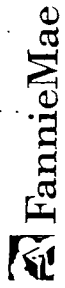

Five Year Earnings Forecast



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Shareholder Expectations

- Overall perceptions of Fannie Mae stock:
 - Currently viewed as a value stock
 - Once restatement/regulatory reviews are completed, stock is expected to offer growth
 - Expectation for dividend restoration and stock repurchases

- Current expectations for GAAP measures:

- Earnings per share
 - Near term \$5.50 in 2006
 - Longer term Growth approximating MDO growth (6 – 8%)
- Return on book equity Mid teens (14 – 16%)

- Increasing attention on fair value measures

- Freddie Mac has focused investor attention on fair value
- Expectation for low to mid teens growth rate

- For both GAAP and fair value measures, volatility is expected

- Derivatives mark-to-market will create “noise” in the GAAP results
- Fluctuations in OAS and other market factors will affect the fair value balance sheet

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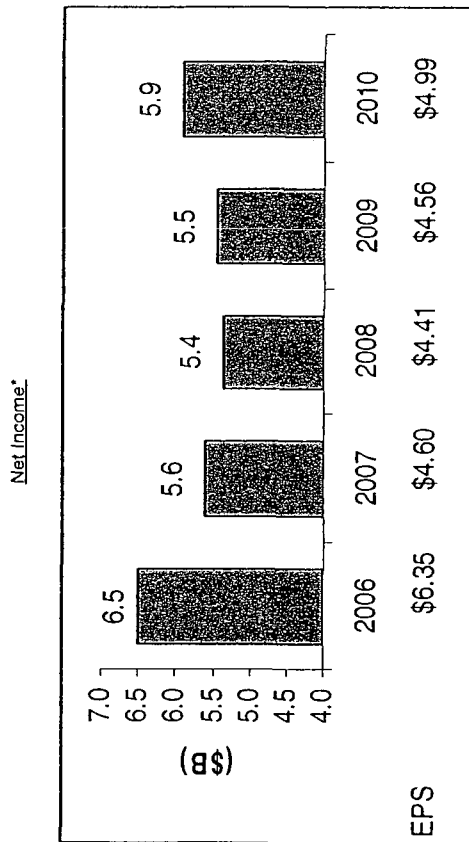
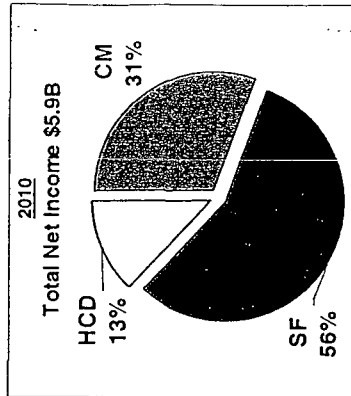
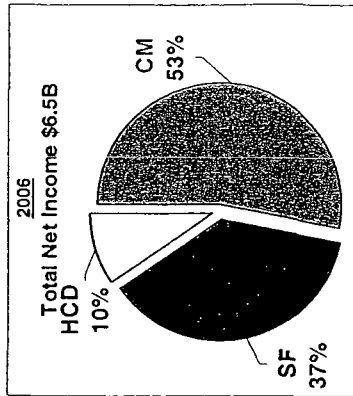
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Five Year Forecast – Base Case



Key Observations:

- Significant decrease in GAAP earnings in 2007; modest growth from 2008-2010
 - High portfolio GAAP earnings unsustainable due to lower cost debt maturities
 - Forecasts do not include additional portfolio earnings that may arise as a result of:
 - Opportunistic market conditions that temporarily cause wider OAS
 - Steepened yield curve could improve interest margin
 - GAAP earnings growth in out years driven by Single Family and HCD
- Single Family business grows faster than MDO and becomes an increasingly important component of earnings and contributor to stock value
- Alternative scenarios do not change structural direction of net income (see appendix)

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* Net income is before gain/loss on derivative mark-to-market. 2006 is normalized to remove the impact of actual gains/losses on sales and debt extinguishments.

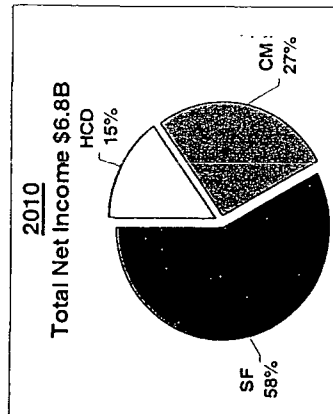
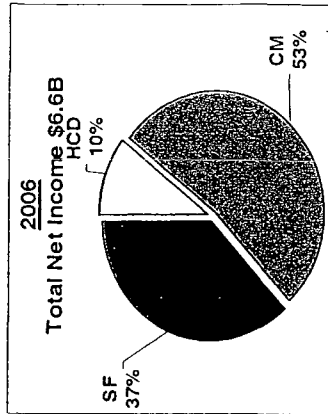
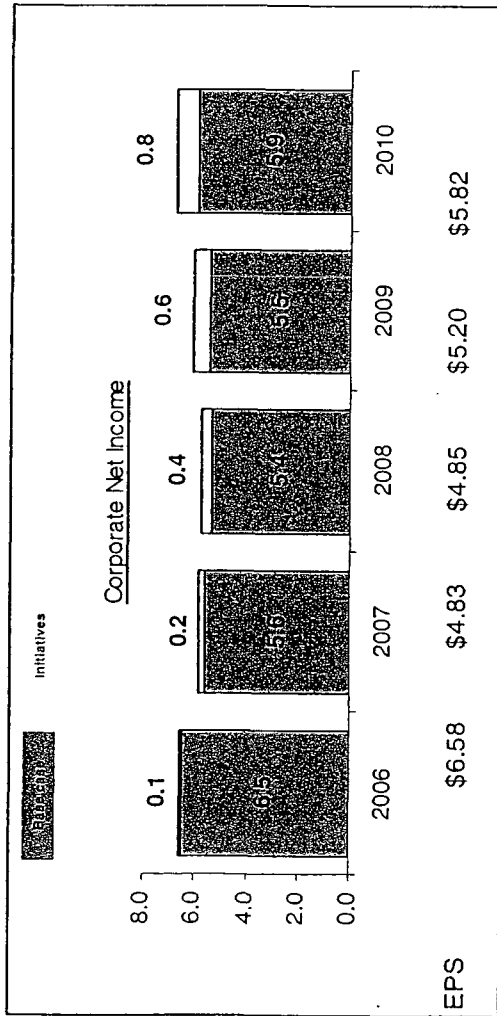
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Five Year Forecast – Base Case with New Initiatives



Key Observation:

- New initiatives add to earnings and improve growth rates, but corporate growth is still below MDO growth:

	Base Case		Base Case with New Initiatives	
	'06-'10	'07-'10	'06-'10	'07-'10
CAGR	5.6%	6.4%	9.6%	11.9%
HCD	(16.5%)	(9.5%)	(16.5%)	(9.5%)
CM	7.0%	6.8%	11.1%	10.9%
SF	(1.8%)	1.8%	1.1%	5.0%
FNM Overall				

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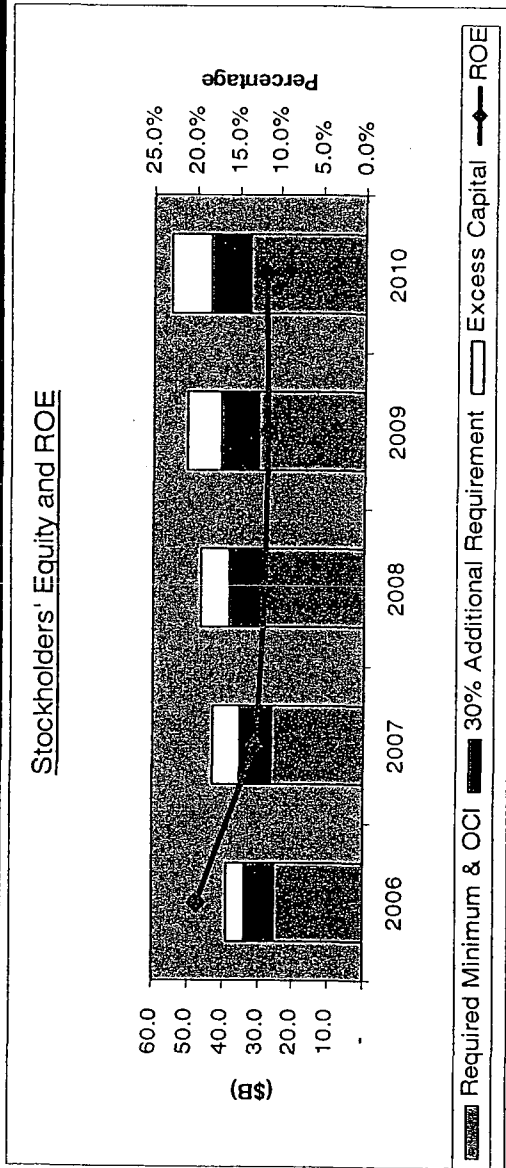
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Shareholders' Equity Considerations



- Assuming current dividend rate, forecast scenarios drive a significant growth in shareholders equity beyond current regulatory requirements
- Base case plus new initiative earnings trajectory results in return on equity of 12% in 2010
- Distribution of all except \$3.5B of excess capital would improve capital efficiency and result in a return on equity of 13% in 2010
- If 30% additional equity requirement were lifted, ROE increases to 16%, and if the excess capital was utilized for a share repurchase, 2010 EPS increases from \$5.82 per share to \$6.67 per share

ROE calculation: Net Income less preferred dividends divided by 2-point average of stockholders' equity less preferred stock and other comprehensive income

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Key Take Aways

- It will be difficult to achieve shareholder expectations
 - Net interest income compression
 - Limited portfolio growth expectation with out years average annual growth of 6%
 - Even with Single Family and Housing and Community Development growing faster than mortgage debt outstanding, they do not offset decline in Capital Markets earnings
- Important to aid market with an array of measures, including fair value
- Given excess capital build-up by 2010:
 - Capital distributions will be an increasingly important component of stock performance
 - Appropriate capital distribution would significantly improve ROE and EPS growth

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