Fannie Mae
2008 Q2 10-Q Investor Summary

August 8, 2008

- These materials present tables and other information about Fannie Mae, including information contained in Fannie Mae's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 ("2008 Q2 Form 10-Q"). These materials should be reviewed together with the 2008 Q2 Form 10-Q, copies of which are 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 is contained in its 2008 Q2 Form 10-Q, which also includes additional information relating to the information contained in this presentation. Footnotes to certain included tables have been omitted but are included in the 2008 Q2 Form 10-Q.

Forward Looking Statements/Risk Factors

This presentation includes forward-looking statements, including statements relating to our future capital position and liquidity, financial performance and condition, ability to take advantage of business opportunities, loss reserves, and credit losses; the fair value of our net assets; 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, our results of operations for the remainder of 2008; further disruptions in the housing, mortgage and capital markets; greater than expected delinquencies, defaults and credit losses on the mortgages we hold or guaranty; changes to U.S. generally accepted accounting principles or practices, including changes that may result in our consolidating more assets and liabilities onto our consolidated balance sheets; any significant limitation on our ability to issue debt at attractive rates; continued or increased impairments, delinquencies and losses on subprime and Alt-A mortgage loans that back our private-label mortgage-related securities investments; a default by one or more of our significant institutional counterparties on its obligations to us; any significant limitation on our ability to realize our deferred tax assets in future periods; the effect on our business of legislation and other regulatory actions; actions taken by our regulators pursuant to the recently-enacted Federal Housing Finance Regulatory Reform Act of 2008; changes in the public's perception of the risks to and financial prospects of our business or industry; the level and volatility of interest rates and credit spreads; further declines in home prices in excess of our current expectations; a recession or other economic downturn; the loss of business volume from any of our key lender customers; and significant events relating to our business or industry, 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 2008 Q2 Form 10-Q and in its reports on Form 8-K.

Other terms used but not defined in this presentation may be defined in our 2007 Form 10-K or 2008 Q2 Form 10-Q.

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2008 Q2 Executive Summary

- **Net loss increased $114 million from ($2.2 billion) in 2008 Q1 to ($2.3 billion) in 2008 Q2. Loss per share decreased $0.03 from ($2.57) in 2008 Q1 to ($2.54) in 2008 Q2 as a result of issuing additional shares of common stock during 2008 Q2.**
  - Net revenues were $4.0 billion, up $189 million, or 5.0%, driven by an increase in net interest income.
  - Fair value gains of $517 million for 2008 Q2 include derivatives gains, partially offset by losses on trading securities and hedged mortgage assets. Additionally, a lower level of trading losses was incurred in 2008 Q2 due to a tightening of spreads.
  - Investment losses, net of $883 million included impairments of AFS securities of $507 million reflecting a reduction in expected cash flows for primarily Alt-A and subprime private-label securities, driven by higher expected defaults and loss severities on the underlying mortgages.
  - Credit-related expenses (provision for credit losses plus foreclosed property expense) increased to $5.3 billion in 2008 Q2 from $3.2 billion in 2008 Q1, primarily driven by higher charge-offs and an increase in our combined loss reserves of $3.7 billion. This reflects higher delinquencies, defaults and average loan loss severities, driven by home price declines and overall economic weakness. For 2008 Q2, the average default rate and average initial charge-off severity rate were 14 basis points and 23%, respectively, compared to 12 basis points and 19% for 2008 Q1, respectively.
  - Tax benefit of $476 million decreased $2.5 billion from prior quarter, due in part to a lower pre-tax loss and a revision of our forecasted annual effective tax rate from 57% in 2008 Q1 to 43% in 2008 Q2.
- **Fannie Mae issued $7.4 billion in new capital during 2008 Q2.**
  - Public offerings of common stock, non-cumulative mandatory convertible preferred stock, and non-cumulative, non-convertible preferred stock.
- **Core capital of $47.0 billion at end of 2008 Q2 is above both our statutory minimum capital requirement, a surplus of $14.3 billion, and the OFHEO-directed minimum capital requirement, a surplus of $9.4 billion.**
- **Updated credit expectations**
  - Currently forecasting a credit loss ratio of 23 to 26 basis points for 2008, as compared to our previous guidance of 13 to 17 bps.
  - Anticipate that our credit loss ratio will increase in 2009 relative to 2008.
  - We expect that 2008 will be our peak year for credit-related expenses as we build our combined loss reserves in anticipation of charge-offs that we expect to incur in 2009 and 2010.
  - We also expect that the total amount of our credit-related expenses will be significant in 2009.
- **Credit and capital management remain a top focus of the company.**
- **Announced additional guaranty fee price increase effective October 1, 2008.**
- **Addressing market-related volatility impact on earnings and capital.**
  - In mid-April 2008, we implemented hedge accounting, which decreased the interest rate volatility in our earnings from derivative mark-to-market changes.

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Management Actions on Capital and Credit

- **Reduction in Quarterly Common Stock Dividend**
  - Reduced from 35 cents per share to 5 cents per share, effective for the third quarter to preserve $1.9 billion in capital through 2009
- **Cost Reductions**
  - Reduced administrative expenses from $3.1 billion in 2006 to an expected approximately $2.0 billion in 2008
  - Ongoing operating expenses to be reduced by 10% by year end 2009
- **Guaranty Fee Increase**
  - Four increases in last twelve months, including a 25 basis point increase in our adverse market delivery charge and other risk-based pricing changes announced August 4, 2008
- **Balance Sheet Activities**
  - Providing market liquidity will be the priority. Purchases to be concentrated in high-spread assets to generate the maximum amount of revenue per dollar of capital
  - Balancing profitable portfolio growth opportunities in the near term with prudent capital conservation through the current housing cycle
- **Credit Risk Management**
  - New underwriting guidelines will eliminate newly originated Alt-A loans
  - Substantial expansion of loss mitigation activities, personnel and initiatives to further increase workouts of problem loans
  - Increase in reviews of defaulted loans to pursue recoveries from lenders, focusing especially on our Alt-A book
  - Opening offices in Florida and California to manage the sales of REO properties in those states

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Federal Housing Finance Regulatory Reform Act of 2008

- **Creates an independent agency, the Federal Housing Finance Agency (FHFA), to regulate Fannie Mae, Freddie Mac, and the FHLBs, which is responsible for mission and safety and soundness oversight.**
- **New Regulatory Authorities**
  - *Capital:* FHFA may increase Fannie Mae's minimum and risk-based capital requirements.
  - *Portfolio:* FHFA must set standards for oversight of our portfolio holdings, and may require us to dispose of or acquire assets.
  - *Products:* Fannie Mae must obtain FHFA's approval before initially offering a product.
- **Affordable Housing Mission**
  - *Goals*: For 2010 and thereafter, FHFA will establish three single-family home purchase goals, one single-family refinance goal, and one multifamily goal for low-income families. For 2009, the 2008 goals will remain in effect, except that FHFA may make adjustments consistent with market conditions.
  - *Duty to Serve*: For 2010 and thereafter, Fannie Mae must provide market leadership in developing loan products and flexible underwriting guidelines for manufactured housing, affordable housing preservation, and rural housing.
  - *Allocations*: Fannie Mae must allocate an amount each year equal to 4.2 bps for each dollar of UPB of our total new business purchases, to fund certain government programs.
- **Other Provisions**
  - *Loan Limits*: Fannie Mae's loan limit in high cost areas is permanently increased to the lower of 115% of the area median house price or 150% of the conforming loan limit, currently $625,500. This permanent increase becomes effective on January 1, 2009, when the temporary high cost area loan limits set by the Economic Stimulus Act of 2008 expire.
  - *Treasury Authority*: Until December 31, 2009, the U.S. Treasury may buy Fannie Mae obligations and other securities, on such terms and in such amounts as Treasury may determine, subject to Fannie Mae's agreement.

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Consolidated Financial Results

(dollars in millions, except per share amounts)	Detail on slide:	2008 Q2	2008 Q1	2007 Q4 [1]	2007 Q3 [1]	2007 Q2 [1]
1 Net interest income	8	$ 2,057	$ 1,690	$ 1,136	$ 1,058	$ 1,193
2 Guaranty fee income	9	1,608	1,752	1,621	1,232	1,120
3 Trust management income		75	107	128	146	150
4 Fee and other income		225	227	214	217	257
5 Net revenues		**3,965**	**3,776**	**3,099**	**2,653**	**2,720**
6 Fair value gains (losses), net	11,12	517	(4,377)	(3,439)	(2,087)	1,424
7 Investment losses, net	19	(883)	(111)	(915)	(154)	(93)
8 Losses from partnership investments		(195)	(141)	(478)	(147)	(215)
9 Losses on certain guaranty contracts [2]		-	-	(386)	(294)	(461)
10 Credit-related expenses	14	(5,349)	(3,243)	(2,973)	(1,200)	(518)
11 Administrative expenses		(512)	(512)	(651)	(660)	(660)
12 Other non-interest expenses		(286)	(505)	(427)	(95)	(60)
13 Net losses and expenses		**(6,708)**	**(8,889)**	**(9,269)**	**(4,637)**	**(583)**
14 Income (loss) before federal income taxes and extraordinary gains (losses)		(2,743)	(5,113)	(6,170)	(1,984)	2,137
15 Benefit (provision) for federal income taxes		476	2,928	2,623	582	(187)
16 Extraordinary gains (losses), net of tax effect		(33)	(1)	(12)	3	(3)
17 Net income (loss)		**$ (2,300)**	**$ (2,186)**	**$ (3,559)**	**$ (1,399)**	**$ 1,947**
18 Diluted earnings (loss) per common share		$ (2.54)	$ (2.57)	$ (3.80)	$ (1.56)	$ 1.86

[1] Certain amounts have been reclassified to conform to the current period presentation.

[2] 2008 amounts reflect a change in valuation methodology in conjunction with the adoption of SFAS 157 on January 1, 2008.

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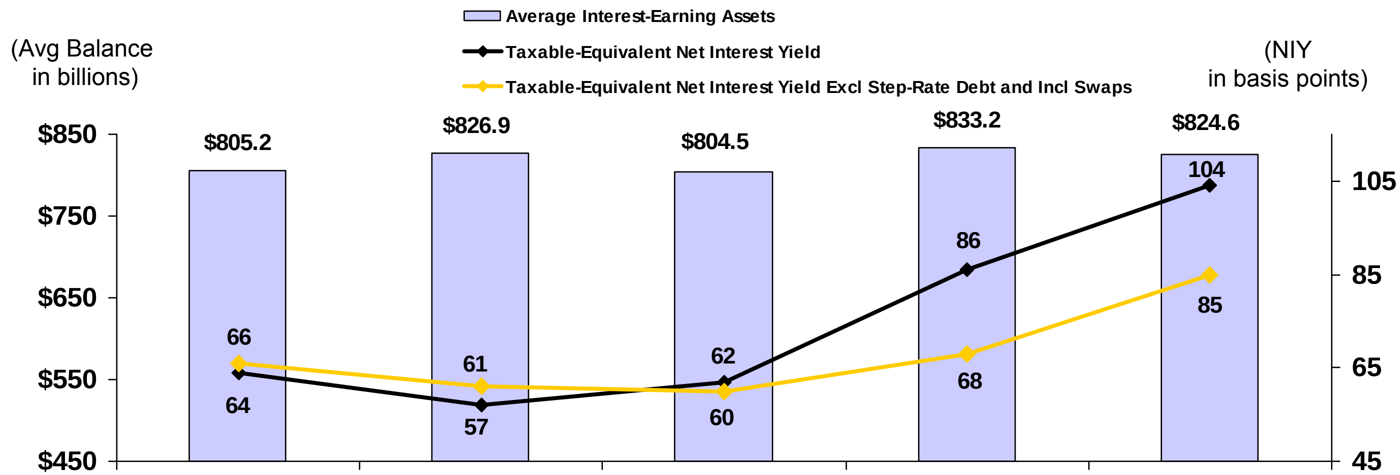
Taxable-Equivalent Net Interest Income (NII) and Net Interest Yield (NIY)



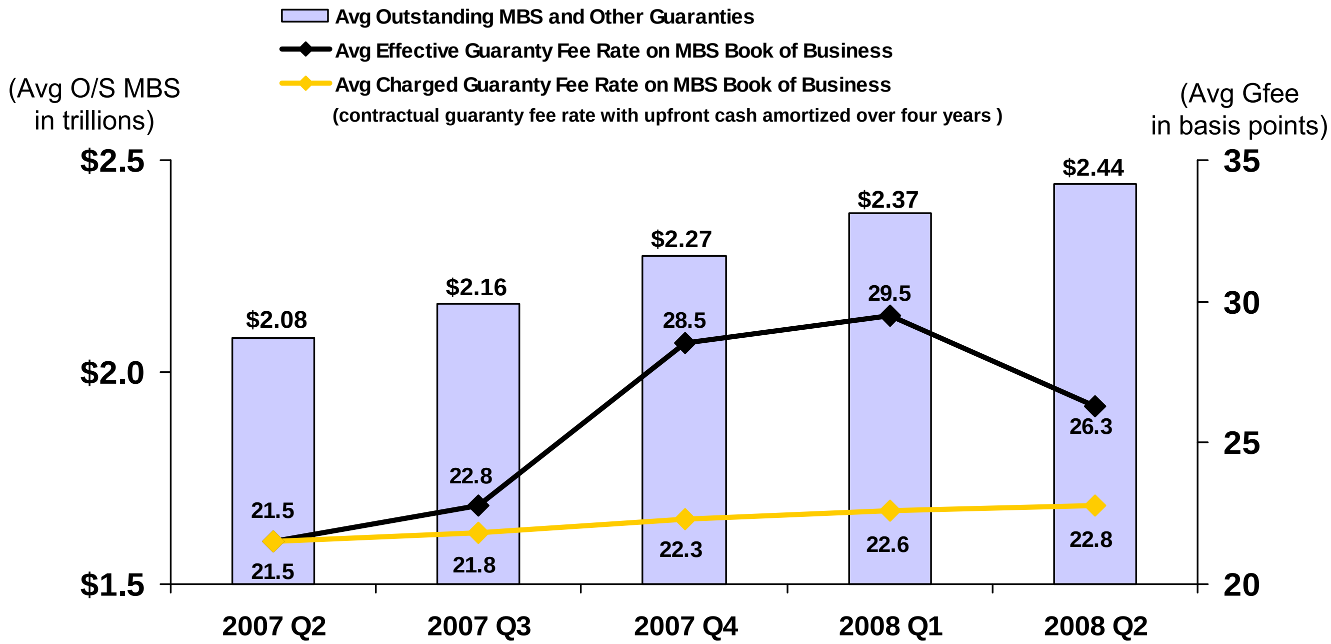
(dollars in millions)	2007 Q2 NII	2007 Q2 NIY(bps)	2007 Q3 NII	2007 Q3 NIY(bps)	2007 Q4 NII	2007 Q4 NIY(bps)	2008 Q1 NII	2008 Q1 NIY(bps)	2008 Q2 NII	2008 Q2 NIY(bps)
Contractual NII/NIY	$ 1,209	61	$ 1,207	59	$ 1,353	68	$ 1,507	72	$ 2,013	98
Amortization income (expense), net [(1)]	(16)	(1)	(149)	(7)	(217)	(10)	183	10	44	2
GAAP NII/NIY	1,193	60	1,058	52	1,136	58	1,690	82	2,057	100
Taxable-equivalent adjmt (tax rate of 35%)	90	4	87	5	85	4	83	4	82	4
Taxable-equivalent NII/NIY	1,283	64	1,145	57	1,221	62	1,773	86	2,139	104
Less: step-rate debt interest reversal	(19)	(1)	(28)	(1)	(96)	(5)	(347)	(17)	(85)	(4)
Taxable-equivalent NII/NIY excl step-rate debt	$ 1,264	63	$ 1,117	56	$ 1,125	57	$ 1,426	69	$ 2,054	100
Swap interest income (expense) accruals	$ 64	3	$ 95	5	$ 68	3	$ (26)	(1)	$ (304)	(15)

[(1)] Includes amortization and accretion of premiums, discounts and other cost basis adjustments, accretion of SOP 03-3 fair value losses, and the interest expense adjustment from the call of step-rate debt.

- We recognize net contractual interest income (expense) on interest rate swaps, which has an economic effect on our funding costs. However, this interest is not reflected in net interest income or in the net interest yield, but instead is recorded as a component of fair value gains (losses).
- SOP 03-3 accretion increased net interest income and the net interest yield by $53 million and 3 bps in 2008 Q2, $35 million and 2 bps in 2008 Q1, $38 million and 2 bps in 2007 Q4, $21 million and 1 bp in 2007 Q3, and $14 million and 1 bp in 2007 Q2, respectively.

Increase in taxable-equivalent net interest yield reflects the benefits of lower short-term interest rates.

Guaranty Fee Income



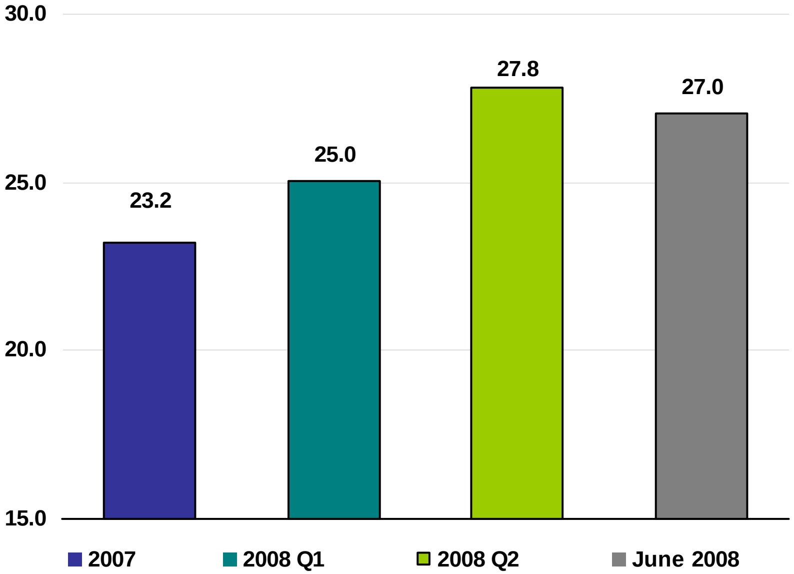
	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2
Guaranty Fee Income ($M)	$1,120	$1,232	$1,621	$1,752	$1,608

- Decrease in average effective guaranty fee rate for 2008 Q2 reflects a reduction in amortization of deferred income due to the increase in interest rates and slower prepayment assumptions in the quarter.
- Price changes went into effect on March 1, 2008 and June 1, 2008. The impact of price increases was partially offset by a significant decline in acquisitions of higher-risk, higher-priced product, such as Alt-A.
- On August 4, 2008, we announced additional price increases, including a 25 basis point increase in our adverse market delivery charge and other risk-based pricing changes effective October 1, 2008.
- Accretion of deferred amounts on guaranty contracts where we previously recognized losses at the inception of the contract increased guaranty fee income by $127 million in 2008 Q2, $297 million in 2008 Q1, $276 million in 2007 Q4, $144 million in 2007 Q3, and $91 million in 2007 Q2.
- Net guaranty obligation at the end of 2008 Q2 of $6.2 billion will effectively accrete into guaranty fee income over time.

Lower amortization income due to interest rate increase resulted in lower guaranty fee income in 2008 Q2.

Single-Family Pricing and Credit – Flow Business

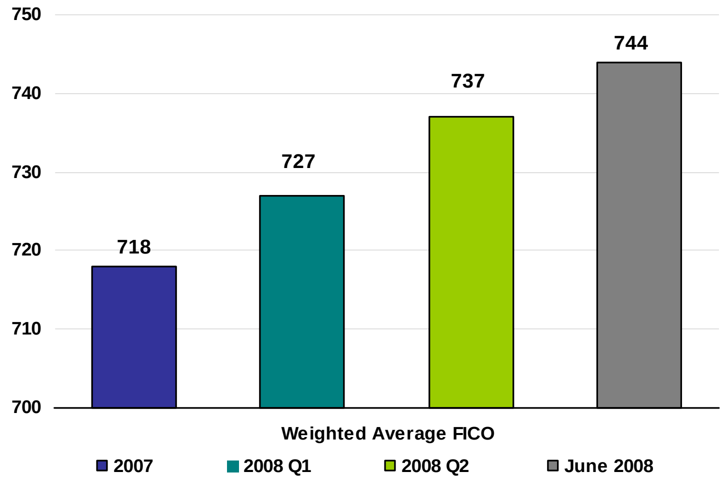
Average Charged Guaranty Fee Rate on New Flow Business



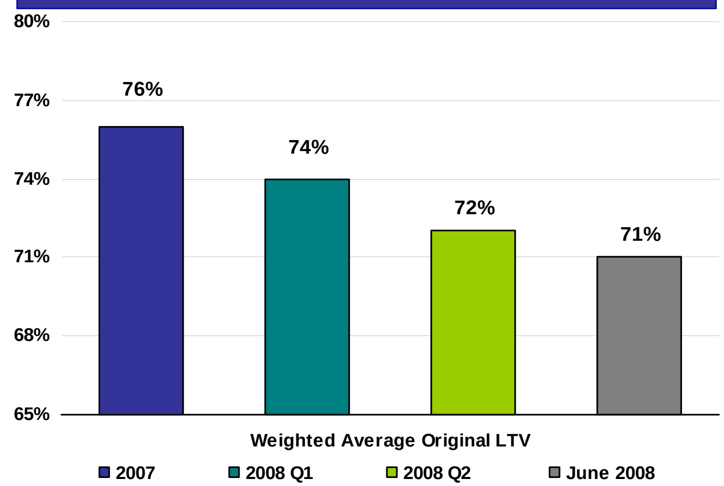
Note: Average charged guaranty fee rate includes contractual guaranty fee with upfront cash amortized over four years.

- Data in each chart includes Fannie Mae's "flow" business only.
- Average charged fee in June 2008 reflects the reduction in higher risk, higher fee loan products.

Credit Score – All Conventional Products



LTV Ratio – All Conventional Products



Improved credit and pricing metrics on new acquisitions.

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Fair Value Items

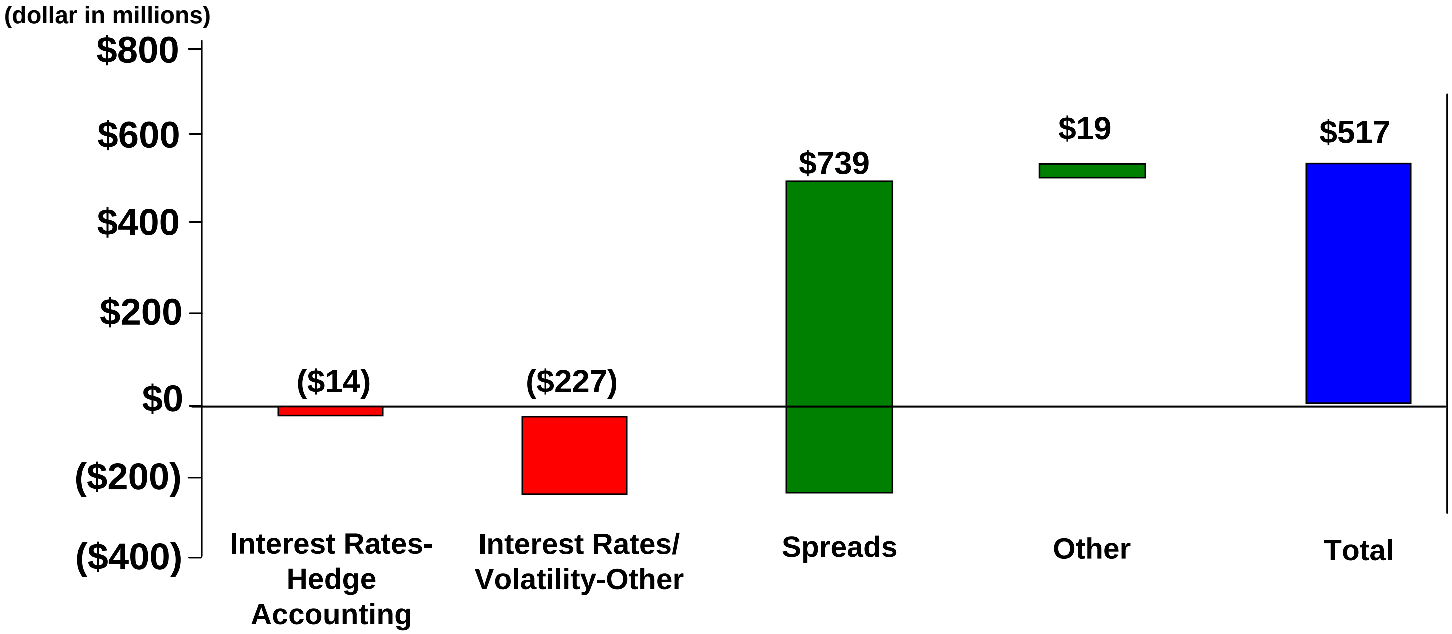
Effect on 2008 Q2 Results of Operations of Significant Market-Based Valuation Adjustments

(dollars in millions)	2008 Q2	2008 Q1	2007 Q4	2007 Q3	2007 Q2
Derivatives fair value gains (losses), net	$ 2,293	$ (3,003)	$ (3,222)	$ (2,244)	$ 1,916
Hedged mortgage assets losses, net	(803)	-	-	-	-
Trading securities gains (losses), net	(965)	(1,227)	(215)	290	(501)
Debt foreign exchange gains (losses), net	(12)	(157)	(2)	(133)	9
Debt fair value gains, net	4	10	-	-	-
Fair value gains (losses), net	517	(4,377)	(3,439)	(2,087)	1,424
SOP 03-3 fair value losses	(380)	(728)	(559)	(670)	(66)
Losses on certain guaranty contracts	-	-	(386)	(294)	(461)
Total	$ 137	$ (5,105)	$ (4,384)	$ (3,051)	$ 897

- **Reduced market-related volatility impact of fair value items on earnings and capital:**
  - Implemented hedge accounting in mid-April 2008, which had the effect of reducing the volatility in earnings due to our derivatives mark-to-market associated with changes in interest rates.
    - Net derivatives fair value gains recorded for the quarter were largely offset by net losses on trading securities and hedged mortgage assets, which were driven by an increase in interest rates in the quarter.
  - The lower level of net losses on trading securities reflects the tightening of spreads in 2008 Q2.
  - Losses on certain guaranty contracts were eliminated as a result of adopting SFAS 157 on January 1, 2008.
  - In connection with adoption of SFAS 159 on January 1, 2008, selected agency MBS were moved to mark-to-market accounting to reduce the impact of changing interest rates on derivatives mark-to-market.

Fair Value Items

2008 Q2 Estimated Attribution of Fair Value Gains, Net



(dollars in millions)

Derivatives	$	789	$	1,477	$	-	$	27	$	2,293
Trading		-		(1,704)		739		-		(965)
Hedging		(803)		-		-		-		(803)
Other		-		-		-		(8)		(8)
Total	$	(14)	$	(227)	$	739	$	19	$	517

Hedge accounting and trading assets reduced volatility caused by changes in interest rates during the quarter. Spread risk remains in the trading portfolio.

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Spread Sensitivity in Mortgage Securities Trading Portfolio

(dollars in millions)
gains (losses) pre-tax

Product	As of June 30, 2008 Fair Value	As of June 30, 2008 Spread Sensitivity (OAS + 1 bp) [1]	As of March 31, 2008 Fair Value	As of March 31, 2008 Spread Sensitivity (OAS + 1 bp) [1]
Trading portfolio mortgage securities				
Fixed Rate MBS	$ 37,322	$ (14)	$ 39,325	$ (12)
Agency CMOs	12,264	(6)	12,270	(6)
CMBS	10,461	(6)	10,936	(6)
ARM MBS	6,709	(2)	7,083	(1)
PLS	6,558	(2)	6,981	(2)
Municipals bonds	717	(1)	779	(1)
Total	$ 74,031	$ (31)	$ 77,374	$ (28)

[1] Reflects change in fair value from a 1 basis point increase in option-adjusted spreads (OAS).

Changes in spreads on trading securities have an impact on income and capital.

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Credit-Related Expenses/Credit Loss Performance Metrics

(dollars in millions)	2008 Q2 Amount	2008 Q2 Rate (bps) [1]	2008 Q1 Amount	2008 Q1 Rate (bps) [1]	2007 Q4 Amount	2007 Q4 Rate (bps) [1] [2]	2007 Q3 Amount	2007 Q3 Rate (bps) [1] [2]	2007 Q2 Amount	2007 Q2 Rate (bps) [1] [2]
Charge-offs, net of recoveries [3]	$ 945	13.2	$ 630	9.0	$ 307	4.6	$ 197	3.0	$ 154	2.5
Foreclosed property expense [3]	308	4.3	250	3.6	233	3.5	146	2.3	96	1.5
Credit losses, excluding the impact of SOP 03-3 and HSA	**1,253**	**17.5**	**880**	**12.6**	**540**	**8.1**	**343**	**5.3**	**250**	**4.0**
SOP 03-3 and HSA fair value losses	494	6.9	728	10.5	559	8.3	670	10.5	66	1.1
Impact of SOP 03-3 and HSA on charge-offs and foreclosed property expense	(129)	(1.8)	(169)	(2.4)	(110)	(1.6)	(62)	(1.0)	(26)	(0.4)
Credit losses, including the impact of SOP 03-3 and HSA	**1,618**	**22.6**	**1,439**	**20.7**	**989**	**14.8**	**951**	**14.8**	**290**	**4.7**
Increase in allowance for loan losses and reserve for guaranty losses	3,731		1,804		1,984		249		228	
Credit-related expenses	**$ 5,349**		**$ 3,243**		**$ 2,973**		**$ 1,200**		**$ 518**	
Allowance for loan losses and reserve for guaranty losses	$ 8,926		$ 5,195		$ 3,391		$ 1,407		$ 1,158	
Percent of allowance for loan losses and reserve for guaranty losses to the guaranty book of business	0.31%		0.18%		0.12%		0.05%		0.05%	
Coverage ratio [4]	2.4		2.1		2.8		1.8		1.9	
Single-family serious delinquency rate	1.36%		1.15%		0.98%		0.78%		0.64%	

[1] Rates are annualized.

[2] 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.

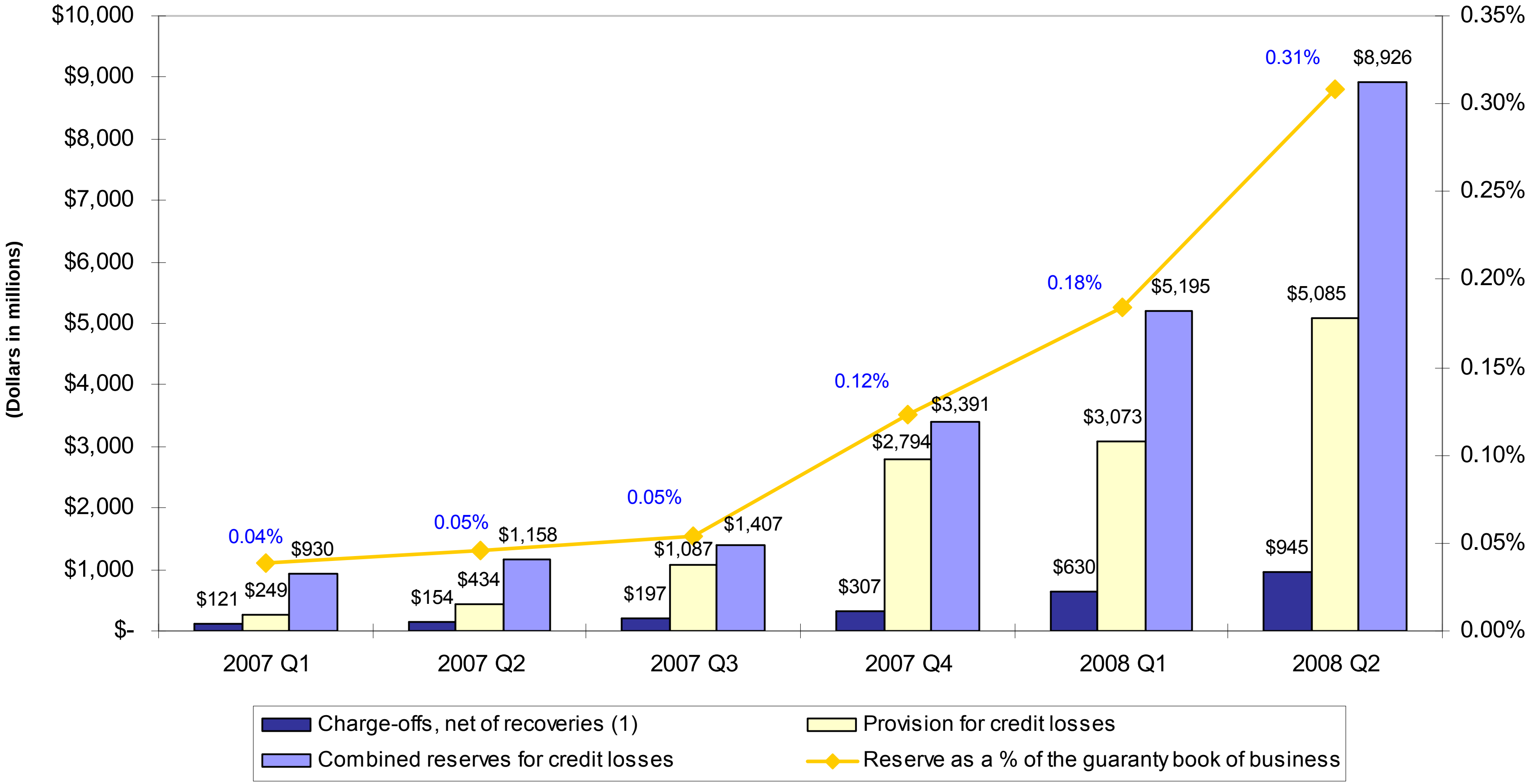
[3] Excludes estimated impact of SOP 03-3 and HomeSaver Advance (HSA).

[4] Allowance for loan losses and reserve for guaranty losses divided by annualized net charge-offs (excluding SOP 03-3 and HSA).

- Credit loss ratio (excluding the impact of SOP 03-3 and HomeSaver Advance) increased to 17.5 bps in 2008 Q2 from 12.6 bps in 2008 Q1.
- 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, particularly pronounced in certain regions.
- We expect our 2008 credit loss ratio to be within a range of 23 to 26 bps. We expect that our credit loss ratio will increase in 2009 relative to 2008.
- We expect our credit-related expenses to peak in 2008. We expect that the majority of the credit-related expenses that we will realize from our 2006 and 2007 vintages will be recognized by the end of 2008 through the combination of charge-offs, foreclosed property expense, and increases to our combined loss reserves, although we expect that the total amount of our credit-related expenses will be significant in 2009.

Allowance for loan losses and reserve for guaranty losses grew as a result of the continued decline in home prices, which resulted in higher delinquencies, defaults and average loan loss severity. Credit remains a key focus of the company.

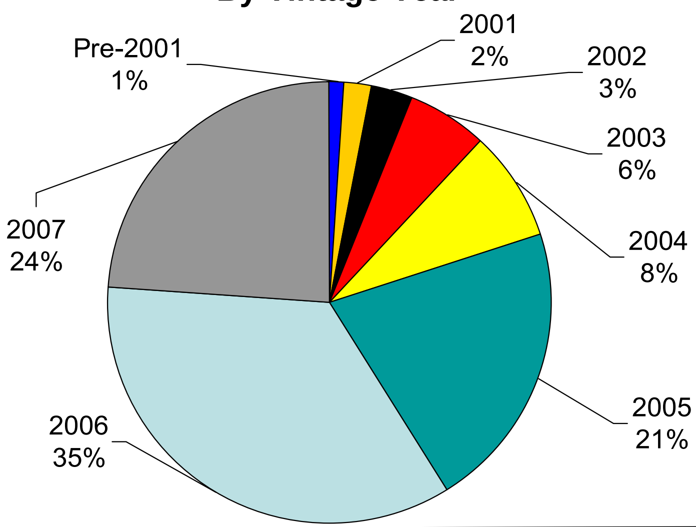
Allowance for Loan Losses and Reserve for Guaranty Losses



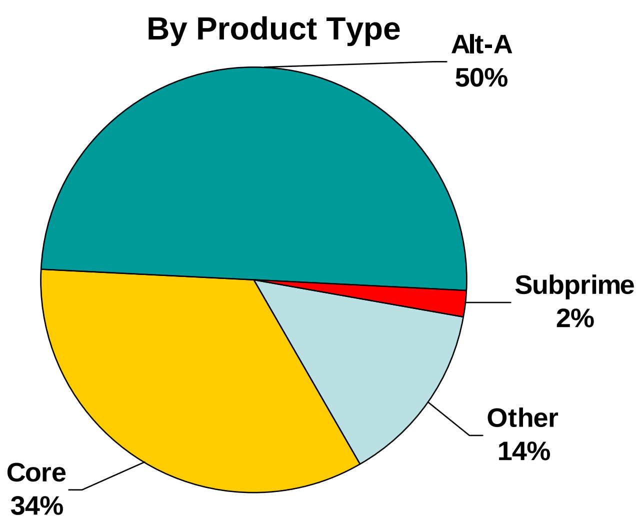
(1) Excludes the impact of SOP 03-3 and HSA.

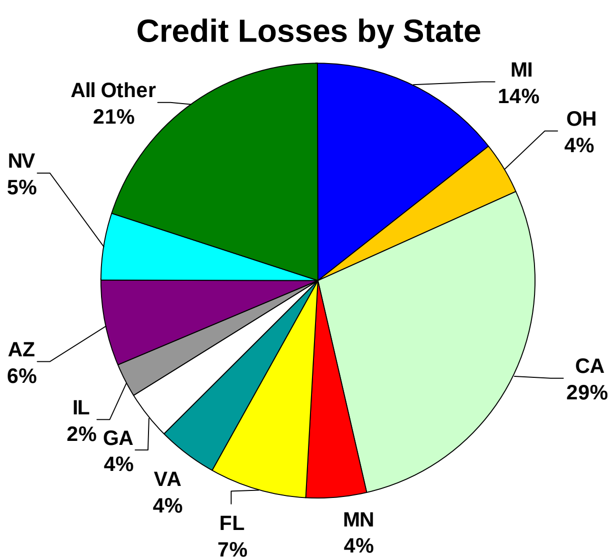
Substantial increase in combined loss reserves in 2008 Q1 and Q2.

Single-Family Credit Losses for 2008 Q2 By Vintage/Product



- The 2006 and 2007 books are performing significantly worse than typical given their age, primarily as a result of loans that were originated at peak home prices.
- Losses from Alt-A products increased, making up almost 50% of total credit losses.
- California has surpassed Michigan to represent the largest credit losses in 2008 Q2 due to higher loan balances and representation of Alt-A.





Credit losses increased due to continued home price declines and overall economic weakness.

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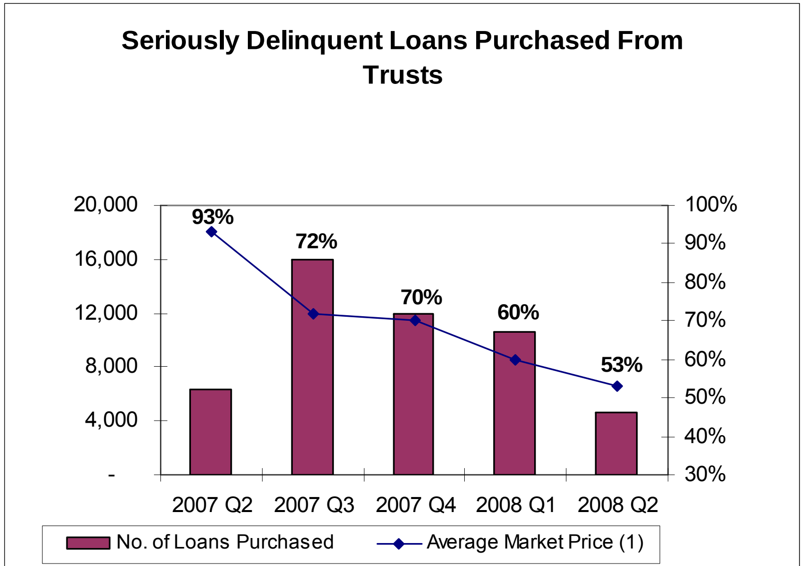
Losses on Seriously Delinquent Loans Purchased from Trusts/Cure Rates



(1) Includes value of primary mortgage insurance

Re-performance Rates of Seriously Delinquent Single-Family Loans Purchased from MBS Trusts

	Period Loans Purchased from MBS Trusts *						
	2008 Q2	2008 Q1	2007 Q4	2007 Q3	2007 Q2	2007	2006
Cured [1]	45%	60%	48%	37%	52%	46%	66%
Defaults [2]	2%	5%	16%	31%	21%	24%	23%
90 days or more delinquent	53%	35%	36%	32%	27%	30%	11%
Total	100%	100%	100%	100%	100%	100%	100%

* Status as of June 30, 2008.

(1) In our experience, it generally takes at least 18 to 24 months to assess the ultimate re-performance of a delinquent loan. Accordingly, these re-performance statistics as of June 30, 2008 for delinquent loans purchased from MBS trusts during 2008 and 2007 may not be indicative of the ultimate long-term performance of these loans.

Cured consists of loans cured with and without modification. Loans that are cured without modification consist of the following: (1) loans that are brought current without modification; (2) loans that are paid in full; (3) loans that are repurchased by lenders; (4) loans that have not been modified but are returned to accrual status because they are less than 90 days delinquent; (5) loans for which default is resolved through long-term forbearance; and (6) loans for which default is resolved through a repayment plan. Loans that are cured with modification consist of loans that are brought current or are less than 90 days delinquent as a result of resolution of the default under the loan through the following: (1) a modification that does not result in a concession to the borrower, or (2) a modification that results in a concession to a borrower, which is referred to as a troubled debt restructuring.

(2) Consists of foreclosures, preforeclosure sales, sales to third parties and deeds in lieu of foreclosures.

- As a result of a reduction in the number of seriously delinquent loans purchased from MBS trusts, SOP 03-3 losses decreased in 2008 Q2 as compared with 2008 Q1 even though the average market price of loans purchased fell from 60% in 2008 Q1 to 53% in 2008 Q2.
- We expect that HomeSaver Advance™, initiated in March 2008, will continue to reduce the number of loans that we otherwise would have purchased out of MBS trusts in 2008. As of June 30, 2008, we held 17,901 HomeSaver Advance loans for $127 million in total advances provided to these borrowers with a carrying value of $4 million.
- Although we have decreased the number of our optional loan purchases since the end of 2007, we expect that our SOP 03-3 fair value losses for 2008 will be higher than the losses recorded for 2007 based on the number of required and optional loans we purchased from MBS trusts during the first six months of 2008 and the continued weakness in the housing market, which has reduced the market price of these loans.

Lower level of losses on seriously delinquent loans purchased from MBS trusts was driven by reduced volume of loans acquired.

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Proactive Credit Management

- **Underwriting/Pricing**
  - Stricter eligibility requirements - increased FICOs, lowered LTVs and increased documentation requirements
  - Eliminating newly originated Alt-A business by year-end; Alt-A accounted for approximately 50% of our credit losses in 2008 Q2
  - Since last year, our new book of business overall has higher credit scores and lower loan-to-value ratios
  - Increased and continue to increase guaranty pricing - effective October 1, 2008, adverse market delivery charge will be increased from 25 bps to 50 bps
- **Resource Allocation**
  - Significantly increasing the number of Fannie Mae staff supporting loss mitigation efforts
  - Deployed Fannie Mae management at all major servicers to support efforts to reduce delinquencies, partnering on borrower outreach campaigns and streamlining workout processes
  - Opening offices in Florida, California and other targeted locations to ensure effective localized default prevention and disposition of foreclosed properties
- **Default Prevention**
  - Imposing requirement that all foreclosures be referred to attorneys well versed in Fannie Mae workout options
  - Incenting law firms to pursue loss mitigation activities
  - Expanding use of HomeSaver Advance and other workout options
- **Loss Mitigation - Severity**
  - Continue to increase our reviews of defaulted loans to pursue recoveries from lenders pursuant to representations and warranties in our original guaranty contracts
  - Pursuing deficiencies against certain borrowers, particularly those that speculated and “walked-away” from their homes

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Investment Losses, Net

(dollars in millions)	2008 Q2	2008 Q1	2007 Q4 [(1)]	2007 Q3 [(1)]	2007 Q2 [(1)]
Other-than-temporary impairment on AFS securities	$ (507)	$ (55)	$ (736)	$ (75)	$ -
Lower-of-cost-or-market adjustments on held-for-sale loans	(240)	(71)	12	3	(115)
Gains (losses) on Fannie Mae portfolio securitizations, net	(67)	42	(376)	(65)	(11)
Gains (losses) on sale of AFS securities, net	(20)	33	325	52	55
Other investment losses, net	(49)	(60)	(140)	(69)	(22)
Investment losses, net	$ (883)	$ (111)	$ (915)	$ (154)	$ (93)

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

- 2008 Q2 other-than-temporary impairment of $507 million reflects a reduction in expected cash flows for primarily Alt-A and subprime private-label securities, driven by higher expected defaults and loss severities on the underlying mortgages.
- 2008 Q2 lower-of-cost-or-market adjustments resulted in losses of $240 million attributable to an increase in interest rates in the quarter.
- 2007 Q4 other-than-temporary impairment of $736 million was driven by impairment of securities in our liquid investment portfolio. Beginning in 2008 Q1, these securities were re-designated as trading and are marked-to-market through earnings as fair value gains (losses).

Higher impairment losses and higher lower-of-cost-or-market adjustments drove the increase in investment losses in 2008 Q2.

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Alt-A and Subprime Private-Label Securities (PLS) in Portfolio

(dollars in billions)	Unpaid Principal Balance	Fair Value	Gross Unrealized Losses on AFS Securities	Net Trading Gains (Losses) for 2008 Q2	Average Fair Value Price	Average Credit Enhancement [1]
	As of June 30, 2008					
Alt-A						
AFS	$ 25.7	$ 21.8	$ (3.9)	$ -	$ 84.75	18.6%
Trading	3.8	2.9	-	-	76.78	58.0%
Total Alt-A	29.5	24.7	(3.9)	-	83.73	23.6%
Subprime						
AFS	23.7	19.5	(3.7)	-	82.38	37.2%
Trading	4.6	3.5	-	(0.1)	75.79	36.9%
Total Subprime PLS	28.3	23.0	(3.7)	(0.1)	81.30	37.2%
AFS PL Wraps	0.1	0.1	-	-	91.20	57.7%
Trading PL Wraps	7.9	7.7	-	0.4	97.47	29.6%
Total Subprime PL Wraps	8.0	7.8	-	0.4	97.36	30.1%
Total Subprime	36.3	30.8	(3.7)	0.3	84.85	35.6%
Total Alt-A and Subprime	**$ 65.8**	**$ 55.5**	**$ (7.6)**	**$ 0.3**	**$ 84.35**	**30.2%**

[1] Average credit enhancement percentage reflects both subordination and financial guarantees. Reflects the ratio of the current amount of the securities that will incur losses in a securitization structure before any losses are allocated to securities that we own. Percentage calculated based on the quotient of the total unpaid principal balance of all credit enhancement in the form of subordination or financial guaranty of the security divided by the total unpaid principal balance of all of the tranches of collateral pools from which credit support is drawn for the security that we own.

- Since the beginning of 2007, Fannie Mae has recorded through earnings net losses of $3.4 billion on Alt-A and subprime private-label securities, including $2.7 billion in net losses on trading securities and $706 million in impairment of AFS securities.
- As of the end of 2008 Q2, unrealized losses on AFS securities decreased $371 million from the end of 2008 Q1. In July 2008, prices declined for Alt-A private-label securities, and to a lesser degree, for subprime private-label securities.

Alt-A and subprime AFS securities continue to perform and are credit-enhanced.

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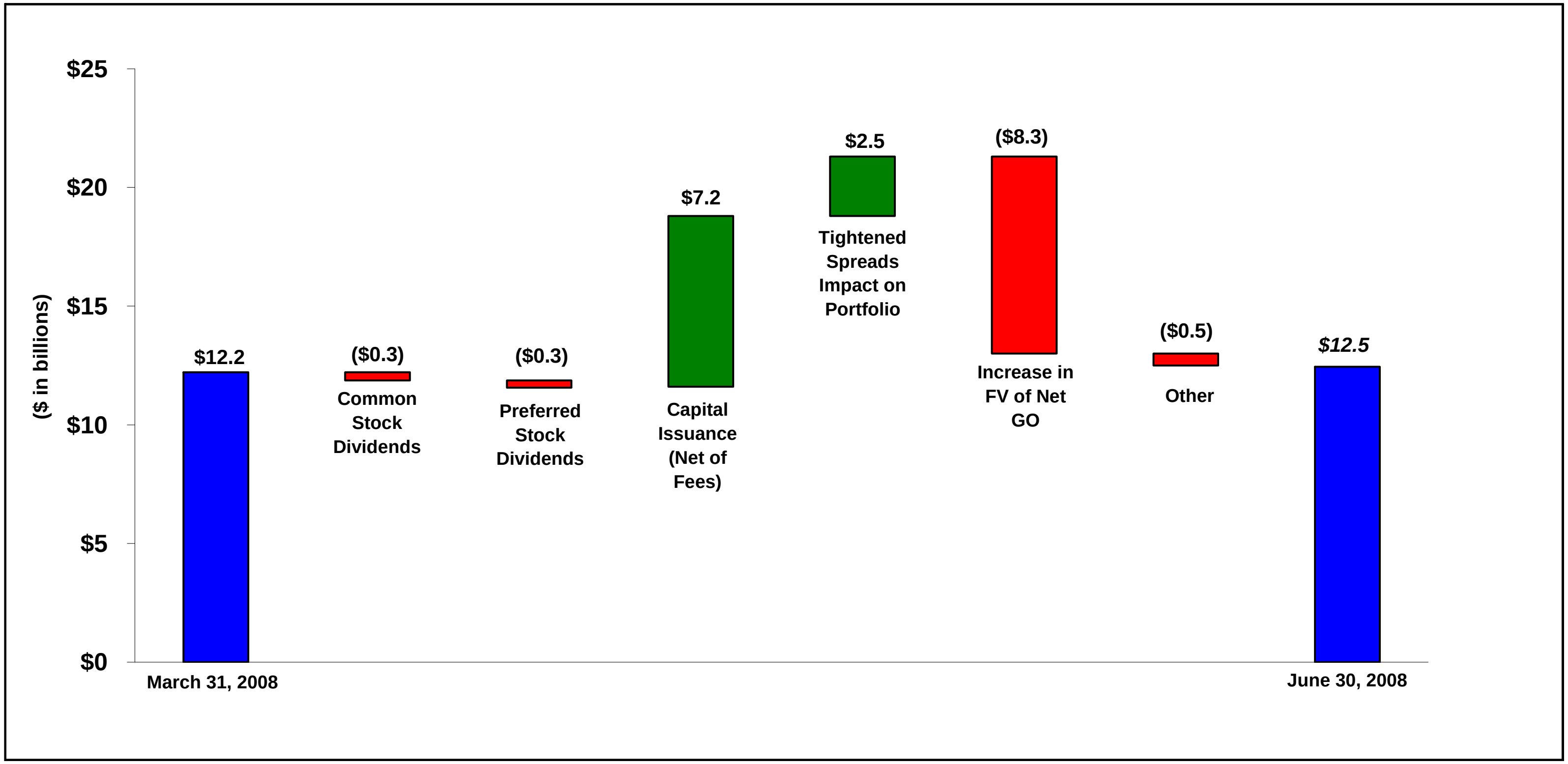
Change in Estimated After-Tax Fair Value of Net Assets (Non-GAAP)[(1)]



(1) 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 Appendix II (pg 52) and in Table 32 of our 2008 Q2 Form 10-Q.

- Estimated fair value of net assets decreased $6.3 billion during 2008 Q2, excluding the effect of capital transactions, driven by an increase in the fair value of net guaranty obligations, offset by tightened credit spreads.
- Increase in the fair value of net guaranty obligations resulted from an increase in the underlying risk in our guaranty book as delinquencies increased and home prices declined, as well as from the increase in the risk premium required to take mortgage credit risk in the current market, as indicated by the pricing of our new guaranty business.

Issuance of new capital and tightened credit spreads, offset by the increase in fair value of net guaranty obligations increased the fair value of net assets.

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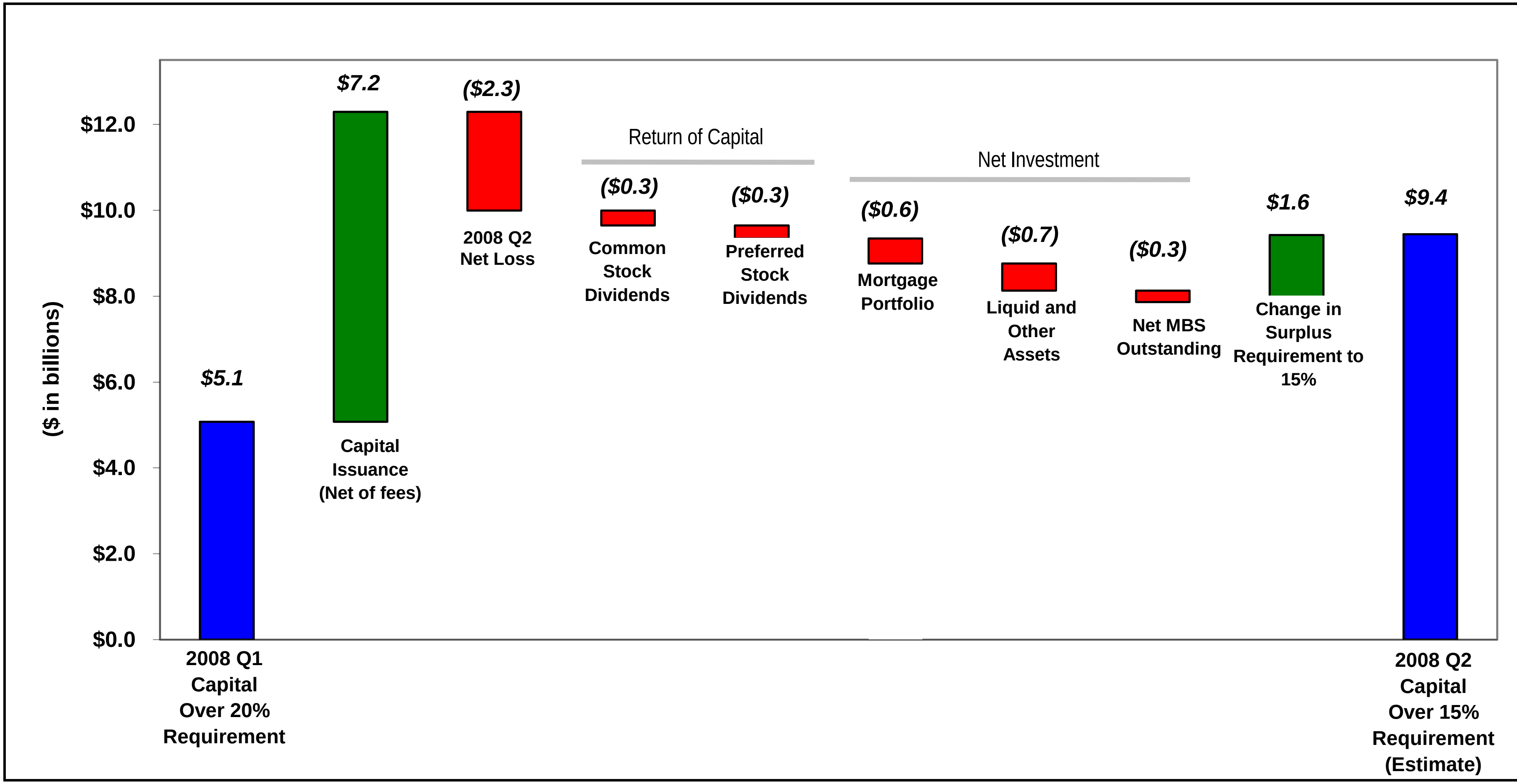
2008 Q2 Capital Surplus - Sources and Uses of Excess Capital



- 2008 Q2 capital surplus is a Fannie Mae estimate that has not been certified by OFHEO.
- As of March 31, 2008, our risk-based capital (RBC) was $24.6 billion in excess of the estimated statutory requirement of $23.1 billion (most recent published capital classification). Under new rules issued by OFHEO in June 2008, to be effective beginning with our 2008 Q3 capital classification, our RBC as of March 31, 2008 would have been $17.3 billion in excess of an estimated statutory requirement of $30.4 billion.

As of June 30, 2008, Fannie Mae had $47.0 billion of core capital and a $9.4 billion capital surplus over the OFHEO-directed minimum capital requirement.

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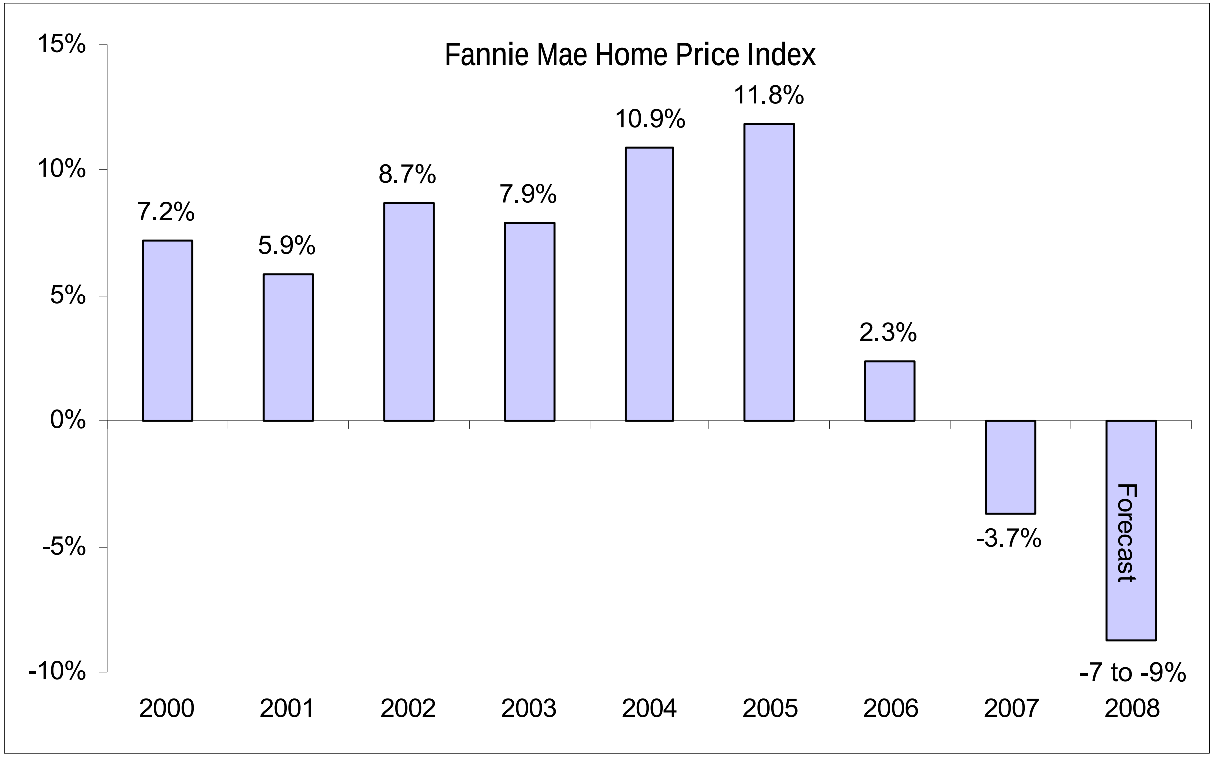
APPENDIX I – Credit

Home Price Growth Rates in the U.S.



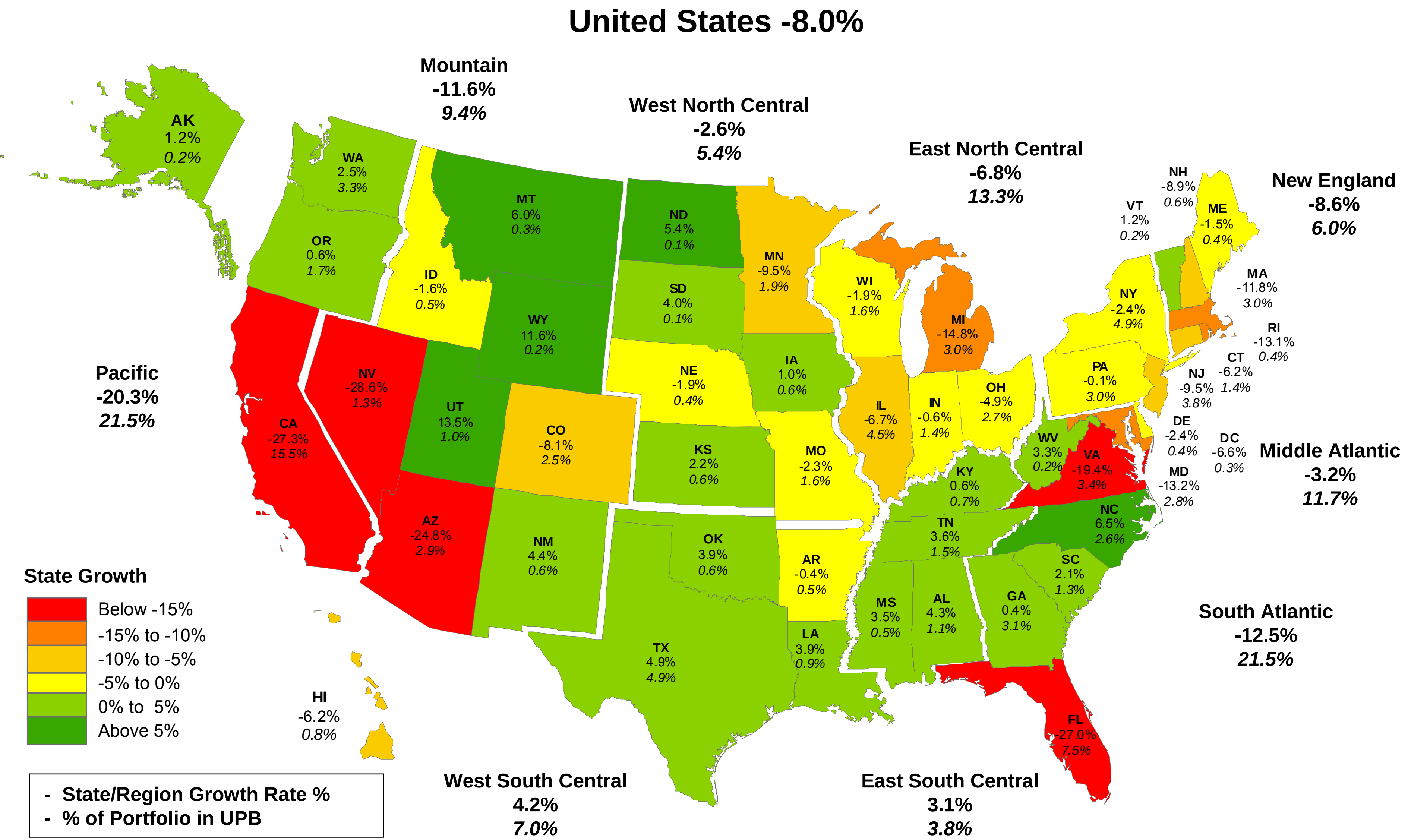
S&P/Case Shiller Index	9.8%	7.7%	10.6%	10.7%	14.6%	14.7%	0.2%	-8.9%

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

- We expect 2008 home price declines to be in the upper end of our estimated 7% to 9% range.
- We expect peak-to-trough declines in home prices to be in the upper end of our estimated 15% to 19% range.

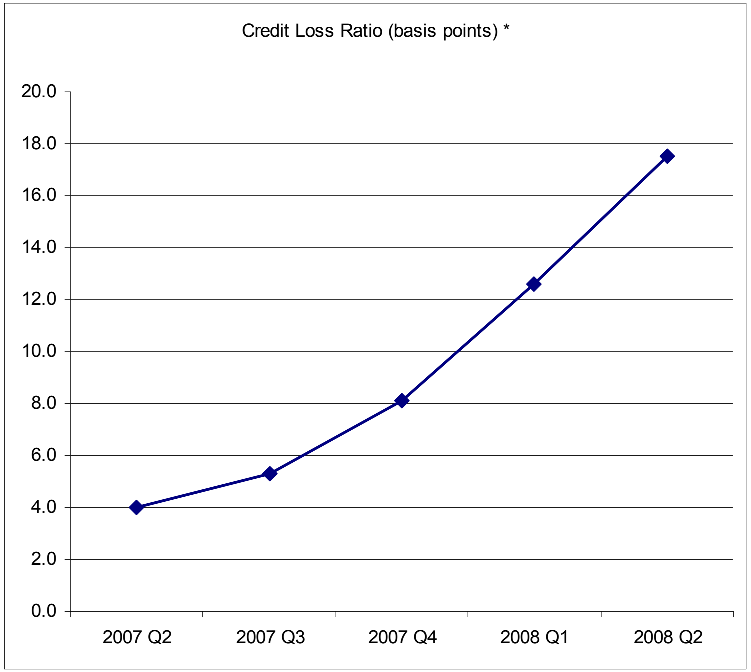
Note: Using the S&P/Case-Shiller weighting method, but excluding the increased impact of foreclosure sales on that index, our 2008 expected home price decline would be 10-13% (vs. 7-9%); our expected peak-to-trough decline would be 20-25% (vs. 15-19%). If we included foreclosed property sales in the index, the S&P/Case-Schiller equivalent to the Fannie Mae Home Price Index would be 12-16% for 2008 and 27-32% peak-to-trough. 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.

Two-Year Home Price Growth 2006 Q2 - 2008 Q2

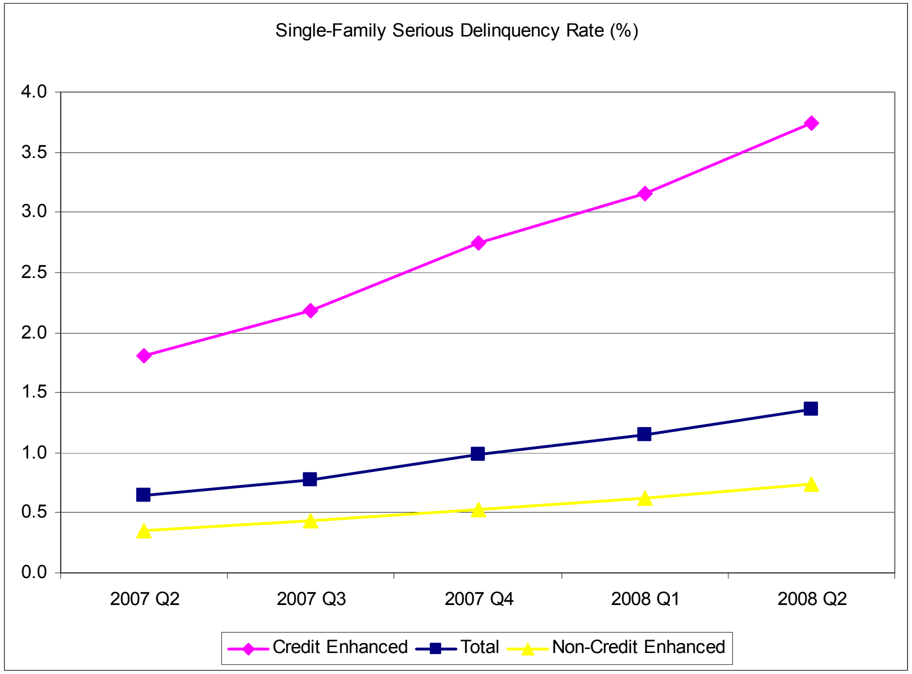


Source: Fannie Mae. Based on available data as of August 1, 2008. Including subsequent data may produce different results.

Credit Loss Ratios/Delinquency Rates



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



Note: As of June 30, 2008, 21% of Fannie Mae's single-family guaranty book of business was credit enhanced.

- Increase in credit loss ratio reflects higher defaults, and average loan loss severities, driven by home price declines and overall economic weakness. Our credit loss ratio excludes the impact of SOP 03-3 and HomeSaver Advance.
- We expect a significant increase in our credit-related expenses and credit loss ratio in 2008 relative to 2007. We expect our 2008 credit loss ratio to be within a range of 23 to 26 bps. We also believe that our credit loss ratio will increase in 2009 relative to 2008.

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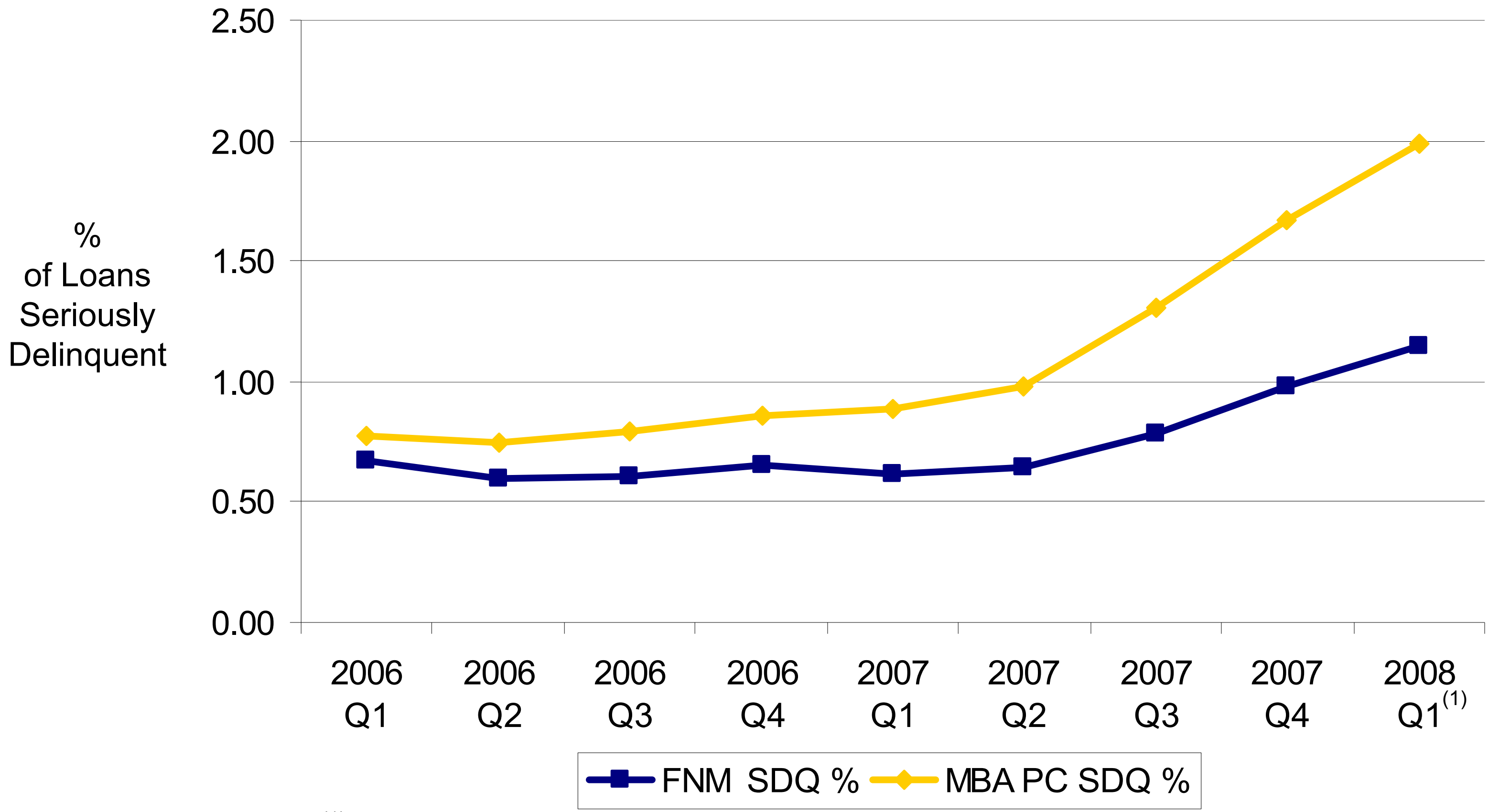
Fannie Mae Single-Family Conventional Credit Book SDQ Rate vs. Mortgage Bankers Association Prime Conventional SDQ Rate



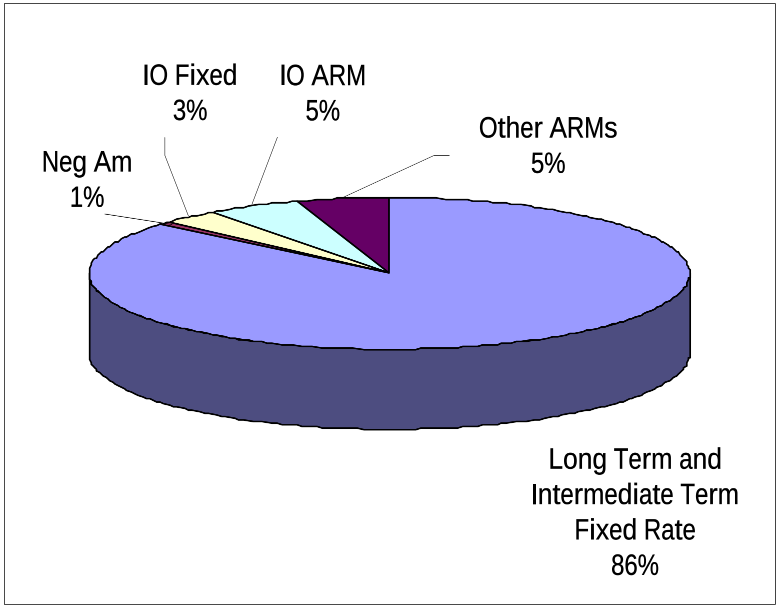
(1) Table includes the most recent available MBA data.

Includes loans that are 90 days or more past due and loans in the process of foreclosure.

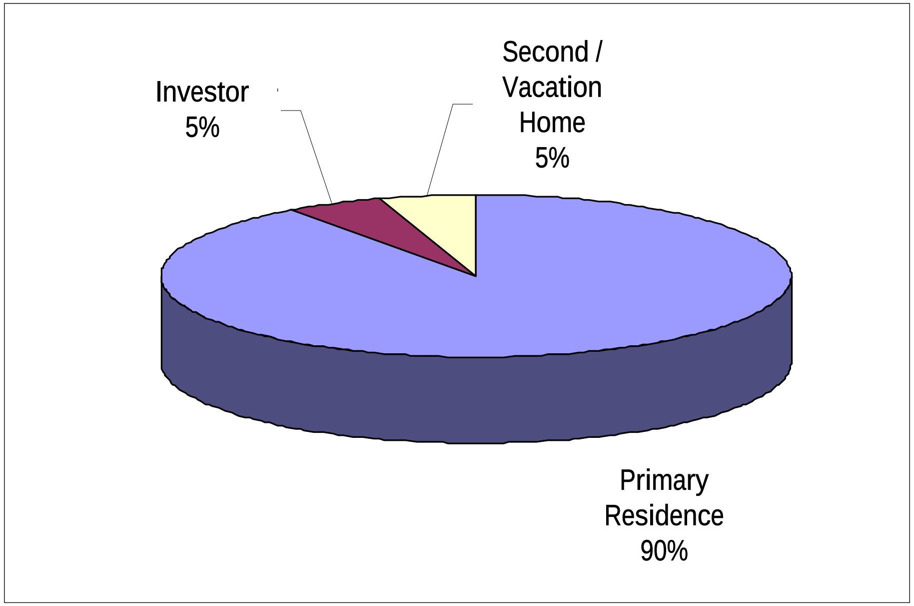
Characteristics of Fannie Mae Single-Family Conventional Mortgage Credit Book of Business

June 30, 2008	
Single-Family Conventional Mortgage Credit Book of Business	$2.8 trillion
Weighted Average FICO	722
Weighted Average Original LTV	72%
Weighted Average MTM LTV	65%

Product Types



Occupancy



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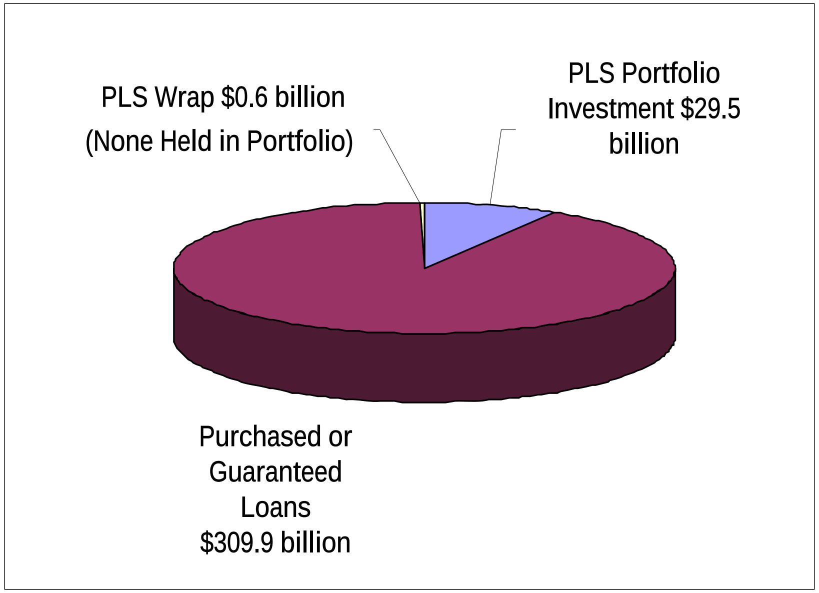
Fannie Mae Alt-A and Subprime Exposure as of June 30, 2008

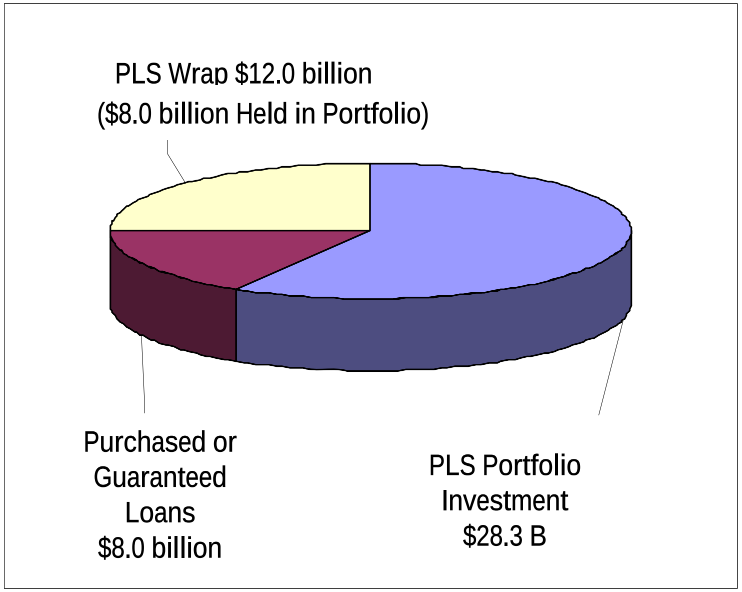
Alt-A

Total Exposure of $340.0 billion



Subprime

Total Exposure of $48.3 billion



"Alt-A mortgage loan" generally refers to a mortgage loan that can be underwritten with reduced or alternative documentation than that required for a full documentation mortgage loan but may also include other alternative product features. As a result, Alt-A mortgage loans generally have a higher risk of default than non-Alt-A mortgage loans. In reporting our Alt-A exposure, we have classified mortgage loans as Alt-A if the lenders that deliver the mortgage loans to us have classified the loans as Alt-A based on documentation or other product features. We have classified private-label mortgage-related securities held in our investment portfolio as Alt-A if the securities were labeled as such when issued.

"Subprime mortgage loan" generally refers to a mortgage loan made to a borrower with a weaker credit profile than that of a prime borrower. As a result of the weaker credit profile, subprime borrowers have a higher likelihood of default than prime borrowers. Subprime mortgage loans are typically originated by lenders specializing in this type of business or by subprime divisions of large lenders, using processes unique to subprime loans. In reporting our subprime exposure, we have classified mortgage loans as subprime if the mortgage loans are originated by one of these specialty lenders or a subprime division of a large lender. We have classified private-label mortgage-related securities held in our investment portfolio as subprime if the securities were labeled as such when issued.

Fannie Mae Credit Profile by Key Product Features

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

As of June 30, 2008	Overall Book	NegAm	Interest Only	FICO < 620	OLTV > 90%	FICO < 620 and OLTV > 90%	Alt-A	Subprime	Jumbo Conforming
Unpaid principal balance "UPB" (billions) *	$2,666.5	$19.1	$216.4	$127.4	$277.2	$29.2	$307.0	$8.0	$0.9
Share of SF Conventional Credit Book[(1)]	100.0%	0.7%	8.1%	4.8%	10.4%	1.1%	10.8%	0.3%	0.0%
Average UPB	$146,503	$146,020	$240,395	$127,346	$140,213	$120,462	$171,269	$153,423	$585,028
SDQ Rate All Loans	1.36%	3.12%	4.26%	5.48%	3.75%	10.25%	3.79%	9.08%	0.0%
Alt-A	11.51%	45.10%	42.51%	1.64%	6.03%	1.19%	100.00%	0.00%	0.2%
Origination Years 2005-2007	49.8%	62.2%	83.8%	57.5%	62.0%	70.2%	73.0%	79.3%	30.8%
Weighted Average Original LTV	71.8%	71.1%	75.5%	77.0%	97.4%	98.1%	72.7%	78.3%	66.2%
Original LTV > 90	10.4%	0.3%	9.1%	22.9%	100.0%	100.0%	5.4%	7.8%	0.0%
Weighted Average Mark-to-Market LTV	64.5%	72.9%	82.7%	71.0%	91.4%	92.4%	72.6%	79.7%	67.2%
Mark-to-Market LTV > 100	5.7%	26.2%	18.7%	8.6%	26.6%	26.9%	11.3%	12.0%	0.0%
Weighted Average FICO	722	696	725	588	692	592	719	622	762
FICO < 620	4.8%	11.6%	1.3%	100.0%	10.5%	100.0%	0.7%	48.4%	0.0%
Fixed-rate	89.5%	0.1%	39.6%	93.4%	94.0%	96.7%	71.9%	69.9%	79.5%
Principal Residence	89.8%	70.9%	84.9%	96.8%	97.1%	99.4%	77.9%	96.4%	98.9%
Condo/Coop	9.1%	13.2%	16.0%	4.9%	9.8%	5.9%	10.8%	4.9%	5.8%
Credit Enhanced [(2) (3)]	21.2%	76.9%	35.7%	36.5%	92.8%	94.7%	39.0%	68.2%	5.7%
% of 2007 Credit Losses [(4)]	100.0%	0.9%	15.3%	18.9%	16.9%	6.2%	31.4%	1.0%	0.0%
% of 2008 Q1 Credit Losses [(4)]	100.0%	1.1%	29.5%	14.0%	17.4%	6.0%	42.7%	1.4%	0.0%
% of 2008 Q2 Credit Losses [(4)]	100.0%	3.3%	35.6%	11.7%	19.5%	5.3%	49.6%	2.2%	0.0%

[(1)] Subprime and Alt-A are calculated as a percentage of the single-family mortgage credit book of business.

[(2)] UPB of all loans with credit enhancement/UPB of single-family conventional mortgage credit book of business.

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

[(4)] Expressed as a percentage of total credit losses for the single-family mortgage credit book of business.

Note: Categories are not mutually exclusive; numbers are not additive across columns.

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Fannie Mae Credit Profile by Vintage and Key Product Features

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

As of June 30, 2008	Overall Book	Vintages 2008	2007	2006	2005	2004 and Earlier
Unpaid principal balance "UPB" (billions) *	$2,666.5	$252.3	$562.4	$395.2	$370.3	$1,086.3
Share of SF Conventional Credit Book	100.0%	9.5%	21.1%	14.8%	13.9%	40.7%
Average UPB	$146,503	$209,496	$192,630	$176,280	$164,765	$113,300
SDQ Rate All Loans	1.36%	0.09%	2.02%	2.79%	1.75%	0.90%
Origination Years 2005-2007	49.8%	0.0%	100.0%	100.0%	100.0%	0.0%
Weighted Average Original LTV	71.8%	72.1%	76.2%	73.8%	71.7%	68.8%
Original LTV > 90	10.4%	11.0%	17.7%	10.7%	8.0%	7.1%
Weighted Average Mark-to-Market LTV	64.5%	73.2%	80.3%	77.4%	69.2%	48.0%
Mark-to-Market LTV > 100	5.7%	3.4%	12.9%	11.4%	5.5%	0.4%
Weighted Average FICO	722	735	715	717	723	725
FICO < 620	4.8%	3.0%	6.5%	5.4%	4.2%	4.3%
Fixed-rate	89.5%	92.2%	91.5%	86.5%	83.0%	91.0%
Principal Residence	89.8%	89.7%	88.8%	87.2%	88.1%	91.8%
Condo/Coop	9.1%	10.1%	10.8%	11.0%	10.0%	7.0%
Credit Enhanced (1) (2)	21.2%	22.5%	30.6%	27.8%	21.1%	13.6%
% of 2007 Credit Losses (3)	100.0%	0.0%	1.6%	20.8%	24.1%	53.5%
% of 2008 Q1 Credit Losses (3)	100.0%	0.0%	13.5%	35.3%	24.0%	27.2%
% of 2008 Q2 Credit Losses (3)	100.0%	0.0%	24.1%	35.3%	21.2%	19.4%
Cumulative Default Rate (4)		0.0%	0.3%	0.9%	0.8%	

(1) UPB of all loans with credit enhancement/UPB of single-family conventional mortgage credit book of business.

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

(3) Expressed as a percentage of total credit losses for the single-family mortgage credit book of business.

(4) Default means loan was terminated without full satisfaction. As of June 30, 2008, 2004 vintage cumulative default rate was 0.8%; 2003 vintage cumulative default rate was 0.5%.

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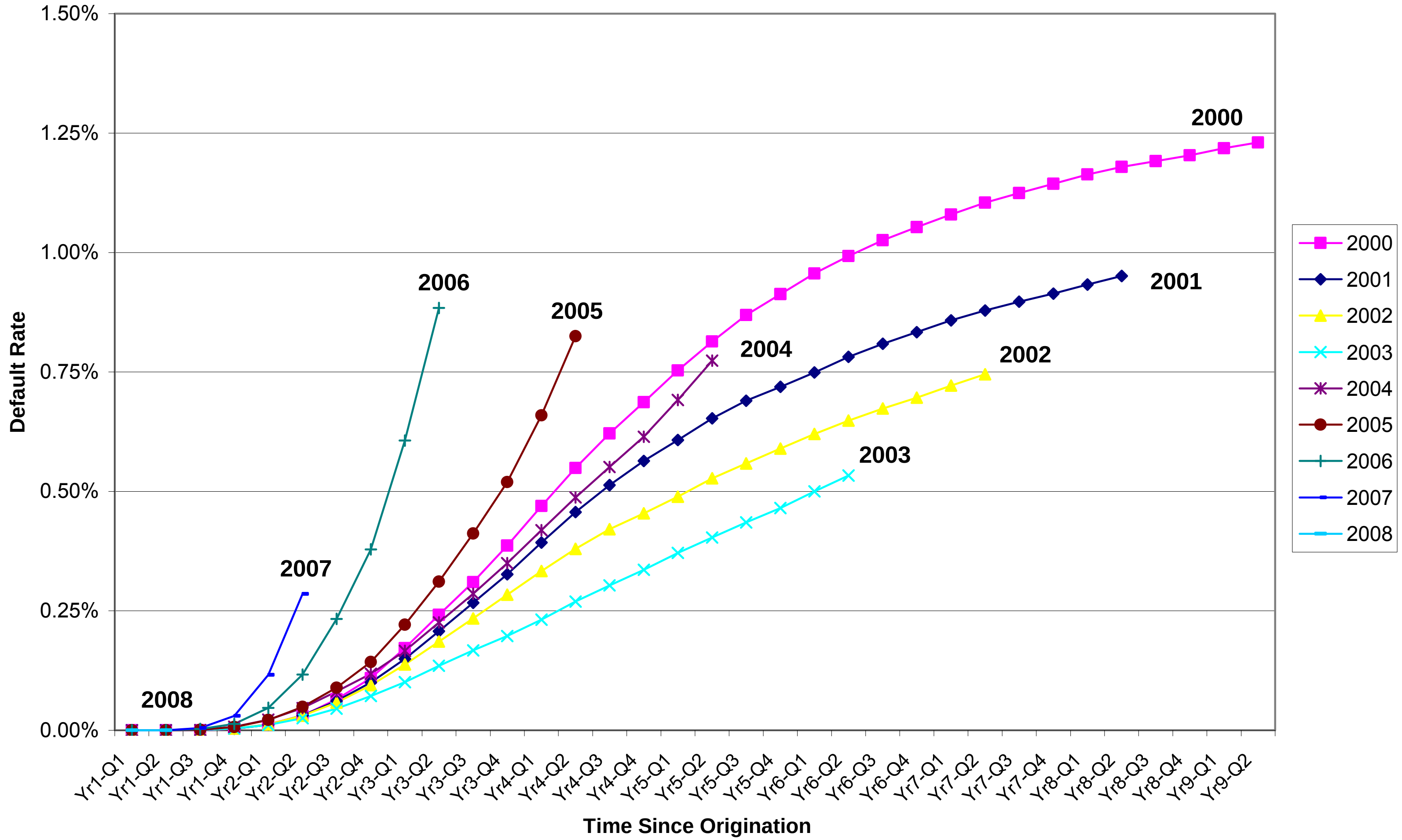
Overall Cumulative Default Rates - Overall Originations from 2000 through 2008 Q2



Note: Cumulative default rates include loans that have been liquidated other than through voluntary pay-off or repurchase by lenders and include loan foreclosures, preforeclosure sales, sales to third parties and deeds in lieu of foreclosure.

Consistent with industry trends, 2006 and 2007 vintages performing poorly. Defaults for the 2008 vintage through 2008 Q2 have been negligible.

Data as of June 30, 2008 is not necessarily indicative of the ultimate performance and are likely to change, perhaps materially, in future periods.

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Fannie Mae Credit Profile by State

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

As of June 30, 2008	Overall Book	AZ	CA	FL	MI	NV	OH
Unpaid principal balance "UPB" (billions) *	$2,666.5	$77.9	$412.8	$199.0	$80.4	$35.8	$73.1
Share of SF Conventional Credit Book	100.0%	2.9%	15.5%	7.5%	3.0%	1.3%	2.7%
Average UPB	$146,503	$160,095	$196,831	$145,239	$118,048	$180,248	$106,187
SDQ Rate All Loans	1.36%	1.51%	1.05%	3.21%	1.57%	2.25%	1.95%
Alt-A	11.51%	15.28%	16.03%	16.70%	7.87%	22.97%	7.19%
Origination Years 2005-2007	49.8%	64.1%	45.4%	61.5%	39.3%	62.7%	42.3%
Weighted Average Original LTV	71.8%	73.7%	62.2%	73.3%	73.8%	74.4%	77.1%
Original LTV > 90	10.4%	10.3%	3.0%	11.1%	10.1%	9.7%	15.5%
Weighted Average Mark-to-Market LTV	64.5%	73.7%	60.6%	74.3%	73.2%	79.9%	69.2%
Mark-to-Market LTV >100	5.7%	15.7%	10.1%	18.4%	7.7%	24.5%	4.0%
Weighted Average FICO	722	724	729	717	719	722	719
FICO < 620	4.8%	3.8%	3.1%	5.5%	5.6%	3.3%	5.9%
Fixed-rate	89.5%	84.2%	82.7%	86.4%	89.3%	76.0%	93.6%
Principal Residence	89.8%	83.7%	88.2%	81.8%	92.9%	80.5%	94.2%
Condo/Coop	9.1%	5.4%	11.8%	15.7%	9.1%	7.8%	4.3%
Credit Enhanced [(1) (2)]	21.2%	23.0%	12.1%	24.2%	19.8%	27.9%	27.4%
% of 2007 Credit Losses [(3)]	100.0%	1.8%	7.4%	4.7%	27.1%	1.3%	13.6%
% of 2008 Q1 Credit Losses [(3)]	100.0%	3.8%	18.6%	7.2%	22.9%	3.0%	6.5%
% of 2008 Q2 Credit Losses [(3)]	100.0%	6.4%	29.3%	7.4%	14.3%	4.9%	4.1%

(1) UPB of all loans with credit enhancement/UPB of single-family conventional mortgage credit book of business.
(2) Includes primary mortgage insurance, pool insurance, lender recourse and other credit enhancement.
(3) Expressed as a percentage of total credit losses for the single-family mortgage credit book of business.

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Single-Family Serious Delinquency Rates by State and Region

SDQ Rates by State	June 30, 2008	March 31, 2008	December 31, 2007	June 30, 2007
Arizona	1.51%	1.12%	0.75%	0.27%
California	1.05%	0.76%	0.50%	0.20%
Florida	3.21%	2.32%	1.59%	0.65%
Michigan	1.57%	1.46%	1.43%	1.00%
Nevada	2.25%	1.69%	1.20%	0.48%
Ohio	1.95%	1.87%	1.78%	1.43%
Total conventional single-family loans	1.36%	1.15%	0.98%	0.64%
SDQ Rates by Region [1]				
Midwest	1.57%	1.44%	1.35%	0.98%
Northeast	1.21%	1.05%	0.94%	0.68%
Southeast	1.80%	1.44%	1.18%	0.68%
Southwest	1.08%	0.94%	0.86%	0.60%
West	0.97%	0.72%	0.50%	0.23%
Total conventional single-family loans	1.36%	1.15%	0.98%	0.64%

(1) States within each region are detailed in 2008 Q2 Form 10-Q.

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Home Price Growth/Decline and Fannie Mae Real Estate Owned (REO) in Key States

Single-Family REO and Home Price Statistics[1] for Selected States

State	REO Acquisitions					REO Inventory as of June 30, 2008	1-Year HP Growth July 2007 to June 2008	5-Year Annualized HP Growth July 2003 to June 2008
	2005	2006	2007	2008 Q1	2008 Q2			
Arizona	146	56	751	632	1,315	1,978	-20.1%	6.8%
California	18	93	1,681	1,477	2,918	4,814	-20.9%	4.2%
Florida	334	282	1,714	966	1,404	2,681	-21.2%	5.3%
Michigan	3,633	5,691	8,067	3,259	3,035	10,263	-8.1%	-1.9%
Nevada	27	62	530	403	686	1,205	-23.1%	5.1%
Ohio	3,113	4,041	4,433	1,239	1,424	3,402	-3.5%	0.7%
Other	25,289	26,355	31,945	12,132	13,181	29,830	-3.4%	4.4%
Total	32,560	36,580	49,121	20,108	23,963	54,173	-7.4%	4.1%

[1] Based on Fannie Mae Home Price Index.

On a national basis, REO net sales prices compared with unpaid principal balances of mortgage loans have decreased as follows, driving increases in loss severities.

- 93% in 2005,
- 89% in 2006,
- 78% in 2007,
- 74% in 2008 Q1, and
- 74% in 2008 Q2

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Fannie Mae Alt-A Credit Profile by Key Product Features

Credit Characteristics of Single-Family Mortgage Credit Book of Business by Vintage

As of June 30, 2008	Alt-A [1]	Vintages 2008	2007	2006	2005	2004 and Earlier
Unpaid principal balance "UPB" (billions) *	$307.0	$5.8	$78.9	$87.3	$58.0	$77.0
Share of Alt-A	100.0%	1.9%	25.7%	28.4%	18.9%	25.1%
Weighted Average Original LTV	72.7%	66.2%	74.8%	73.9%	72.5%	69.7%
Original LTV > 90	5.4%	2.5%	9.1%	4.9%	3.2%	4.2%
Weighted Average Mark-to-Market LTV	72.6%	67.8%	82.2%	81.4%	74.4%	51.8%
Mark-to-Market LTV > 100	11.3%	1.6%	15.6%	17.4%	11.2%	0.9%
Weighted Average FICO	719	728	714	715	725	723
FICO < 620	0.7%	0.3%	0.5%	0.5%	0.4%	1.3%
Adjustable-rate	28.1%	10.7%	22.3%	30.1%	40.9%	23.5%
Interest Only	30.0%	8.3%	38.3%	39.0%	30.5%	12.4%
Investor	17.0%	16.5%	19.3%	16.7%	19.0%	13.4%
Condo/Coop	10.8%	6.3%	9.9%	11.6%	13.0%	9.2%
Geography						
California	21.6%	18.5%	21.8%	19.6%	20.4%	24.6%
Florida	10.8%	8.4%	11.5%	12.5%	11.9%	7.6%
Credit Enhanced [2]	39.0%	15.4%	36.1%	53.1%	46.9%	22.0%
2008 Q1 SDQ Rate All Loans	2.96%	0.00%	2.85%	4.34%	3.23%	1.79%
2008 Q2 SDQ Rate All Loans	3.79%	0.19%	4.37%	5.60%	3.94%	1.97%
% of 2007 Credit Losses [3]	31.4%	0.0%	0.6%	10.2%	10.5%	10.0%
% of 2008 Q1 Credit Losses [3]	42.7%	0.0%	6.6%	19.4%	11.6%	5.1%
% of 2008 Q2 Credit Losses [3]	49.6%	0.0%	12.1%	21.7%	11.1%	4.6%
Cumulative Default Rate [4]		0.0%	0.7%	1.7%	1.5%	

[1] Please refer to slide 29 for the definition of "Alt-A mortgage loan".

[2] Defined as UPB of Alt-A loans with credit enhancement as a percentage of UPB of all Alt-A loans. At June 30, 2008, 8.8% of UPB of Alt-A loans carried only primary MI (no deductible), 26.4% had only pool insurance (which is generally subject to a deductible), 3.2% had primary MI and pool insurance, and 0.6% carried other credit enhancement such as lender recourse.

[3] Expressed as a percentage of total credit losses for the single-family mortgage credit book of business.

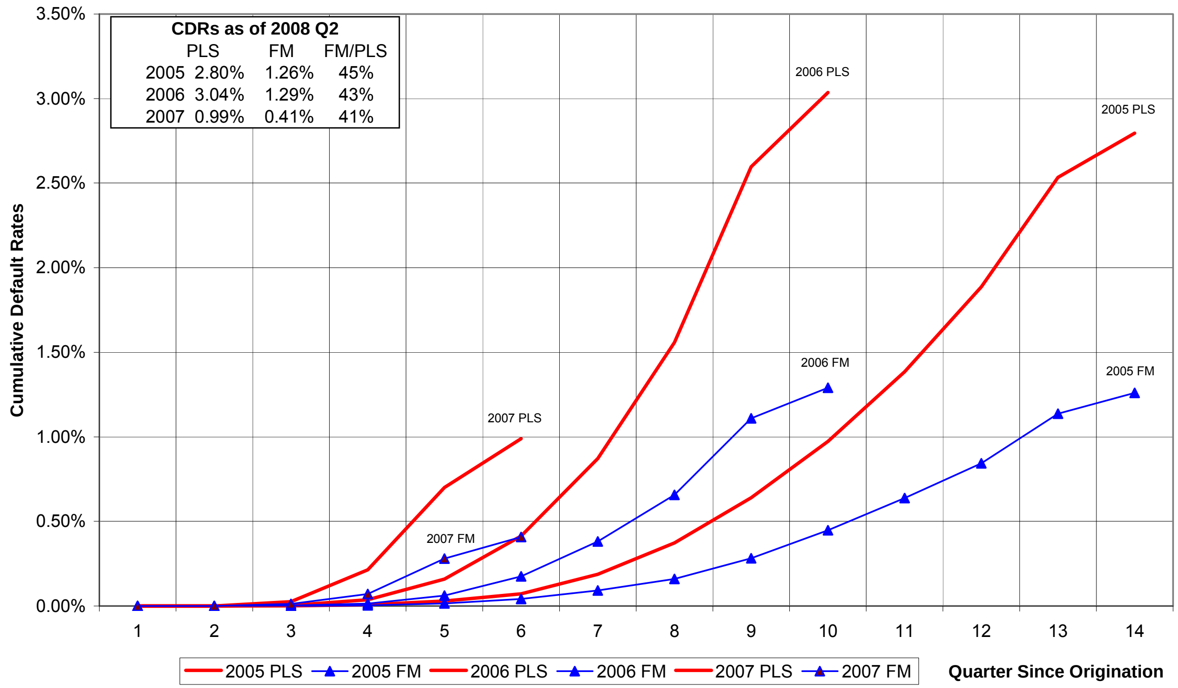
[4] Cumulative default rate means loan was terminated without full satisfaction.

** 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 96% of our conventional single-family mortgage credit book of business. Excludes non-Fannie Mae securities held in portfolio.*

Fannie Mae Alt-A Loans Versus Loans Underlying Private-Label Alt-A Securities

Fannie Mae Alt-A Loans Versus Private Label Security Conforming Alt-A		
	Fannie Mae Alt-A	**PLS Market Alt-A**
	As of April 2008	**Outstanding loans backing non-agency Conforming Alt-A MBS as of April 2008**
FICO	719	709
OLTV	73%	76%
CLTV at Origination	77%	82%
Product Type		
Fixed Rate	71%	43%
Adjustable Rate	29%	57%
Interest Only	21%	26%
Negatively Amorti:	3%	25%
Investor	17%	21%

Cumulative Default Rates For Fannie Mae Alt-A And Private Label Alt-A For 2005, 2006 and 2007 Cohorts



Note: The last data point on each curve is as of April 30, 2008. Private label security data is from Loan Performance.

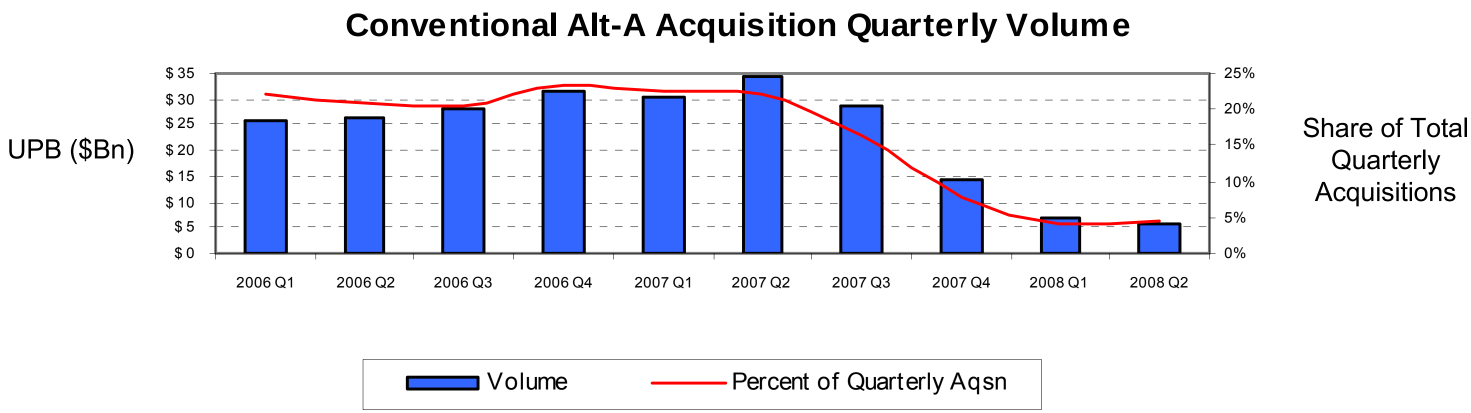
Fannie Mae's Alt-A guaranteed book of business has more favorable credit characteristics than the loans backing private-label Alt-A securities (PLS) and is performing better across vintages.

All data and CDRs (market data and Fannie Mae data) for 2008 Q2 are based on April-08 data. PLS data are from First American CoreLogic, LoanPerformance. LoanPerformance estimates it captures 97 percent of Alt-A PLS. The PLS data includes some loans that Fannie Mae holds in its Alt-A securities portfolio. All summary collateral characteristics are weighted averages using current loan balances. Certain amounts have been calculated by Fannie Mae.

Source: First American CoreLogic, LoanPerformance data.

Alt-A Risk Management

New Business:



Alt-A Eligibility and Pricing:

- Alt-A acquisition volume has declined due to several eligibility and pricing increases implemented to date.
- Effective January 1, 2009, we are discontinuing the purchase of newly originated lender-channel Alt-A loans.

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Fannie Mae Alt-A and Subprime Private-Label Security Exposure – Securities/Wraps

(dollars in billions)	Alt-A		Subprime	
	Securities	Wraps	Securities	Wraps
UPB as of June 30, 2008	$ 29.5	$ 0.6	$ 28.3	$ 12.0
% AAA [(1)]	96.4%	100.0%	41.5%	100.0%
% AA to BBB- [(1)]	3.6%	0.0%	48.2%	0.0%
% Below Investment Grade [(1)]	0.0%	0.0%	10.3%	0.0%
Current % Watchlist [(1)]	13.8%	0.0%	21.8%	0.0%
% 2008 Vintage	0.6%	0.0%	0.0%	0.0%
% 2007 Vintage	12.5%	57.2%	19.5%	68.4%
% 2006 Vintage	27.2%	0.0%	67.2%	0.0%
Average Credit Enhancement [(2)]	23.6%	7.6%	37.2%	34.2%

[(1)] Reflects credit ratings as of July 31, 2008, calculated based on unpaid principal balance as of June 30, 2008. Credit rating reflects the lowest rating as reported by Standard & Poor's, Moody's Investors Service, Fitch Ratings or DBRS, Limited.

[(2)] Average credit enhancement percentage reflects both subordination and financial guarantees. Reflects the ratio of the current amount of the securities that will incur losses in a securitization structure before any losses are allocated to securities that we own. Percentage calculated based on the quotient of the total unpaid principal balance of all credit enhancement in the form of subordination or financial guaranty of the security divided by the total unpaid principal balance of all of the tranches of collateral pools from which credit support is drawn for the security that we own.

The percentages of our Alt-A private-label mortgage-related securities rated AAA and AA to BBB- were 96.4% and 3.6%, respectively, as of July 31, 2008, compared with 100.0% and 0.0%, respectively, as of April 30, 2008. None of these securities were rated below investment grade as of July 31, 2008 or April 30, 2008. Approximately $4.1 billion, or 13.8%, of our Alt-A private-label mortgage-related securities had been placed under review for possible credit downgrade or on negative watch as of July 31, 2008.

The percentages of our subprime private-label mortgage-related securities rated AAA and AA+ to BBB- were 41.5% and 48.2%, respectively, as of July 31, 2008, compared with 42.3% and 47.9%, respectively, as of April 30, 2008. The percentage of these securities rated below investment grade rose to 10.3% as of July 31, 2008. Approximately $6.2 billion, or 21.8%, of our subprime private-label mortgage-related securities had been placed under review for possible credit downgrade or on negative watch as of July 31, 2008.

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Investments in Alt-A Mortgage-Related Securities (Option ARM)

All data as of June 30, 2008

(Dollars in millions)

	Unpaid Principal				Credit Enhancement Statistics				Hypothetical Scenarios			
	Trading Securities	AFS Securities	Average Price	Fair Value	Average Current	Original	Minimum Current	Monoline Financial Guaranteed Amount	20d/40s NPV	20d/50s NPV	30d/40s NPV	50d/50s NPV
Investments in Alt-A securities:												
Option ARM Alt-A securities:												
2004 and prior	$ -	$ 704	$ 82.09	$ 578	22 %	9 %	16 %	$ -	$ -	$ -	$ -	$ 31
2005-1	-	577	78.91	455	27	16	19	-	-	-	-	14
2005-2	-	1,223	80.77	988	58	51	33	337	-	-	-	9
2006-1 (1)	-	135	66.57	90	21	19	11	-	-	-	-	30
2006-1 (2)	-	419	75.43	316	41	38	40	-	-	-	-	3
2006-1 (3)	-	389	75.14	292	45	42	45	-	-	-	-	-
2006-1 (4)	-	434	75.61	328	88	88	49	335	-	-	-	-
2006-1 subtotal	-	1,377	74.54	1,026	55	53	11	335	-	-	-	33
2006-2 (1)	-	-	-	-	-	-	-	-	-	-	-	-
2006-2 (2)	-	215	76.70	165	37	35	37	-	-	-	-	-
2006-2 (3)	-	100	76.43	77	42	40	42	-	-	-	-	-
2006-2 (4)	-	224	82.22	184	69	68	47	92	-	-	-	-
2006-2 subtotal	-	539	78.95	426	51	50	37	92	-	-	-	-
2007-1 (1)	209	-	76.06	159	25	24	24	-	-	-	-	10
2007-1 (2)	371	-	75.54	280	46	45	45	-	-	-	-	-
2007-1 (3)	264	-	72.75	192	48	47	48	-	-	-	-	-
2007-1 (4)	529	-	71.02	376	100	100	100	530	-	-	-	-
2007-1 subtotal	1,373	-	73.34	1,007	64	64	24	530	-	-	-	10
2007-2 (1)	296	-	77.40	229	33	32	25	-	-	-	-	10
2007-2 (2)	216	-	77.60	167	47	47	47	-	-	-	-	-
2007-2 (3)	311	-	78.04	243	48	47	48	-	-	-	-	-
2007-2 (4)	422	-	76.74	324	100	100	100	422	-	-	-	-
2007-2 subtotal	1,245	-	77.37	963	62	62	25	422	-	-	-	10
2008-1 (1)	-	-	-	-	-	-	-	-	-	-	-	-
2008-1 (2)	-	-	-	-	-	-	-	-	-	-	-	-
2008-1 (3)	-	-	-	-	-	-	-	-	-	-	-	-
2008-1 (4)	-	-	-	-	-	-	-	-	-	-	-	-
2008-1 subtotal	-	-	-	-	-	-	-	-	-	-	-	-
Total	$ 2,618	$ 4,420	$ 77.34	$ 5,443	53 %	49 %	11 %	$ 1,716	$ -	$ -	$ -	$ 107
Trading securities with hypothetical NPV losses:												
Fair Value									$ -	$ -	$ -	$ 307
Unpaid Principal Balance									-	-	-	399
Difference									$ -	$ -	$ -	$ (92)
AFS securities with hypothetical NPV losses:												
Fair Value									$ -	$ -	$ 46	$ 1,735
Unpaid Principal Balance									-	-	66	2,213
Difference									$ -	$ -	$ (20)	$ (478)

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Investments in Alt-A Mortgage-Related Securities (Other)

All data as of June 30, 2008

(Dollars in millions)

	Unpaid Principal				Credit Enhancement Statistics				Hypothetical Scenarios			
	Trading Securities	AFS Securities	Average Price	Fair Value	Average Current	Original	Minimum Current	Monoline Financial Guaranteed Amount	20d/40s NPV	20d/50s NPV	30d/40s NPV	30d/50s NPV
Investments in Alt-A securities:												
Other Alt-A securities:												
2004 and prior	$ -	$ 9,195	$ 87.97	$ 8,089	12 %	6 %	4 %	$ 29	$ 22	$ 75	$ 170	$ 429
2005-1	-	1,744	88.11	1,536	14	9	6	-	1	6	20	49
2005-2	-	4,172	84.29	3,517	14	11	4	-	17	41	76	146
2006-1 (1)	34	1,110	91.85	1,051	5	4	5	-	28	49	71	103
2006-1 (2)	-	1,103	86.97	959	10	8	9	-	5	16	30	51
2006-1 (3)	51	1,324	85.93	1,182	15	12	12	-	-	-	2	18
2006-1 (4)	-	1,351	76.54	1,034	22	17	19	-	-	-	-	3
2006-1 subtotal	85	4,888	84.97	4,226	13	11	5	-	33	65	103	175
2006-2 (1)	-	-	-	-	-	-	-	-	-	-	-	-
2006-2 (2)	-	518	77.89	404	11	10	6	-	-	-	3	11
2006-2 (3)	-	284	74.16	210	17	16	17	-	-	-	-	-
2006-2 (4)	-	343	77.67	266	18	16	18	-	-	-	-	-
2006-2 subtotal	-	1,145	76.90	880	15	13	6	-	-	-	3	11
2007-1 (1)	76	-	77.12	59	7	5	7	-	-	-	-	2
2007-1 (2)	189	-	76.55	145	8	7	7	-	1	3	4	6
2007-1 (3)	109	-	79.08	86	12	11	8	-	-	-	-	-
2007-1 (4)	236	-	77.84	183	17	16	16	-	-	-	-	-
2007-1 subtotal	610	-	77.57	473	12	11	7	-	1	3	4	8
2007-2 (1)	-	-	-	-	-	-	-	-	-	-	-	-
2007-2 (2)	-	-	-	-	-	-	-	-	-	-	-	-
2007-2 (3)	-	-	-	-	-	-	-	-	-	-	-	-
2007-2 (4)	457	-	83.26	381	100	100	100	457	-	-	-	-
2007-2 subtotal	457	-	83.26	381	100	100	100	457	-	-	-	-
2008-1 (1)	-	-	-	-	-	-	-	-	-	-	-	-
2008-1 (2)	-	-	-	-	-	-	-	-	-	-	-	-
2008-1 (3)	-	-	-	-	-	-	-	-	-	-	-	-
2008-1 (4)	-	173	93.02	161	20	20	20	-	-	-	-	-
2008-1 subtotal	-	173	93.02	161	20	20	20	-	-	-	-	-
Total	$ 1,152	$ 21,317	$ 85.73	$ 19,263	15 %	11 %	4 %	$ 486	$ 74	$ 190	$ 376	$ 818
Trading securities with hypothetical NPV losses:												
Fair Value									$ 98	$ 98	$ 157	$ 349
Unpaid Principal Balance									113	113	189	435
Difference									$ (15)	$ (15)	$ (32)	$ (86)
AFS securities with hypothetical NPV losses:												
Fair Value									$ 5,254	$ 8,150	$ 11,496	$ 13,869
Unpaid Principal Balance									5,832	9,135	13,016	15,762
Difference									$ (578)	$ (985)	$ (1,520)	$ (1,893)

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Investments in Subprime Mortgage-Related Securities

All data as of June 30, 2008

(Dollars in millions)

	Unpaid Principal				Credit Enhancement Statistics				Hypothetical Scenarios			
	Trading Securities	AFS Securities	Average Price	Fair Value	Average Current	Original	Minimum Current	Monoline Financial Guaranteed Amount	50d/50s NPV	50d/60s NPV	60d/50s NPV	60d/60s NPV
Investments in subprime securities:												
2004 and prior	$ -	$ 3,109	86.75	$ 2,697	74 %	54 %	13 %	$ 1,398	$ 2	$ 4	$ 6	$ 23
2005-1	-	70	87.55	62	75	31	69	-	-	-	-	-
2005-2	-	582	91.90	535	62	39	37	69	-	-	-	-
2006-1 (1)	-	1,428	81.35	1,162	26	19	24	-	-	-	-	3
2006-1 (2)	-	1,770	82.67	1,463	29	20	28	-	-	-	-	-
2006-1 (3)	-	1,794	85.33	1,531	36	22	33	-	-	-	-	-
2006-1 (4)	-	1,692	82.81	1,401	49	32	40	52	-	-	-	-
2006-1 subtotal	-	6,684	83.14	5,557	35	23	24	52	-	-	-	3
2006-2 (1)	-	2,810	79.69	2,240	22	18	19	-	-	-	2	105
2006-2 (2)	-	3,060	80.27	2,456	25	19	24	-	-	-	-	42
2006-2 (3)	-	3,273	79.20	2,592	29	23	27	-	-	-	-	-
2006-2 (4)	-	3,167	81.25	2,573	35	28	31	-	-	-	-	-
2006-2 subtotal	-	12,310	80.10	9,861	28	22	19	-	-	-	2	147
2007-1 (1)	613	-	48.17	295	17	16	9	-	66	162	208	282
2007-1 (2)	741	-	81.23	602	27	24	25	-	-	-	-	2
2007-1 (3)	629	-	81.06	510	28	24	28	-	-	-	-	-
2007-1 (4)	840	-	78.71	661	50	45	30	228	-	-	-	-
2007-1 subtotal	2,823	-	73.27	2,068	32	29	9	228	66	162	208	284
2007-2 (1)	485	-	64.67	314	25	23	14	-	8	37	56	122
2007-2 (2)	399	394	84.72	671	30	28	28	-	-	-	-	5
2007-2 (3)	-	516	86.76	448	35	33	34	-	-	-	-	2
2007-2 (4)	904	-	85.95	777	62	60	42	317	-	-	-	-
2007-2 subtotal	1,788	910	81.92	2,210	41	39	14	317	8	37	56	129
2008-1 (1)	-	-	-	-	-	-	-	-	-	-	-	-
2008-1 (2)	-	-	-	-	-	-	-	-	-	-	-	-
2008-1 (3)	-	-	-	-	-	-	-	-	-	-	-	-
2008-1 (4)	-	-	-	-	-	-	-	-	-	-	-	-
2008-1 subtotal	-	-	-	-	-	-	-	-	-	-	-	-
Total subprime securities	$ 4,611	$ 23,665	81.30	$ 22,990	37 %	28 %	9 %	$ 2,064	$ 76	$ 203	$ 272	$ 586
Trading securities with hypothetical NPV losses:												
Fair Value									$ 33	$ 66	$ 207	$ 929
Unpaid Principal Balance									223	371	558	1,493
Difference									$ (190)	$ (305)	$ (351)	$ (564)
AFS securities with hypothetical NPV losses:												
Fair Value									$ 36	$ 298	$ 834	$ 4,679
Unpaid Principal Balance									39	335	1,002	5,823
Difference									$ (3)	$ (37)	$ (168)	$ (1,144)

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Investments in Alt-A and Subprime Private-Label Wraps

All data as of June 30, 2008

Investments in Alt-A and Subprime Private-Label Wraps	Unpaid Principal Balance	Credit Enhancement Statistics: Average Current	Credit Enhancement Statistics: Original	Credit Enhancement Statistics: Minimum Current	Monoline Financial Guarantee	Hypothetical Scenarios: 20d/40s NPV	Hypothetical Scenarios: 20d/50s NPV	Hypothetical Scenarios: 30d/40s NPV	Hypothetical Scenarios: 30d/50s NPV
	(Dollars rounded in millions)								
Alt-A wraps:									
2005-1	$ 240	6 %	4 %	6 %	$ -	$ -	$ -	$ -	$ -
2007-1 (1)	-	-	-	-	-	-	-	-	-
2007-1 (2)	-	-	-	-	-	-	-	-	-
2007-1 (3)	-	-	-	-	-	-	-	-	-
2007-1 (4)	319	9	7	9	-	-	-	-	-
2007-1 subtotal	319	9	7	9	-	-	-	-	-
2008-1 (1)	-	-	-	-	-	-	-	-	-
2008-1 (2)	-	-	-	-	-	-	-	-	-
2008-1 (3)	-	-	-	-	-	-	-	-	-
2008-1 (4)	-	-	-	-	-	-	-	-	-
2008-1 subtotal	-	-	-	-	-	-	-	-	-
Total Alt-A wraps	$ 559	8 %	6 %	6 %	$ -	$ -	$ -	$ -	$ -
Subprime wraps:									
2004 and prior	$ 885	37 %	14 %	14 %	$ 15	$ -	$ -	$ -	$ -
2005-1	549	66	22	58	-	-	-	-	-
2005-2	2,353	54	35	26	203	-	-	1	7
2007-1 (1)	1,531	19	17	19	-	-	1	30	139
2007-1 (2)	1,797	23	20	22	-	-	-	1	70
2007-1 (3)	1,705	25	22	24	-	-	-	-	29
2007-1 (4)	1,943	32	26	28	-	-	-	1	33
2007-1 subtotal	6,976	25	21	19	-	-	1	32	271
2007-2 (1)	289	27	24	24	-	-	-	-	10
2007-2 (2)	-	-	-	-	-	-	-	-	-
2007-2 (3)	439	32	30	32	-	-	-	-	11
2007-2 (4)	497	33	30	33	-	-	-	-	-
2007-2 subtotal	1,225	31	29	24	-	-	-	-	21
2008-1 (1)	-	-	-	-	-	-	-	-	-
2008-1 (2)	-	-	-	-	-	-	-	-	-
2008-1 (3)	-	-	-	-	-	-	-	-	-
2008-1 (4)	-	-	-	-	-	-	-	-	-
2008-1 subtotal	-	-	-	-	-	-	-	-	-
Total subprime wraps	11,988	34 %	24 %	14 %	218	-	1	33	299
Total Alt-A and subprime wraps	$ 12,547	33 %	24 %	6 %	$ 218	$ -	$ 1	$ 33	$ 299

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Counterparty Exposure

Counterparty Type	Exposure as of June 30, 2008	Notes [1]
Mortgage Insurers	$116.1 billion of primary and pool mortgage insurance coverage ("risk in force").	Since December 31, 2007, the rating agencies have downgraded the insurer financial strength ratings of seven of our top eight insurers. As of June 30, 2008, these seven insurers provided 98% of our total mortgage insurance coverage. Of our top eight insurers, four were rated AA- or higher, three were rated A or A+, and one, Triad Guaranty Insurance Corporation, was rated BB as of August 1, 2008. In June 2008, Triad Guaranty Insurance Corporation announced that it would cease issuing commitments for mortgage insurance effective July 15, 2008 and would run-off its existing business. We immediately suspended Triad Guaranty Insurance Corporation as one of our qualified mortgage insurers.
Financial Guarantors	Beneficiary of financial guarantees of $11.1 billion on securities held in investment portfolio or securities guaranteed and sold to third parties.	We no longer rely upon credit enhancement provided by Financial Guarantors in connection with capital markets securities purchases. All decisions to purchase securities are now based solely upon an assessment of the stand alone quality of the securities.
Custodial Depository Institutions	A total of $40 billion in deposits for scheduled single-family MBS payments were received in June 2008 and held by 311 custodial depository institutions.	97% were held by institutions rated as investment grade by S&P, Moody's, and Fitch.
Derivatives Counterparties	Credit exposure on risk management derivatives, net of collateral held was $472 million. [2]	There is zero exposure to firms with AAA rating; $382 million to firms with AA+/AA/AA- rating; zero exposure to firms with A+/A/A- rating; and zero exposure to firms with BBB rating.

[1] Ratings are as of August 1, 2008 unless otherwise noted.

[2] Exposure is defined as the cost to replace outstanding derivatives contracts in gain positions taking into account netting arrangements where applicable.

Counterparty Exposure – Mortgage Insurers

(dollar in millions)	As of August 1, 2008			As of June 30, 2008		
	Insurer Financial Strength Ratings			Maximum Coverage [2]		
Counterparty Name [1]	Moody's	S&P	Fitch	Primary	Pool	Total
Mortgage Guaranty Insurance Corporation	A1	A	A+	$ 25,057	$ 2,629	$ 27,686
Genworth Mortgage Insurance Corporation	Aa3	AA	AA	17,387	439	17,826
PMI Mortgage Insurance Co.	A3	A+	A+	14,373	2,515	16,888
United Guaranty Residential Insurance Company	Aa3	AA+	AA+	16,140	295	16,435
Radian Guaranty, Inc.	A2	A	Not Rated	15,062	919	15,981
Republic Mortgage Insurance Company	A1	AA-	AA-	11,676	1,706	13,382
Triad Guaranty Insurance Corporation	B1	Not Rated	BB	4,379	1,433	5,812
CMG Mortgage Insurance Company[3]	Not Rated	AA-	AA	1,948	-	1,948

(1) Insurance coverage amounts provided for each counterparty may include coverage provided by consolidated subsidiaries of the counterparty.

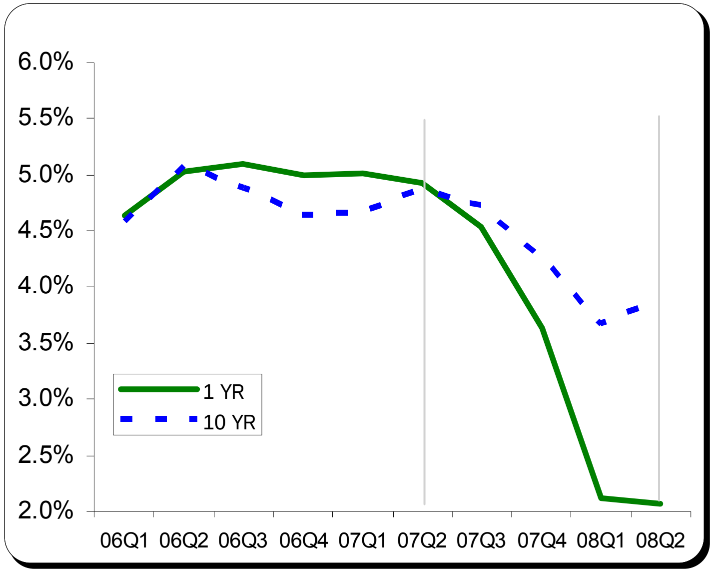
(2) Maximum coverage refers to the aggregate dollar amount of insurance coverage (i.e. "risk in force") on single-family loans in our guaranty book of business and represents our maximum potential loss recovery under the applicable mortgage insurance policies.

(3) CMG Mortgage Insurance Company is a joint venture owned by PMI Mortgage Insurance Co. and CUNA Mutual Investment Corporation.

APPENDIX II – Other

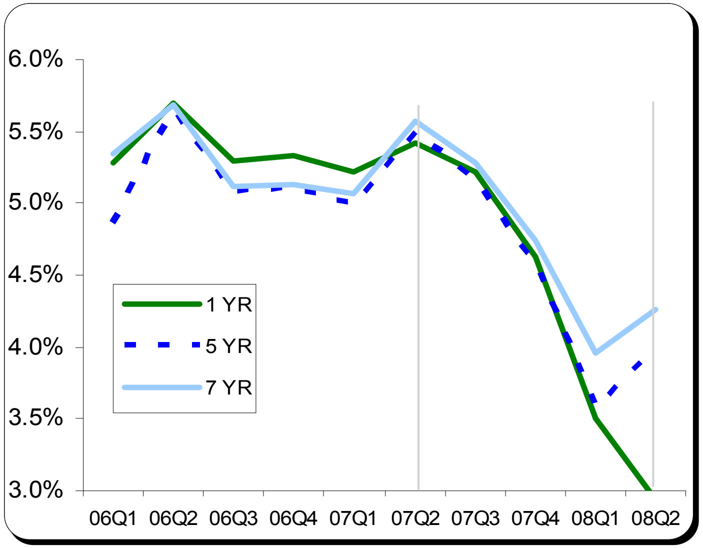
Economic Environment – Interest Rates

1-Year and 10-Year Treasuries

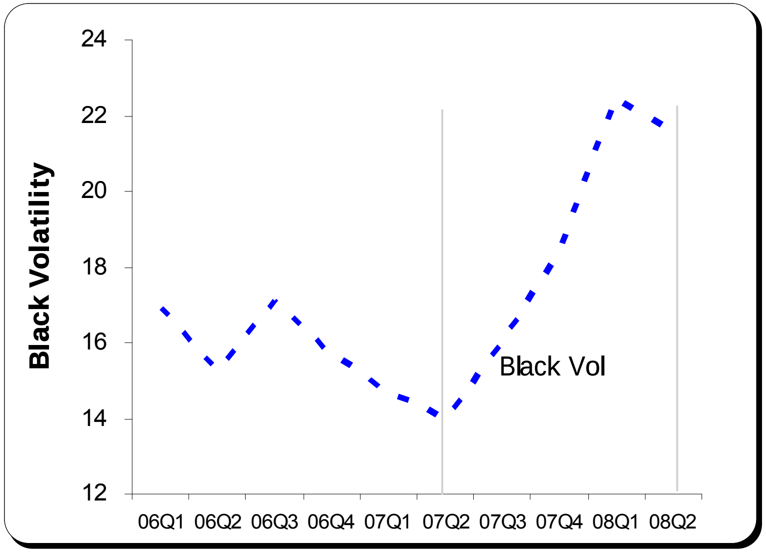


- Net interest yield increased due to reduced funding costs in 2008 Q2.
- Swap rates increased, triggering gains on derivatives.
- Increase in interest rates drove the fair value losses on trading securities and hedged mortgage assets, offsetting the derivatives gains.

Swap Rates



Volatility (3x7 Swaption Volatility)



Source: Treasury: Federal Reserve H.15 Publication. Swap and Volatility: Bloomberg & LehmanLive.com.

Statements of Operations by Segment

2008 Q2 Statement of Operations (dollars in millions)	Single-Family	HCD	Capital Markets	Total
Net interest income (expense)	$ 142	$ (88)	$ 2,003	$ 2,057
Guaranty fee income (expense)	1,819	134	(345)	1,608
Trust management income	74	1	-	75
Fee and other income	92	51	82	225
Net revenues	**2,127**	**98**	**1,740**	**3,965**
Fair value gains, net	-	-	517	517
Investment losses, net	(37)	-	(846)	(883)
Losses from partnership investments	-	(195)	-	(195)
Credit-related expenses	(5,339)	(10)	-	(5,349)
Administrative expenses	(288)	(104)	(120)	(512)
Other expenses, net	(173)	(33)	(80)	(286)
Losses and expenses	**(5,837)**	**(342)**	**(529)**	**(6,708)**
Income (loss) before federal income taxes and extraordinary losses	(3,710)	(244)	1,211	(2,743)
Provision (benefit) for federal income taxes	(1,304)	(316)	1,144	(476)
Extraordinary losses, net of tax effect	-	-	(33)	(33)
Net income (loss)	**$ (2,406)**	**$ 72**	**$ 34**	**$ (2,300)**

2008 Q1 Statement of Operations (dollars in millions)	Single-Family	HCD	Capital Markets	Total
Net interest income (expense)	$ 134	$ (103)	$ 1,659	$ 1,690
Guaranty fee income (expense)	1,942	148	(338)	1,752
Trust management income	105	2	-	107
Fee and other income	102	62	63	227
Net revenues	**2,283**	**109**	**1,384**	**3,776**
Fair value losses, net	-	-	(4,377)	(4,377)
Investment losses, net	(48)	-	(63)	(111)
Losses from partnership investments	-	(141)	-	(141)
Credit-related expenses	(3,254)	11	-	(3,243)
Administrative expenses	(286)	(108)	(118)	(512)
Other expenses, net	(247)	(43)	(215)	(505)
Losses and expenses	**(3,835)**	**(281)**	**(4,773)**	**(8,889)**
Loss before federal income taxes and extraordinary losses	(1,552)	(172)	(3,389)	(5,113)
Benefit for federal income taxes	(544)	(322)	(2,062)	(2,928)
Extraordinary losses, net of tax effect	-	-	(1)	(1)
Net income (loss)	**$ (1,008)**	**$ 150**	**$ (1,328)**	**$ (2,186)**

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Changes in Risk Management Derivative Assets (Liabilities) at Fair Value, Net

(dollars in millions)	2008 Q2	2008 Q1	2007 Q4	2007 Q3	2007 Q2
Beginning net derivative asset (liability) [1][2]	$ (3,066)	$ (1,321)	$ (233)	$ 1,007	$ 378
Effect of cash payments:					
Fair value at inception of contracts entered into during the period	540	173	30	(6)	162
Fair value at date of termination of contracts settled during the period	(147)	(426)	44	(40)	(30)
Net collateral posted	(1,667)	2,461	1,332	2,202	(2,110)
Periodic net cash contractual interest payments (receipts)	1,352	(1,148)	744	(1,183)	771
Total cash payments (receipts)	78	1,060	2,150	973	(1,207)
Income statement impact of recognized amounts:					
Periodic net contractual interest income (expense) accruals on interest rate swaps	(304)	(26)	68	95	64
Net change in fair value during period	2,663	(2,779)	(3,306)	(2,308)	1,772
Derivatives fair value gains (losses), net [3]	2,359	(2,805)	(3,238)	(2,213)	1,836
Ending net derivative asset (liability) [1][2]	$ (629)	$ (3,066)	$ (1,321)	$ (233)	$ 1,007

[1] Reflects the net amount of "Derivative assets at fair value" and "Derivative liabilities at fair value" recorded in our consolidated balance sheets, excluding mortgage commitments.

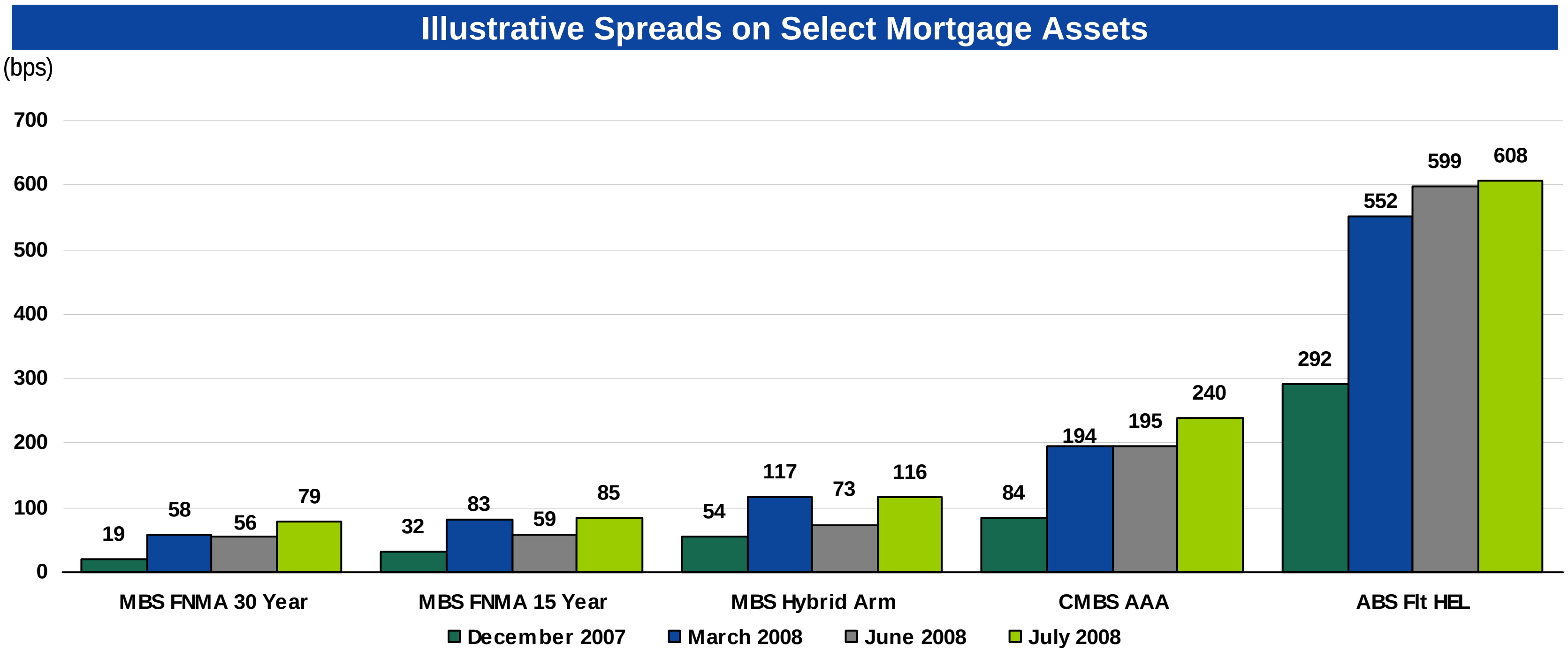
[2] Pursuant to adoption of FASB Staff Position No. FIN 39-1, *Amendment of FASB Interpretation No. 39*, we reclassified amounts related to cash collateral receivables and payables to offset derivative positions with the same counterparty under a master netting arrangement.

[3] Reflects the net derivatives fair value gains (losses) recorded in our consolidated statements of operations, excluding mortgage commitments.

Purchased Options Premiums

(dollars in millions)	Original Premium Payments	Original Weighted Average Life to Expiration	Remaining Weighted Average Life
Outstanding options as of December 31, 2006	$ 8,769	9.2 years	5.7 years
Purchases	198		
Exercises	(487)		
Terminations	(212)		
Expirations	(425)		
Outstanding options as of December 31, 2007	$ 7,843	8.4 years	4.6 years
Purchases	180		
Exercises	(1,388)		
Terminations	(23)		
Expirations	(70)		
Outstanding options as of March 31, 2008	$ 6,542	6.7 years	3.6 years
Purchases	543		
Exercises	(213)		
Terminations	(31)		
Expirations	(149)		
Outstanding options as of June 30, 2008	$ 6,692	7.6 years	4.3 years

Spreads on Mortgage Investments



Source: LehmanLive
Note: Spreads to LIBOR.

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 32 of the 2008 Q2 Form 10-Q. 2008 Q1 detailed reconciliation is contained in Table 32 of the 2008 Q1 Form 10-Q.

(dollars in millions)	As of June 30, 2008	As of March 31, 2008	As of December 31, 2007
Total Stockholders' Equity (GAAP)	$ 41,226	$ 38,836	$ 44,011
Fair value adjustments	(28,774) [1]	(26,626) [2]	(8,212) [3]
Estimated Fair Value of Net Assets, net of tax effect (non-GAAP)	$ 12,452	$ 12,210	$ 35,799

[1] Represents fair value increase of $19.1 billion to total assets of $885.9 billion less a fair value increase of $47.9 billion to total liabilities of $844.5 billion.

[2] Represents fair value increase of $23.5 billion to total assets of $843.2 billion less a fair value increase of $50.1 billion to total liabilities of $804.2 billion.

[3] Represents fair value increase of $11.0 billion to total assets of $879.4 billion less a fair value increase of $19.2 billion to total liabilities of $835.3 billion.