

Fannie Mae Capital Raise Roadshow



May 2008

Disclaimer/Forward-Looking Statements/Risk Factors

This presentation includes forward-looking statements, including statements relating to our future capital position, financial performance and condition, portfolio growth, ability to take advantage of business opportunities, market share and credit losses; our strategy; the fair value of our net assets; and our expectations regarding the housing, credit and mortgage markets, volatility in our results and our future credit loss ratio. Future results may differ materially from what is indicated in these forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, greater than expected delinquencies and credit losses on the mortgages we hold or guaranty; impairments, delinquencies and losses on loans that back our private-label mortgage-related securities investments; further declines in home prices in excess of our current expectations; a recession or other economic downturn; a default by one or more of our significant institutional counterparties on its obligations to us; the loss of business volume from any of our key lender customers; widening of credit spreads; and changes in interest rates, as well as others described in the “Risk Factors” sections in Fannie Mae’s annual report on Form 10-K for the year ended December 31, 2007 (“2007 Form 10-K”), and in its quarterly report on Form 10-Q for the quarter ended March 31, 2008 (“2008 Q1 Form 10-Q”).

Other terms used but not defined in this presentation may be defined in our 2007 Form 10-K or 2008 Q1 Form 10-Q.

Offering Summaries

Issuer:	Fannie Mae
Symbol / Exchange:	FNM / NYSE
Offering Size:	\$2 billion – Common Stock (100% primary) \$2 billion – Mandatory Convertible Preferred (100% primary)
	This offering will be followed in the very near future by an offering of non-cumulative, non-convertible preferred stock.
Over-Allotment Option:	15% on Common Stock and Mandatory Convertible Preferred Stock (100% primary)
Pre-offering Market Capitalization ¹ :	\$29.0 billion
Equity Lock-up:	90 days
Joint Book-Running Managers:	Lehman Brothers, JPMorgan
Expected Pricing:	Week of May 5th

¹ Market data as of May 2, 2008

Transaction Rationale and Investment Highlights

Transaction Rationale

- **Maintain a strong, conservative balance sheet**
 - Build capital to allow Fannie Mae to operate and grow from a position of strength
 - Maintain a prudent capital cushion in a volatile and challenging market through 2008 and 2009
 - Mix of the offering maintains an appropriate ratio of preferred to common equity in our capital structure, injecting highest quality capital in line with current stand-alone rating
 - Dividend reduction will make available an additional \$390 million of capital annually
- **Enhance long-term shareholder value**
 - Current market conditions present investment opportunities to generate high risk-adjusted returns
 - Fannie Mae will deploy capital both opportunistically and judiciously
- **Provide stability to the secondary market**
 - Raising capital now will enable Fannie Mae to continue to play its vital role in support of the U.S. mortgage and housing markets during a period of disruption
 - Recent actions on conforming jumbos, lifting of portfolio cap and reduction in required capital surplus signal policy and regulatory support for Fannie Mae's liquidity mission

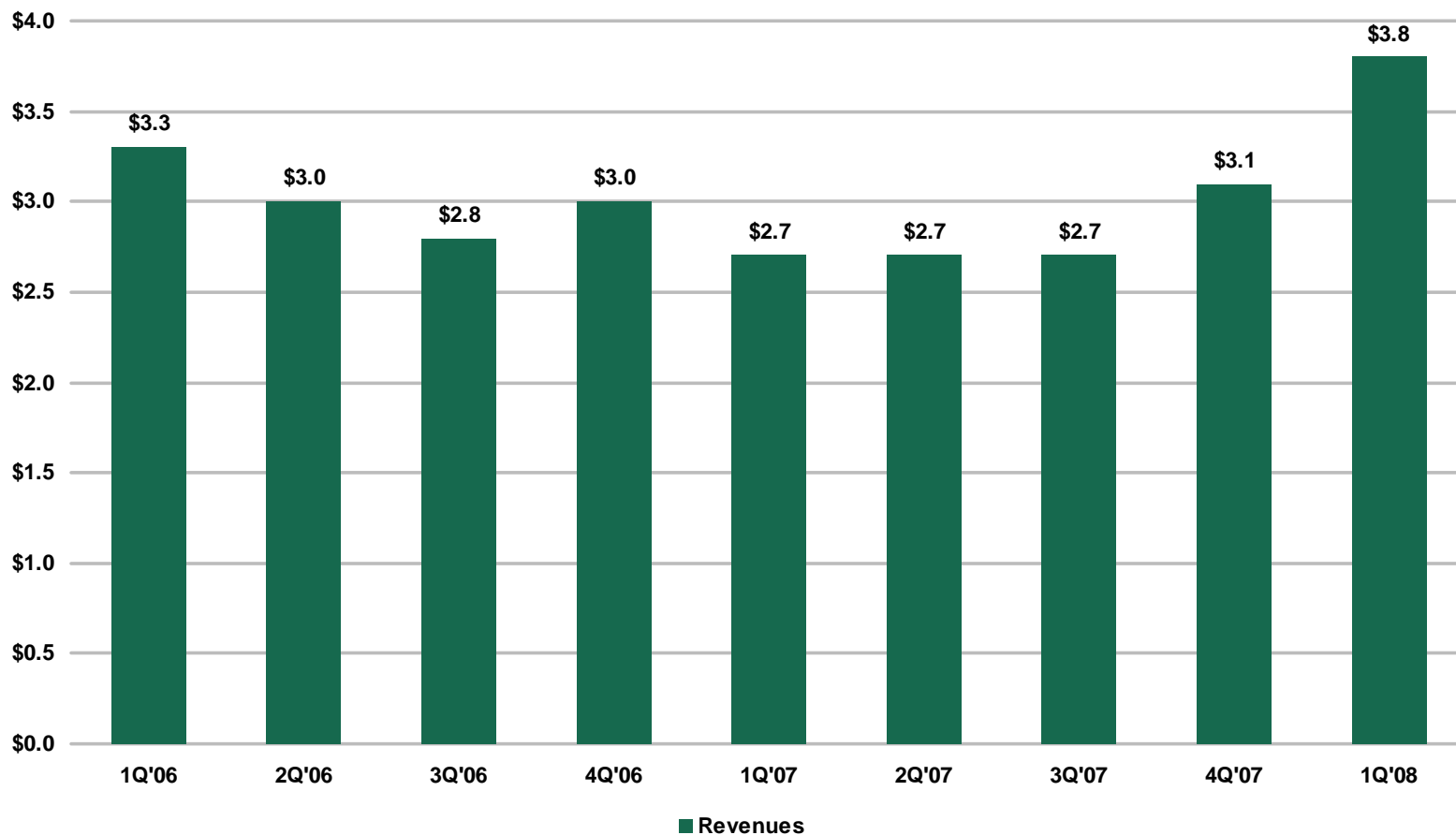
As the #1 industry participant, Fannie Mae is proactively managing through the current credit environment and looking to capitalize on the current investment opportunities in the sector

Investment Highlights

- **Long-term growth and profitability prospects**
 - Rising guaranty fees and net interest yields
 - Highly accretive growth opportunities
 - Improved underwriting
 - Estimated 50% Q1 2008 market share on the issuance of new single-family mortgage-related securities
- **Addressing market-related volatility impact on capital**
 - Implementation and adoption of new accounting standards and business practices should have the effect of reducing market-related impact on capital
- **Aggressive steps to proactively manage credit**
 - Tightened underwriting and eligibility standards, increased loss mitigation efforts, active management of counterparty exposures
- **Strong balance sheet and capital through housing market downturn**
 - Volatility in credit and housing markets dictates the need for a larger capital cushion
- **Compelling investment opportunities in current environment**
- **Strong management team with experience across credit cycles**

Strong, Stable Revenues

Net Revenues
(\$ in billions)



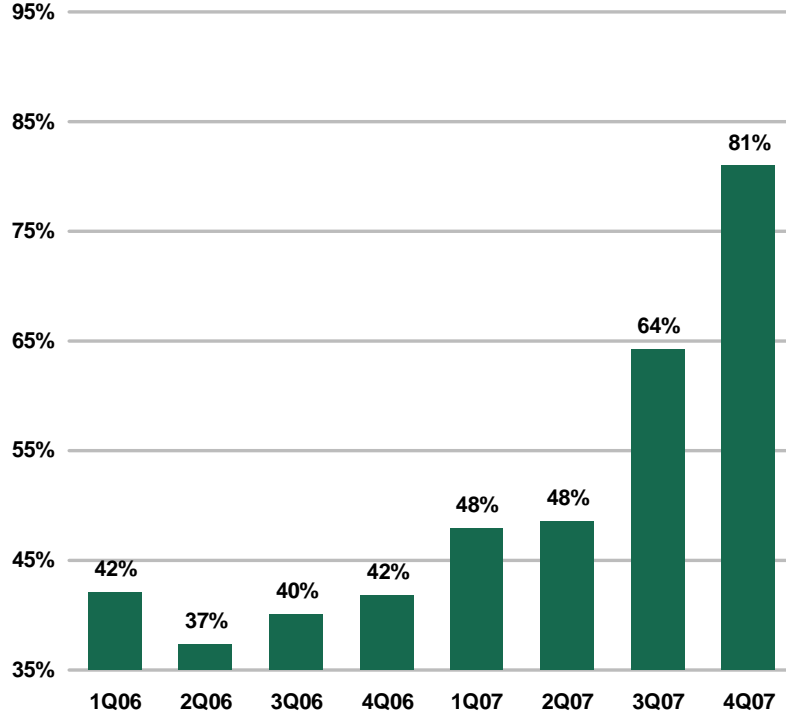
Note: Revenues defined as net interest income plus guaranty fee, trust management, and fee and other income. Certain amounts prior to 2008 Q1 have been reclassified to conform to the current period presentation.

Increased Market Share

- GSE-eligible originations have increased rapidly, as has Fannie Mae's share of the overall single-family mortgage securitization market.

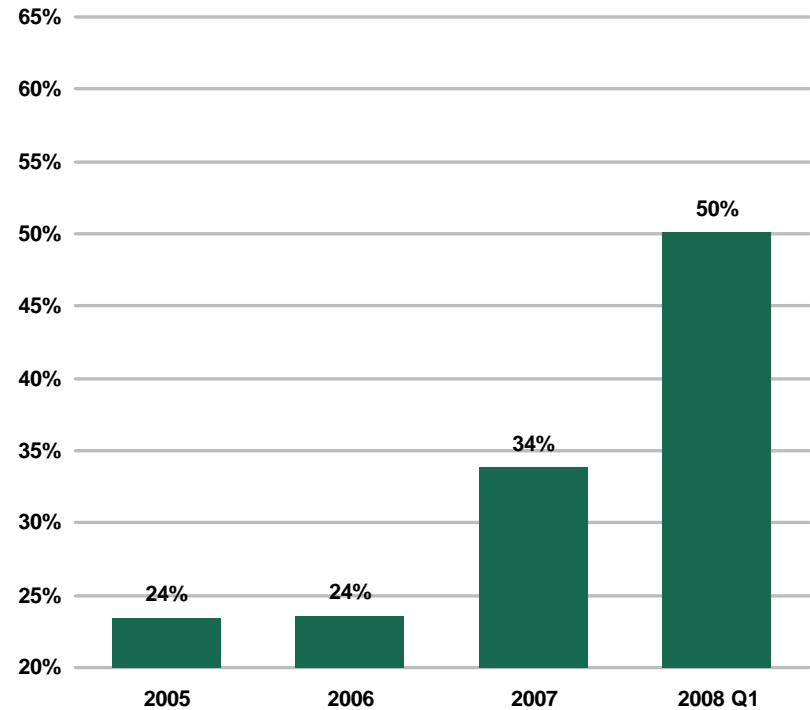
Percentage of GSE Eligible Originations ⁽¹⁾

Conforming Originations as % of Total



Fannie Mae's Market Share ⁽²⁾

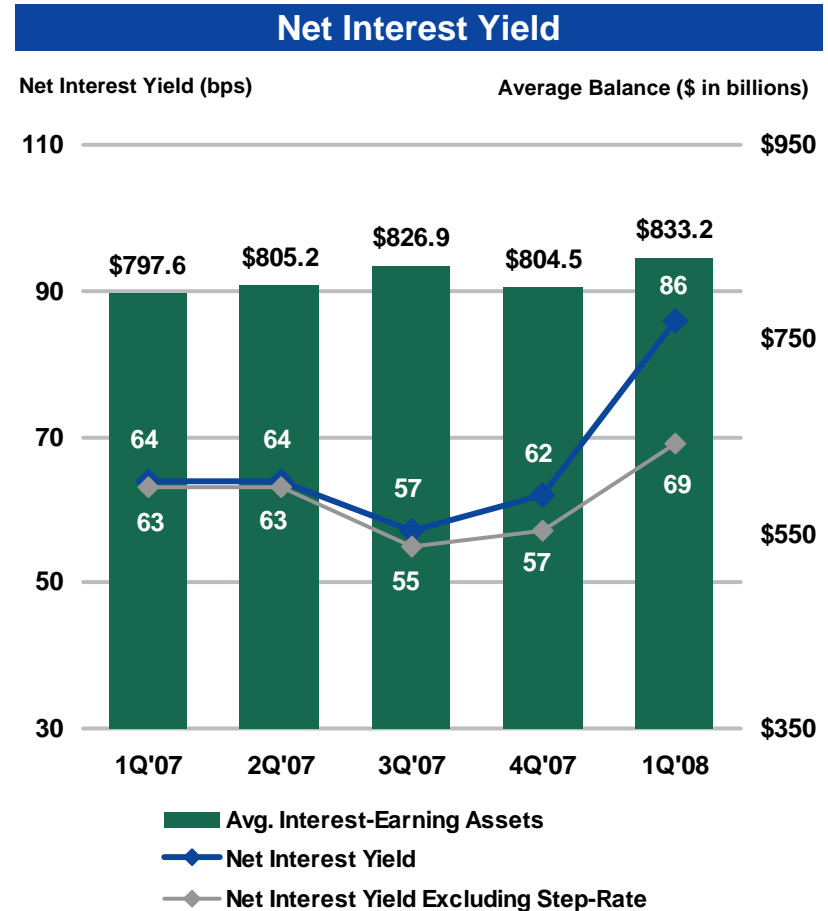
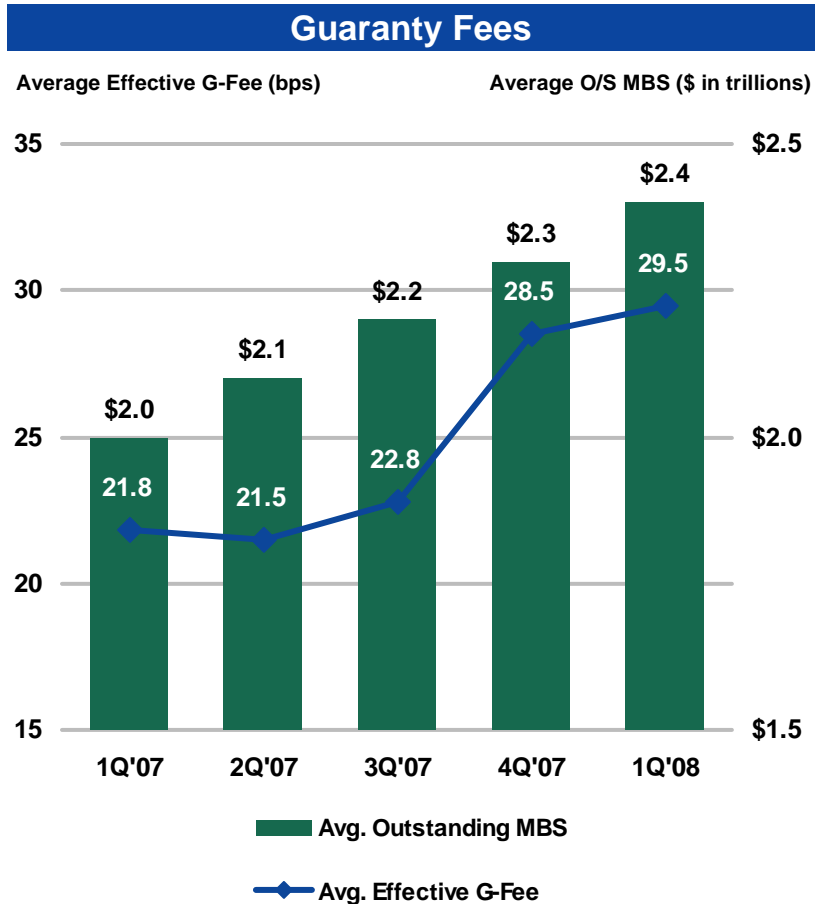
Fannie Mae Market Share



1) Source: Inside Mortgage Finance.

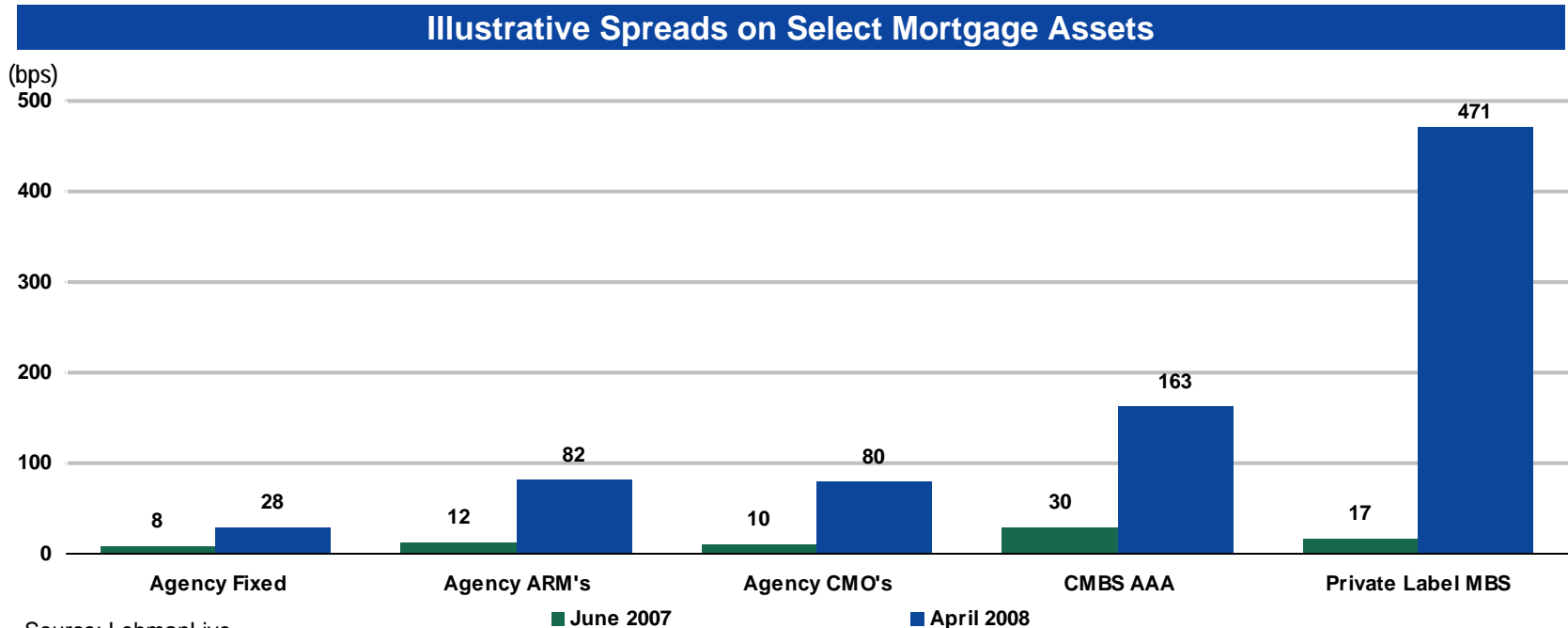
2) Share of new single-family mortgage-related securities issued. Source: Fannie Mae estimate.

Guaranty Fees and Net Interest Yield



- Redemption of step-rate debt added 17 bps on an annualized basis to the net interest yield in the first quarter of 2008. Net interest yield is reflected on a tax-equivalent basis.
- Accretion of previously recognized losses on certain guaranty contracts has contributed to the increase in the average effective G-Fee rate in recent quarters.

Spreads on Mortgage Investments



- Current market presents a wide range of growth opportunities with potential returns at historic highs
- Fannie Mae's low cost of funds should help generate attractive returns on invested capital given the available spreads on mortgage assets
- Fannie Mae will deploy capital both opportunistically and judiciously
 - New business will be committed over time using disciplined standards of evaluating risk

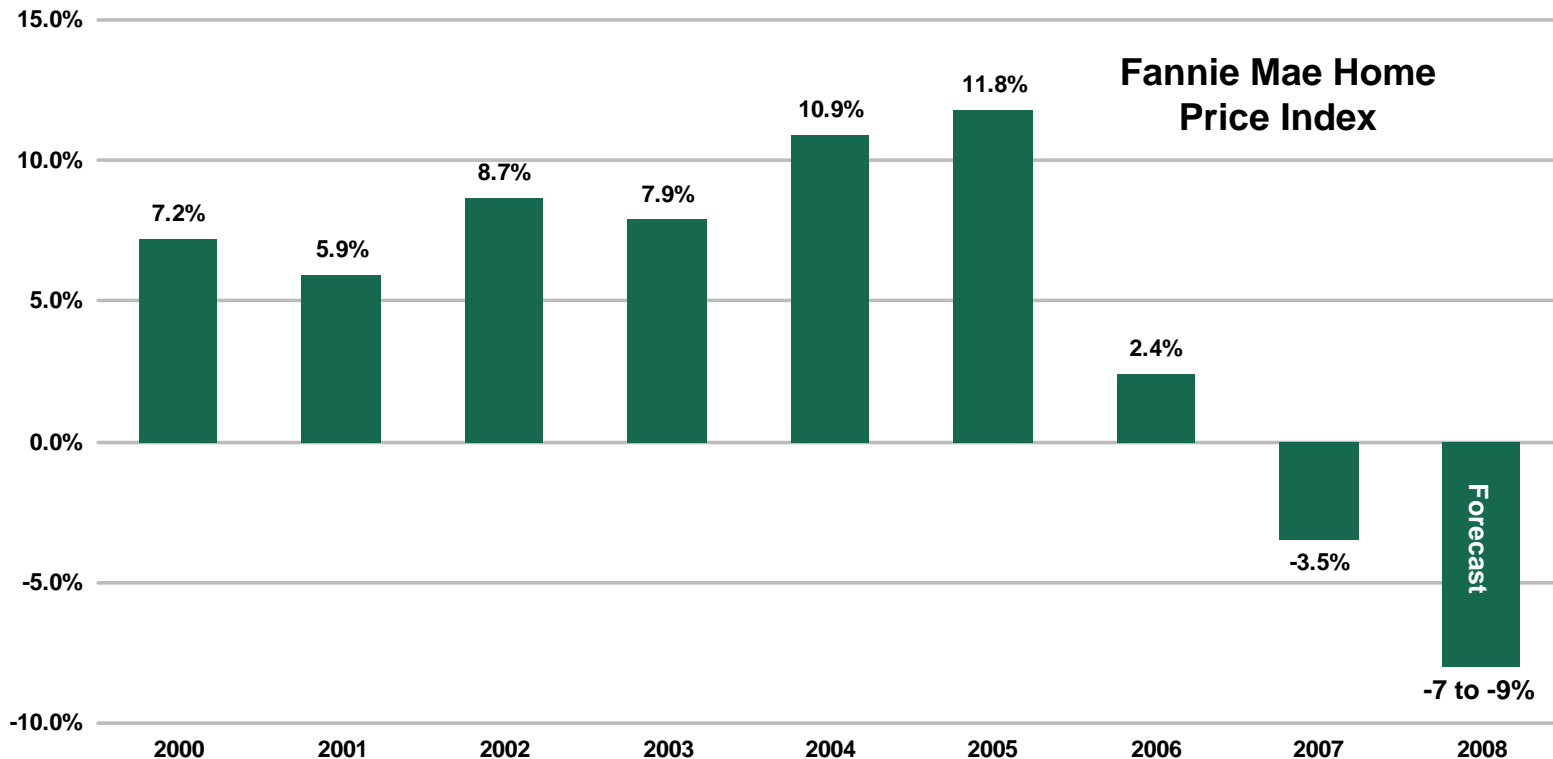
Raising capital now will enable Fannie Mae to strategically invest at attractive returns

Credit

Credit Outlook

- Home prices fell an estimated 3% in Q1, more than previously expected
- New estimate of national home price decline of 7-9% in 2008
 - Projected peak-to-trough decline of 15-19%
- Based on this new estimate and related increases in anticipated severity, we currently expect a credit loss ratio for the full year 2008 to be between 13-17 basis points
- Future credit conditions remain difficult to predict given variability in regional markets and economic uncertainty
 - The company plans capital using stress scenarios that, among other things, assume credit losses that are significantly higher than its current estimates, including default rate assumptions developed from the company's experience with the economic conditions in California in the 1990s, extrapolated for most of the nation
 - We believe credit losses will increase in 2009 relative to 2008

Home Price Growth Rate in the U.S.



	2000	2001	2002	2003	2004	2005	2006	2007
S&P/Case Shiller Index	9.8%	7.7%	10.6%	10.7%	14.6%	14.7%	0.2%	-8.9%

Growth rates are from period-end to period-end.

Note: Using the S&P/Case-Shiller weighting method, but excluding the increased impact of foreclosure sales on that index, our 2008 expected home price decline would be 10-13% (vs. 7-9%); our expected peak-to-trough decline would be 20-25% (vs. 15-19%). The S&P/Case-Shiller Index is value-weighted, whereas the Fannie Mae index is unit-weighted; hence the S&P/Case-Shiller index places greater weight on higher cost metropolitan areas. In addition, the S&P/Case Shiller index includes foreclosure sales; foreclosure sales are excluded from the Fannie Mae index and from this forecast. Foreclosure sales tend to depress the S&P/Case Shiller index relative to the Fannie Mae index.

Fannie Mae Credit Profile by Key Product Features

Credit Characteristics of Single-Family Conventional Mortgage Credit Book of Business

as of March 31, 2008	Overall Book	NegAm	Interest Only	FICO < 620	OLTV > 90%	FICO < 620 and OLTV > 90%	Subprime	Alt-A
UPB (billions)	\$2,605.6	\$20.6	\$214.9	\$128.1	\$268.5	\$30.0	\$8.0	\$310.5
Share of SF Conv Credit Book ⁽¹⁾	100.0%	0.8%	8.2%	4.9%	10.3%	1.2%	0.3%	11.2%
Average UPB	\$144,657	\$148,474	\$238,793	\$127,332	\$138,035	\$120,629	\$152,967	\$173,098
SDQ Rate All Loans	1.15%	2.27%	3.07%	4.86%	3.23%	8.99%	7.42%	2.96%
Origination Year 2005-2007	53.0%	62.0%	87.5%	59.4%	65.8%	70.8%	83.1%	73.9%
Weighted Average OLTV	71.7%	70.9%	75.6%	77.2%	97.4%	98.1%	78.4%	73.0%
OLTV > 90	10.3%	0.3%	9.1%	23.4%	100.0%	100.0%	7.9%	5.6%
Weighted Average MTMLTV	61.8%	66.1%	77.9%	68.7%	88.5%	90.3%	76.2%	69.4%
Weighted Average FICO	721	695	724	588	690	592	622	718
FICO < 620	4.9%	12.0%	1.3%	100.0%	11.2%	100.0%	48.5%	0.7%
Fixed-rate	89.1%	0.1%	40.1%	92.9%	93.8%	96.6%	58.9%	71.2%
Principal Residence	89.8%	71.5%	84.9%	96.9%	97.0%	99.5%	96.4%	77.8%
Condo/Coop	9.1%	13.0%	16.0%	4.8%	9.7%	5.8%	4.9%	10.9%
Credit Enhanced ^{(2) (3)}	21.2%	77.3%	36.4%	37.5%	92.7%	94.9%	71.7%	40.0%
% of 2007 Credit Losses ⁽⁴⁾	100.0%	0.9%	15.3%	18.9%	16.9%	6.2%	1.0%	31.4%
% of 2008 Q1 Credit Losses ⁽⁴⁾	100.0%	1.1%	29.5%	14.0%	17.4%	6.0%	1.4%	42.7%

(1) Subprime and Alt-A are calculated as a percentage of the Single-Family Mortgage Credit Book

(2) Total UPB of loans with credit enhancement/Total UPB of Book (%)

(3) Includes primary mortgage insurance, pool insurance, lender recourse and other credit enhancement

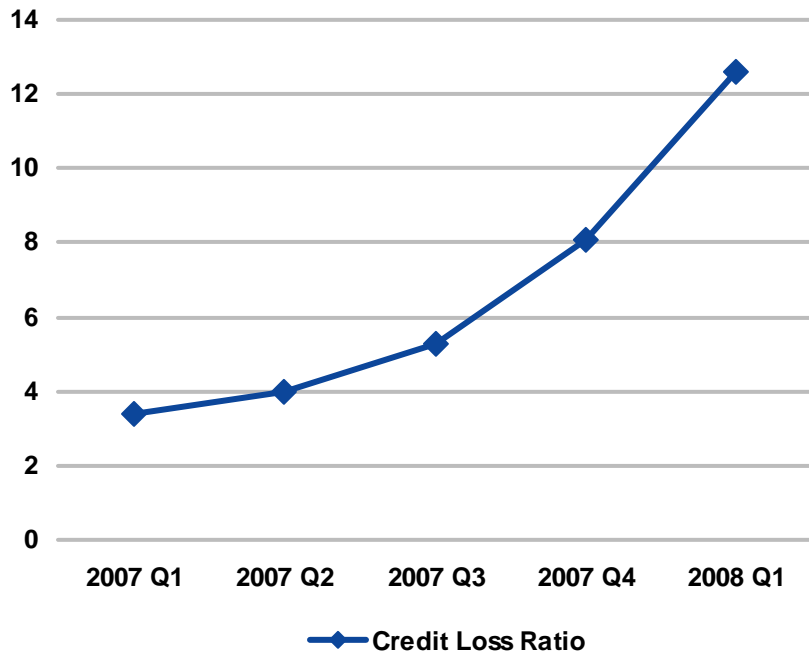
(4) Calculated as a percentage of the Single-Family Mortgage Credit Book credit losses

Note: Categories are not mutually exclusive, so numbers are not additive across columns

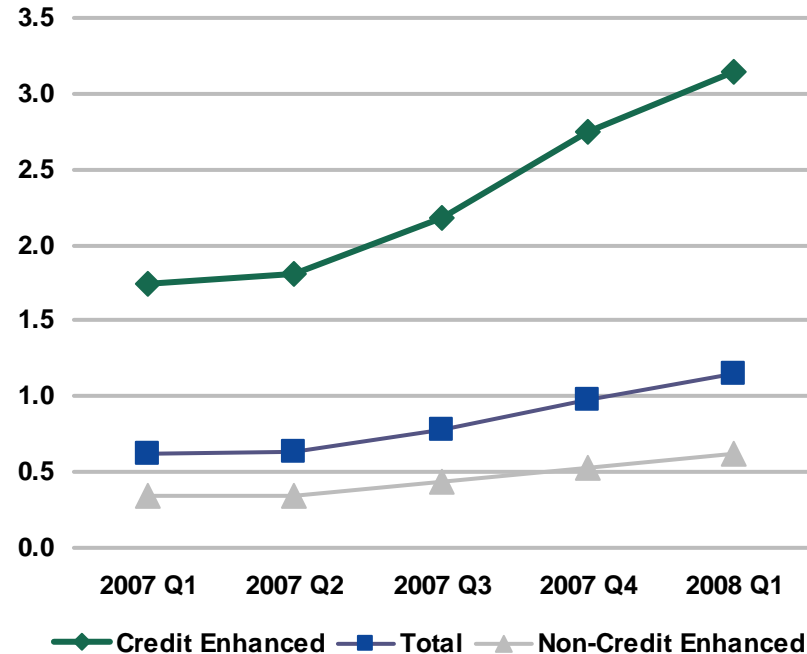
Certain data contained in this presentation are based upon information that Fannie Mae receives from third-party sources. Although Fannie Mae generally considers this information reliable, it does not guarantee that it is accurate or suitable for any particular purpose. Fannie Mae has access to detailed loan-level information on approximately 95% of our conventional single-family mortgage credit book of business. Excludes non-Fannie Mae securities held in portfolio.

Credit Loss Ratio/Delinquency Rates

Credit Loss Ratio (bps)¹



Single-Family Serious Delinquency Rate (%)



¹ Note: Credit loss ratio is defined as [Net charge-offs (excluding impact of SOP 03-3) + Foreclosed Property Expense (excluding impact of SOP 03-3)]/Average Guaranty Book of Business.

Note: As of 3/31/08, 21% of Fannie Mae's Single-Family guaranty book of business was credit enhanced.

- Higher credit loss ratio primarily due to worsening decline in home prices, particularly in California, Florida, Nevada, and Arizona, economic weakness in the Midwest, and rising delinquencies in our Alt-A book and 2006-2007 vintages. Our credit loss ratio excludes the impact of SOP 03-3.

Proactive Credit Management

- **Tightening underwriting and eligibility standards / reduced participation in riskier segments**
 - Stricter eligibility requirements — increasing FICOs, lowering LTVs and increasing documentation requirements
 - Significantly reduced Alt-A acquisitions
- **Increasing loss mitigation efforts**
 - Focused on work-outs
 - Encourage servicers to ramp up work-outs and outreach programs to delinquent borrowers
 - Provide incentives to attorneys and servicers to pursue alternatives to foreclosure
- **Benefiting from credit enhancement on riskier loans; credit enhancement purchased primarily in prior quarters**
- **Actively monitoring counterparties and enhancing counterparty collateral requirements**
 - Credit enhancement providers
 - Servicers

Financial Overview

Consolidated Financial Results

(dollars in millions, except per share amounts)

	<u>2008 Q1</u>	<u>2007 Q4⁽¹⁾</u>	<u>2007 Q3⁽¹⁾</u>	<u>2007 Q2⁽¹⁾</u>	<u>2007 Q1⁽¹⁾</u>
1 Net interest income	\$ 1,690	\$ 1,136	\$ 1,058	\$ 1,193	\$ 1,194
2 Guaranty fee income	1,752	1,621	1,232	1,120	1,098
3 Trust management income	107	128	146	150	164
4 Fee and other income	227	214	217	257	277
5 Net revenues	3,776	3,099	2,653	2,720	2,733
6 Fair value gains (losses), net	(4,377)	(3,439)	(2,087)	1,424	(566)
7 Investment gains (losses), net	(111)	(915)	(154)	(93)	295
8 Losses from partnership investments	(141)	(478)	(147)	(215)	(165)
9 Losses on certain guaranty contracts ⁽²⁾	-	(386)	(294)	(461)	(283)
10 Credit-related expenses	(3,243)	(2,973)	(1,200)	(518)	(321)
11 Administrative expenses	(512)	(651)	(660)	(660)	(698)
12 Other non-interest expenses	(505)	(427)	(95)	(60)	(104)
13 Net losses and expenses	(8,889)	(9,269)	(4,637)	(583)	(1,842)
14 Income (loss) before federal income taxes and extraordinary gains (losses)	(5,113)	(6,170)	(1,984)	2,137	891
15 Benefit (provision) for federal income taxes	2,928	2,623	582	(187)	73
16 Extraordinary gains (losses), net of tax effect	(1)	(12)	3	(3)	(3)
17 Net income (loss)	<u>\$ (2,186)</u>	<u>\$ (3,559)</u>	<u>\$ (1,399)</u>	<u>\$ 1,947</u>	<u>\$ 961</u>
18 Diluted earnings (loss) per common share	<u>\$ (2.57)</u>	<u>\$ (3.80)</u>	<u>\$ (1.56)</u>	<u>\$ 1.86</u>	<u>\$ 0.85</u>

⁽¹⁾ Certain amounts have been reclassified to conform to the current period presentation.

⁽²⁾ 2008 Q1 reflects a change in valuation methodology in conjunction with the adoption of SFAS 157 on January 1, 2008.

Fair Value Items

Effect on Earnings of Significant Market-Based Valuation Adjustments

(dollars in millions)	<u>2008 Q1</u>	<u>2007 Q4</u>	<u>2007 Q3</u>	<u>2007 Q2</u>	<u>2007 Q1</u>
Derivatives fair value gains (losses), net	\$ (3,003)	\$ (3,222)	\$ (2,244)	\$ 1,916	\$ (563)
Gains (losses) on trading securities, net	(1,227)	(215)	290	(501)	61
Debt foreign exchange gains (losses)	(157)	(2)	(133)	9	(64)
Debt fair value gains, net	<u>10</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fair value gains (losses), net	(4,377)	(3,439)	(2,087)	1,424	(566)
SOP 03-3 fair value losses	(728)	(559)	(670)	(66)	(69)
Losses on certain guaranty contracts	<u>-</u>	<u>(386)</u>	<u>(294)</u>	<u>(461)</u>	<u>(283)</u>
Total	<u>\$ (5,105)</u>	<u>\$ (4,384)</u>	<u>\$ (3,051)</u>	<u>\$ 897</u>	<u>\$ (918)</u>

Numbers may not foot due to rounding

Principal reasons for fair value declines:

- Reduced levels of liquidity in the mortgage and credit markets resulted in wider credit spreads creating significant losses - primarily on our CMBS, Subprime, Alt-A, and non-mortgage trading securities.
- Declines in interest rates drove derivative losses with only partial offsets from trading securities.

Addressing market-related volatility impact on capital

- Implemented hedge accounting in April 2008, which should have the effect of reducing capital fluctuations associated with changes in interest rates.
- Eliminated losses on certain guaranty contracts as a result of adoption of SFAS 157 on January 1, 2008.

Credit-Related Expenses/Credit Loss Performance Metrics

(dollars in millions)	2008 Q1		2007 Q4		2007 Q3		2007 Q2		2007 Q1	
	Amount	Rate (bps)	Amount	Rate (bps) ⁽¹⁾	Amount	Rate (bps) ⁽¹⁾	Amount	Rate (bps) ⁽¹⁾	Amount	Rate (bps) ⁽¹⁾
Charge-offs, net of recoveries	\$ 630	9.0	\$ 307	4.6	\$ 197	3.0	\$ 154	2.5	\$ 121	2.0
Foreclosed property expense	250	3.6	233	3.5	146	2.3	96	1.5	85	1.4
Credit losses, excluding the impact of SOP 03-3	880	12.6	540	8.1	343	5.3	250	4.0	206	3.4
SOP 03-3 fair value losses	728	10.5	559	8.3	670	10.5	66	1.1	69	1.2
Impact of SOP 03-3 on charge-offs and foreclosed property expense	(169)	(2.4)	(110)	(1.6)	(62)	(1.0)	(26)	(0.4)	(25)	(0.4)
Credit losses, including the impact of SOP 03-3	1,439	20.7	989	14.8	951	14.8	290	4.7	250	4.2
Increase in allowance for loan losses and reserve for guaranty losses	1,804		1,984		249		228		71	
Credit-related expenses	<u>\$ 3,243</u>		<u>\$ 2,973</u>		<u>\$ 1,200</u>		<u>\$ 518</u>		<u>\$ 321</u>	
Allowance for loan losses and reserve for guaranty losses	\$ 5,195		\$ 3,391		\$ 1,407		\$ 1,158		\$ 930	
Percent of allowance for loan losses and reserve for guaranty losses to the guaranty book of business	0.18%		0.12%		0.05%		0.05%		0.04%	
Single-family serious delinquency rate	1.15%		0.98%		0.78%		0.64%		0.62%	

(1) We previously calculated our credit loss ratio based on annualized credit losses as a percentage of our mortgage credit book of business, which includes non-Fannie Mae mortgage-related securities held in our mortgage investment portfolio that we do not guarantee. Because losses related to non-Fannie Mae mortgage-related securities are not reflected in our credit losses, we revised the calculation of our credit loss ratio to reflect credit losses as a percentage of our guaranty book of business. All ratios are annualized.

Numbers may not foot due to rounding

- Allowance for loan losses and reserve for guaranty losses are influenced by a variety of factors such as delinquency trends, borrower behavior in rapidly declining markets, and the pace and depth of home price declines, which are pronounced in certain regions. We expect to increase our loss reserves during 2008 due to higher delinquencies, defaults and loan loss severities resulting from the continuing deterioration in the housing market.

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