32	0.49
Advances to lenders	4,468	104	2.33	4,773	33	0.69	12,613	110	0.87
Total interest - earning assets	$ 880,391	$ 44,844	5.09	$ 974,653	$ 47,818	4.91	$ 920,718	$ 49,064	5.33
Interest-bearing liabilities:									
Short-term debt	$ 246,733	$ 6,535	2.65%	$ 331,971	$ 4,380	1.32%	$ 318,600	$ 3,967	1.25%
Long-term debt	611,827	26,777	4.38	625,225	25,338	4.05	582,686	25,575	4.39
Federal funds purchased and securities sold under agreements to repurchase	1,552	27	1.74	3,037	19	0.63	6,421	45	0.70
Total interest-bearing liabilities	$ 860,112	$ 33,339	3.88%	$ 960,233	$ 29,737	3.10%	$ 907,707	$ 29,587	3.26%
Impact of net non-interest bearings funding..........................	$ 20,279		0.10	$ 14,420		0.05	$ 13,011		0.05
Net interest income and net interest yield		$ 11,505	1.31%		$ 18,081	1.86%		$ 19,477	2.12%

Key Drivers:

- Higher debt costs due to flattening of the yield curve
- Decrease in portfolio size
- Shift in mix of portfolio assets – greater proportion of ARMs

Source: Table 4

Derivative Fair Value & Purchased Options Premiums Data

FannieMae

Money spent to purchase options

Money spent to terminate derivatives

Net accrued interest on interest rate swaps

Reduction due to net effect of:
- Decrease in swap interest expense
- Portfolio rebalancing
- Lower implied interest rate volatility

New disclosures on options book

	As of December 31, 2005	2004	2003
	(Dollars in millions)		
Beginning net derivative asset (liability)	**$ 5,432**	**$ 3,988**	**$ (3,365)**
Effect of cash payments:			
Fair value at inception of contracts entered into during the period	846	2,998	5,221
Fair value at date of termination of contracts settled during the period [(1)]	879	4,129	1,520
Periodic net cash contractual interest payments	1,632	6,526	5,365
Total cash payments	3,357	13,653	12,106
Income statement impact of recognized amounts:			
Periodic net contractual interest expense accruals on interest rate swaps	(1,325)	(4,981)	(6,363)
Net change in fair value during the period	(3,092)	(7,228)	1,610
Derivatives fair value losses, net	(4,417)	(12,209)	(4,753)
Ending derivative asset	**$ 4,372**	**$ 5,432**	**$ 3,988**
Derivatives fair value gains (losses) attributable to:			
Periodic net contractual interest expense accruals on interest rate swaps	$ (1,325)	$ (4,981)	$ (6,363)
Net change in fair value of terminated derivative contracts from end of prior year to date of termination	(1,434)	(4,096)	(1,103)
Net change in fair value of outstanding derivative contracts, including derivative contracts entered into during the period	(1,658)	(3,132)	2,713
Derivatives fair value losses, net	$ (4,417)	$ (12,209)	$ (4,753)

	Original Premium Payments	Original Weighted Average Life to Expiration	Remaining Weighted Average Life
	(Dollars in Millions)		
Outstanding options as of December 31, 2004	$ 13,230	5.6 years	4.0 years
Purchases	853		
Exercises	(1,027)		
Expirations	(1,398)		
Outstanding options as of December 31, 2005	$ 11,658	6.5 years	4.3 years

(1) The weighted average life in years at termination was approximately 15.5 years, 8.1 years, and 6.7 years for contracts terminated in 2005, 2004, and 2003, respectively. The fair value at date of termination of contracts settled during 2002 totaled $7.6 billion, and had a weighted average life at termination of approximately 5.2 years.

Source: Table 8, Table 9

Guaranty Fee Analysis

FannieMae

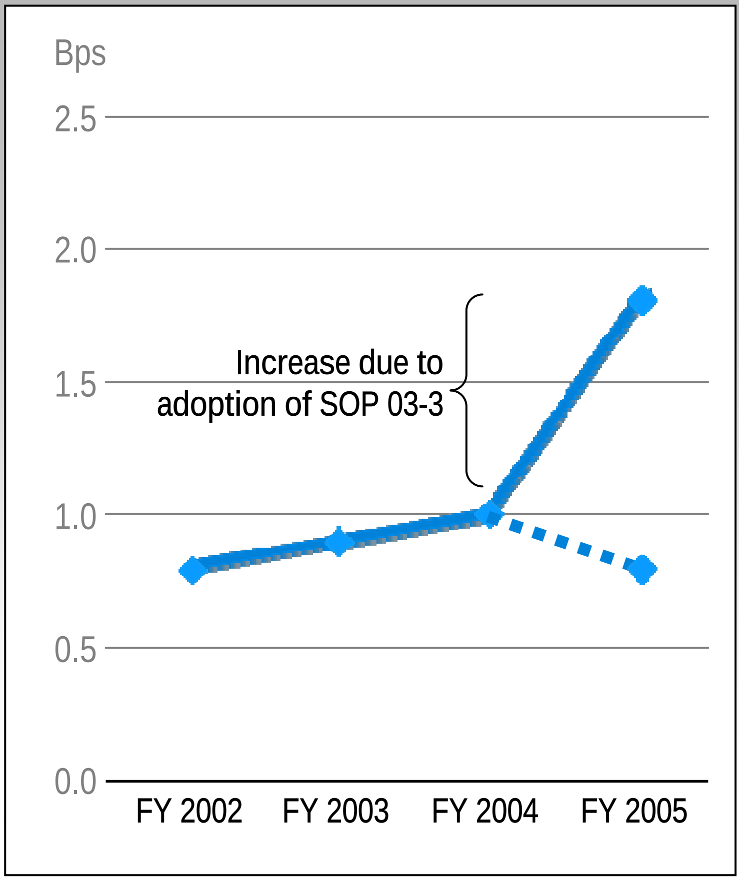
	For the Year Ended December 31,					
	2005		2004		2003	
	Amount	**Rate**	**Amount**	**Rate**	**Amount**	**Rate**
	(Dollars in Millions)					
Guaranty fee income and average effective guaranty fee rate, excluding impairment of buy-ups	$3,828	21.3 bp	$3,640	21.0 bp	$3,474	22.2 bp
Impairment of buy-ups	(49)	(0.3)	(36)	(0.2)	(193)	(1.2)
Guaranty fee income and average effective guaranty fee rate....................	$3,779	21.0 bp	$3,604	20.8 bp	$3,281	21.0 bp
Average outstanding Fannie Mae MBS and other guaranties	$1,797,547		$1,733,060		$1,564,812	
Fannie Mae MBS issues............................	510,138		552,482		1,220,066	

Source: Table 6

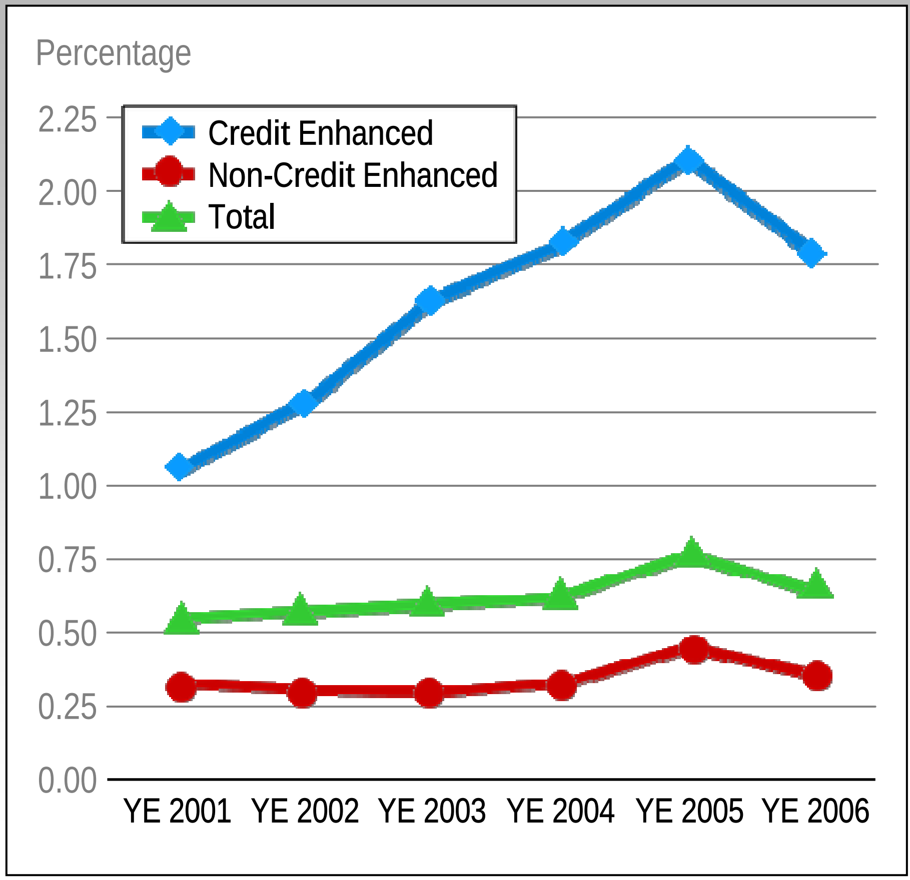
Credit Costs

FannieMae

Credit Losses/Book of Business(1)



Single Family Serious Delinquency Rate(2)



(1) Credit losses include foreclosed property expenses plus net charge-offs.

■ ■ ■ Excluding Impact of SOP 03-3

Under SOP 03-3, we are required to record as an increase in charge-offs the excess of the acquisition price over fair value of loans we purchased from Fannie Mae trusts due to credit deterioration since origination.

Source: Table 26

(2) Greater than 90 days past due

Source: Table 24

Administrative Expenses

($mm)	2005	2004	2003	2002
Salaries and Employee Benefits	$ 959	$ 892	$ 849	$ 679
Professional Services	792	435	238	218
Occupancy Expenses	221	185	166	165
Other Administrative Expenses	143	144	201	94
Total Administrative Expenses	$ 2,115	$ 1,656	$ 1,454	$ 1,156

Increase largely due to restatement and related regulatory examinations, investigations and litigation.

Source: Consolidated Statement of Operation

Change in Estimated Fair Value of Net Assets (Non-GAAP)

	2005	2004
Balance as of January 1	$40,094	$28,393
Capital transactions:		
Common dividends, share repurchases and issuances, net	(943)	(2,165)
Preferred dividends and share issuances, net	(486)	4,760
Capital transactions, net	(1,429)	2,595
Change in estimated fair value of net assets, net of capital transactions	3,534	9,106
Total increase in estimated fair value of net assets	2,105	11,701
Balance as of December 31	$42,199	$40,094

Estimated Fair value of net assets, has grown by $2.1 billion.

Key Drivers:

- Payments of $1.4 billion of dividends to holders of common and preferred stock
- An increase in the fair value of our net guaranty assets of approximately $1.5 billion
- Wider spreads between mortgages and debt suppressed fair value
- Earnings of the corporation

The estimated fair value of our net assets (non-GAAP) represents the estimated fair value of total assets less the estimated fair value of total liabilities. We reconcile the estimated fair value of our net assets (non-GAAP) to total stockholders' equity (GAAP) in the Appendix.

Source: Table 19

APPENDIX

- The following sets forth a reconciliation of the estimated fair value of our net assets (non-GAAP) to total stockholders' equity (GAAP). A more detailed reconciliation is contained in Table 17 of the 2005 Form 10-K.

(Dollars in millions)	As of December 31,	
	2005	2004
Estimated Fair Value of Net Assets, net of tax effect (non-GAAP)	$ 42,199	$ 40,094
Fair value adjustments	(2,897)(1)	(1,192)(2)
Total Stockholders' Equity (GAAP)	$ 39,302	$ 38,902

(1) Represents fair value increase of $1.9 billion to total assets of $834.2 billion plus a fair value decrease of $0.995 billion to total liabilities of $794.7 billion.

(2) Represents fair value increase of $10.7 billion to total assets of $1.0 trillion, less a fair value increase of $9.5 billion to total liabilities of $982.0 billion.