Board of Director Presentation
January, 2006

Robert J. Levin
## 2005 Earnings Forecast

<table>
<thead>
<tr>
<th></th>
<th>1/17/06 Forecast</th>
<th>Capital Plan (April 2005)</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>$ 10,921</td>
<td>$ 10,783</td>
<td>$ 138</td>
</tr>
<tr>
<td>Guaranty fees</td>
<td>2,951</td>
<td>2,918</td>
<td>33</td>
</tr>
<tr>
<td>Fee and other income</td>
<td>50</td>
<td>12</td>
<td>38</td>
</tr>
<tr>
<td>Gain/(Loss) on sales</td>
<td>214</td>
<td>123</td>
<td>91</td>
</tr>
<tr>
<td>Gain/(loss) on early extinguishment of debt</td>
<td>2</td>
<td>(232)</td>
<td>234</td>
</tr>
<tr>
<td>Credit-related expenses</td>
<td>(862)</td>
<td>(335)</td>
<td>(527)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(2,182)</td>
<td>(1,895)</td>
<td>(287)</td>
</tr>
<tr>
<td>Income taxes</td>
<td>(2,811)</td>
<td>(2,850)</td>
<td>39</td>
</tr>
<tr>
<td>Net income, excluding MTM</td>
<td>$ 8,284</td>
<td>$ 8,523</td>
<td>$ (239)</td>
</tr>
<tr>
<td>Mark-to-market gains/(losses) on derivatives</td>
<td>(1,678)</td>
<td>(117)</td>
<td>(1,561)</td>
</tr>
<tr>
<td>Net income</td>
<td>$ 6,605</td>
<td>$ 8,406</td>
<td>$ (1,801)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Dec 2005 YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actuals</td>
</tr>
<tr>
<td>Running the Business</td>
<td>$1,126</td>
</tr>
<tr>
<td>Incentive Compensation</td>
<td>246</td>
</tr>
<tr>
<td>Strategic Investments</td>
<td>201</td>
</tr>
<tr>
<td>OFHEO, Restatement, and Litigation</td>
<td>609</td>
</tr>
<tr>
<td>Total Corporation</td>
<td>$2,182</td>
</tr>
</tbody>
</table>

### Notes:

- **Running the Business**: Slightly under plan, despite having to cover unbudgeted severance of $14.2m.

- **Incentive Compensation**: $43m under plan, due to lower stock price, forfeitures and the delay in FAS 123R implementation. FAS 123R requires companies to expense existing unvested stock awards. The FASB delayed the required implementation date from July 2005 to January 2006. The expense impact from this delay, approximately $20m, is favorable versus budget.

- **Strategic Investments**: $23m over plan. Approximately $12m of the overrun is related to building out the Finance and Portfolio organizations. $6m is due to the Citigroup and McKinsey board studies. The remaining overrun is due to a faster ramp-up in Finance systems than had originally been anticipated in the budget.

- **OFHEO, Restatement, and Litigation**: $310m over plan, as follows: Audit/Restatement - $187m, Paul Weiss Review - $27m, Other OFHEO Special Review related expenses (includes employee indemnification, organization redesign, etc.) - $96m.
2006 Priorities and Objectives

- **Complete Stabilization**: Become a first-rate regulated company with strong and productive relationships with all of our regulators; restate our earnings; manage our capital surplus; and build our relationship with investors
  - Foster productive relationships with OFHEO, Treasury, and the SEC
  - Build our relationship with HUD, and deliver on our special minority first-time homebuyer and other commitments to the President
  - Fulfill remaining items in the OFHEO agreements
  - File 10-Ks for 2004 and 2005
  - Remediate a significant portion of the material weaknesses and deficiencies listed in the 2005 10-K
  - Create a plan for the new legal department and build the CEI function
  - Develop with the board and implement a dividend (and/or stock repurchase) strategy
  - Develop and implement an investor relations strategy, including, where possible, any non-GAAP metrics, and begin reintroducing the company to investors

- **Optimize our Business**: Launch key initiatives that optimize our business model and generate shareholder value, while meeting our challenges and customers’ needs as One Fannie Mae.
  - Achieve single family share target(s), >55% vs. Freddie and > 25% vs. the market, consistent with financial & risk guidelines
  - Meet or exceed SF mission adjusted gap efficiency targets for the core business and achieve MF return and acquisition targets
  - Increase the fair value of the portfolio, after controlling for mortgage/debt spreads and dividends
  - Maintain a better than theoretical MBS price spread versus the Freddie Mac PC
  - Build the CRO function, and implement business unit risk officer organizations and the 2006 plan for policies
  - Implement CMBS purchase capability by Q1 ’06
  - Implement the Risk Transformation Facility by Q3 ’06
  - Develop and implement the strategic plan for expansion of the HCD businesses
  - Increase our penetration into subprime
  - Develop and implement plan to increase sourcing of minority loans
  - Refine strategic planning process by Q2 ’06 and develop a new multiyear corporate strategy in 2006
  - Recommend to the Executive Committee performance metrics for each business by Q2 ’06; including customer satisfaction metric(s) and return on economic capital measurements for decision-making.
2006 Priorities and Objectives

- **Deliver on the Mission:** Deliver our mission commitments by increasing liquidity to make U.S. housing more affordable and making an impact in highly disadvantaged communities
  - Achieve the HUD Goals
  - Achieve the minority lending targets
  - Achieve ADC 3.0 and Katrina targets

- **Instill Operational Discipline:** Instill operational discipline into all functions, resulting in stronger processes, reduced risk, and good SOX reports
  - Rebuild the audit function to meet Board, outside auditor, and regulator requirements
  - Establish a structured decision making process for key initiatives that is more efficient, clarifies accountabilities and roles, and leads to better outcomes
  - Begin parallel production for SIR and LASER for cash transactions by Q4 '06
  - Complete the next phase of the HCD systems
  - Complete the next phase for Finance Transformation
  - Pilot Lean Six Sigma
  - Develop and implement plan to improve data integrity

- **Renew our Culture:** Build a culture to achieve our objectives by demonstrating SEAM, reenergizing diversity programs and renewing our people strategy
  - Implement the next phase of the culture strategy
  - Develop and implement a next generation diversity strategy
  - Implement a new compensation and performance management program

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