

FREDDIE MAC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions, except share-related amounts)	Year Ended December 31,		
	2015	2014	2013
<i>Interest income</i>			
Mortgage loans	\$ 62,226	\$ 63,605	\$ 64,883
Investments in securities	4,794	5,843	7,768
Other	70	32	51
<i>Total interest income</i>	67,090	69,480	72,702
Interest expense	(51,916)	(54,916)	(55,779)
Expense related to derivatives	(228)	(301)	(455)
<i>Net interest income</i>	14,946	14,263	16,468
Benefit (provision) for credit losses	2,665	(58)	2,465
<i>Net interest income after benefit (provision) for credit losses</i>	17,611	14,205	18,933
<i>Non-interest income (loss)</i>			
Gains (losses) on extinguishment of debt	(240)	(422)	446
Derivative gains (losses)	(2,696)	(8,291)	2,632
Impairment of available-for-sale securities:			
Total other-than-temporary impairment of available-for-sale securities	(241)	(860)	(763)
Portion of other-than-temporary impairment recognized in AOCI	(51)	(78)	(747)
Net impairment of available-for-sale securities recognized in earnings	(292)	(938)	(1,510)
Other gains (losses) on investment securities recognized in earnings	508	1,494	301
Other income (loss)	(879)	8,044	6,650
<i>Non-interest income (loss)</i>	(3,599)	(113)	8,519
<i>Non-interest expense</i>			
Salaries and employee benefits	(975)	(914)	(833)
Professional services	(497)	(527)	(543)
Occupancy expense	(56)	(58)	(54)
Other administrative expense	(399)	(382)	(375)
Total administrative expense	(1,927)	(1,881)	(1,805)
Real estate owned operations (expense) income	(338)	(196)	140
Temporary Payroll Tax Cut Continuation Act of 2011 expense	(967)	(775)	(533)
Other (expense) income	(1,506)	(238)	109
<i>Non-interest expense</i>	(4,738)	(3,090)	(2,089)
Income before income tax (expense) benefit	9,274	11,002	25,363
Income tax (expense) benefit	(2,898)	(3,312)	23,305
<i>Net income</i>	6,376	7,690	48,668
Other comprehensive income (loss), net of taxes and reclassification adjustments:			
Changes in unrealized gains (losses) related to available-for-sale securities	(806)	1,584	2,406
Changes in unrealized gains (losses) related to cash flow hedge relationships	182	197	316
Changes in defined benefit plans	47	(45)	210
Total other comprehensive income (loss), net of taxes and reclassification adjustments	(577)	1,736	2,932
<i>Comprehensive income</i>	\$ 5,799	\$ 9,426	\$ 51,600
<i>Net income</i>	\$ 6,376	\$ 7,690	\$ 48,668
Undistributed net worth sweep and senior preferred stock dividends	(6,399)	(10,026)	(52,199)
<i>Net income (loss) attributable to common stockholders</i>	\$ (23)	\$ (2,336)	\$ (3,531)
Net income (loss) per common share — basic and diluted	\$ (0.01)	\$ (0.72)	\$ (1.09)
Weighted average common shares outstanding (in millions) — basic and diluted	3,235	3,236	3,238

The accompanying notes are an integral part of these consolidated financial statements.

FREDDIE MAC

CONSOLIDATED BALANCE SHEETS

(in millions, except share-related amounts)	At December 31,	
	2015	2014
Assets		
Cash and cash equivalents (Notes 3, 13)	\$ 5,595	\$ 10,928
Restricted cash and cash equivalents (Notes 3, 13)	14,533	8,535
Securities purchased under agreements to resell (Notes 3, 9)	63,644	51,903
Investments in securities, at fair value (Note 6)	114,215	136,987
Mortgage loans held-for-sale (Notes 3, 4) (includes \$17,660 and \$12,130 at fair value)	24,992	12,368
Mortgage loans held-for-investment (Notes 3, 4) (net of allowance for loan losses of \$15,331 and \$21,761)	1,729,201	1,688,212
Accrued interest receivable (Note 3)	6,074	6,034
Derivative assets, net (Notes 8, 9)	395	822
Real estate owned, net (Notes 3, 5)	1,725	2,558
Deferred tax assets, net (Note 11)	18,205	19,498
Other assets (Notes 3, 17)	7,471	7,694
Total assets	\$ 1,986,050	\$ 1,945,539
Liabilities and equity		
<i>Liabilities</i>		
Accrued interest payable (Note 3)	\$ 6,183	\$ 6,325
Debt, net (Notes 3, 7) (includes \$7,184 and \$5,862 at fair value)	1,970,427	1,929,542
Derivative liabilities, net (Notes 8, 9)	1,254	1,963
Other liabilities (Notes 3, 17)	5,246	5,058
Total liabilities	1,983,110	1,942,888
Commitments and contingencies (Notes 3, 8, and 15)		
<i>Equity (Note 10)</i>		
Senior preferred stock, at redemption value	72,336	72,336
Preferred stock, at redemption value	14,109	14,109
Common stock, \$0.00 par value, 4,000,000,000 shares authorized, 725,863,886 shares issued and 650,045,962 shares and 650,043,899 shares outstanding	—	—
Additional paid-in capital	—	—
Retained earnings (accumulated deficit)	(80,773)	(81,639)
<i>AOCI, net of taxes, related to:</i>		
Available-for-sale securities (includes \$778 and \$839, related to net unrealized gains on securities for which other-than-temporary impairment has been recognized in earnings)	1,740	2,546
Cash flow hedge relationships	(621)	(803)
Defined benefit plans	34	(13)
Total AOCI, net of taxes	1,153	1,730
Treasury stock, at cost, 75,817,924 shares and 75,819,987 shares	(3,885)	(3,885)
Total equity (See Note 10 for information on our dividend obligation to Treasury)	2,940	2,651
Total liabilities and equity	\$ 1,986,050	\$ 1,945,539

The table below represents the carrying value and classification of the assets and liabilities of consolidated VIEs on our consolidated balance sheets.

(in millions)	At December 31,	
	2015	2014
Consolidated Balance Sheet Line Item		
<i>Assets: (Note 3)</i>		
Mortgage loans held-for-sale	\$ 1,403	\$ —
Mortgage loans held-for-investment	1,625,184	1,558,094
All other assets	37,305	29,798
Total assets of consolidated VIEs	\$ 1,663,892	\$ 1,587,892
<i>Liabilities: (Note 3)</i>		
Debt, net	\$ 1,556,121	\$ 1,479,473
All other liabilities	4,769	4,703
Total liabilities of consolidated VIEs	\$ 1,560,890	\$ 1,484,176

The accompanying notes are an integral part of these consolidated financial statements.

FREDDIE MAC

CONSOLIDATED STATEMENTS OF EQUITY

(in millions)	Shares Outstanding			Senior Preferred Stock, at Redemption Value	Preferred Stock, at Redemption Value	Common Stock, at Par Value	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	AOCI, Net of Tax	Treasury Stock, at Cost	Total Equity
	Senior Preferred Stock	Preferred Stock	Common Stock								
Balance at December 31, 2012	1	464	650	\$ 72,336	\$ 14,109	\$ —	\$ 1	\$ (70,796)	\$ (2,938)	\$ (3,885)	\$ 8,827
<i>Comprehensive income:</i>											
Net income	—	—	—	—	—	—	—	48,668	—	—	48,668
Other comprehensive income, net of taxes	—	—	—	—	—	—	—	—	2,932	—	2,932
<i>Comprehensive income</i>	—	—	—	—	—	—	—	48,668	2,932	—	51,600
Common stock issuances	—	—	—	—	—	—	(1)	—	—	—	(1)
Senior preferred stock dividends declared	—	—	—	—	—	—	—	(47,591)	—	—	(47,591)
Ending balance at December 31, 2013	1	464	650	\$ 72,336	\$ 14,109	\$ —	\$ —	\$ (69,719)	\$ (6)	\$ (3,885)	\$ 12,835
Balance at December 31, 2013	1	464	650	\$ 72,336	\$ 14,109	\$ —	\$ —	\$ (69,719)	\$ (6)	\$ (3,885)	\$ 12,835
<i>Comprehensive income:</i>											
Net income	—	—	—	—	—	—	—	7,690	—	—	7,690
Other comprehensive income, net of taxes	—	—	—	—	—	—	—	—	1,736	—	1,736
<i>Comprehensive income</i>	—	—	—	—	—	—	—	7,690	1,736	—	9,426
Senior preferred stock dividends declared	—	—	—	—	—	—	—	(19,610)	—	—	(19,610)
Ending balance at December 31, 2014	1	464	650	\$ 72,336	\$ 14,109	\$ —	\$ —	\$ (81,639)	\$ 1,730	\$ (3,885)	\$ 2,651
Balance at December 31, 2014	1	464	650	\$ 72,336	\$ 14,109	\$ —	\$ —	\$ (81,639)	\$ 1,730	\$ (3,885)	\$ 2,651
<i>Comprehensive income:</i>											
Net income	—	—	—	—	—	—	—	6,376	—	—	6,376
Other comprehensive income, net of taxes	—	—	—	—	—	—	—	—	(577)	—	(577)
<i>Comprehensive income</i>	—	—	—	—	—	—	—	6,376	(577)	—	5,799
Senior preferred stock dividends declared	—	—	—	—	—	—	—	(5,510)	—	—	(5,510)
Ending balance at December 31, 2015	1	464	650	\$ 72,336	\$ 14,109	\$ —	\$ —	\$ (80,773)	\$ 1,153	\$ (3,885)	\$ 2,940

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