

# Board Report

September, 2005

Robert J. Levin  
Interim Chief Financial Officer

FMSE 519420

Confidential Treatment  
Requested By Fannie Mae

PROPRIETARY AND CONFIDENTIAL –  
CONFIDENTIAL TREATMENT REQUESTED  
BY FANNIE MAE

## Earnings Forecast: 2005 and 2006

*Dollars in millions*

*Numbers may not foot due to rounding*

	2006				2005	Growth
	<i>SF</i>	<i>HCD</i>	<i>Portfolio Business</i>	Total	Total	
Net interest income	\$ 1,749	\$ 107	\$ 5,179	\$ 7,035	\$ 9,959	\$ (2,924)
Guaranty fees	3,000	202	-	3,201	3,255	(54)
Fee and other income	39	(281)	160	(82)	87	(169)
Gain/(loss) on sales	-	-	-	-	259	(259)
Gain/(loss) on debt	-	-	(3)	(3)	9	(12)
Credit expenses	(263)	(82)	-	(345)	(273)	(72)
Administrative expenses	(908)	(337)	(748)	(1,993)	(2,063)	70
Income taxes	(1,230)	937	(1,251)	(1,544)	(2,816)	1,272
<b>Net income, excluding MTM</b>	<b>\$ 2,386</b>	<b>\$ 546</b>	<b>\$ 3,336</b>	<b>\$ 6,269</b>	<b>\$ 8,417</b>	<b>\$ (2,148)</b>
Mark-to-market gains/(losses) on derivatives	-	-	(577)	(577)	(1,703)	1,126
<b>Net income</b>	<b>\$ 2,386</b>	<b>\$ 546</b>	<b>\$ 2,759</b>	<b>\$ 5,692</b>	<b>\$ 6,714</b>	<b>\$ (1,022)</b>

*Information is subject to change as a result of the pending re-audit and restatement of Fannie Mae's financial statements.*

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## Net Interest Income: 2005 and 2006

<i>Dollars in millions, except net interest margin</i>	2006	2005	Decline
Total net interest income	\$ 7,035	\$ 9,959	\$ (2,924)
Average investment balance	757,578	851,418	(93,841)
<b>Net interest margin</b>	<b>0.93%</b>	<b>1.17%</b>	<b>-0.24%</b>
Decline due to balance reduction	\$ (1,098)		
Decline due to lower margin	(1,826)		
<b>Decline in net interest income</b>	<b>\$ (2,924)</b>		

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Guaranty Business Performance Metrics  
*July 2005 Year-to-Date*

	<u>Actuals</u>	<u>Plan</u>	<u>Variance</u>
<u>Single-family Guaranty Business</u>			
Volume (\$ billions)	\$ 287.8	\$ 287.7	\$ 0.1
Book Growth	-0.2%	1.7%	-0.9%
Charged Fee, net (bps)	24.6	26.0	(1.4)
Pricing Gap (bps)	(0.53)	NM	NM
<u>Multi-family</u>			
Volume (\$ billions)	\$ 13.5	\$ 11.4	\$ 2.1
Book Growth	3.8%	7.3%	-3.5%
Charged Fee (bps)	26.0	22.8	3.2
SF SDQ Ratio <sup>[1]</sup>	0.57%	0.57%	0.0%

[1] SDQ Ratio compares YTD June 2005 vs. YTD June 2004

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