

FREDDIE MAC
CONSOLIDATED STATEMENTS OF INCOME

Line:	Year Ended December 31,			
	2003	2002	2001	
	(dollars in millions, except share-related amounts)			
	<i>Interest income</i>			
1	Mortgage loans	\$ 4,251	\$ 4,290	\$ 4,385
2	Mortgage-related securities in the retained portfolio	29,051	30,039	26,847
3	Cash and investments	3,796	4,147	4,136
4	Total interest income	37,098	38,476	35,368
	<i>Interest expense</i>			
5	Short-term debt	(2,785)	(4,303)	(9,056)
6	Long-term debt	(22,083)	(21,337)	(17,494)
7	Total interest expense on debt securities	(24,868)	(25,640)	(26,550)
8	Due to Participation Certificate investors	(1,641)	(1,236)	(1,027)
9	Total interest expense	(26,509)	(26,876)	(27,577)
10	Income (expense) related to derivatives	(1,091)	(2,075)	(343)
11	<i>Net interest income</i>	9,498	9,525	7,448
	<i>Non-interest income (loss)</i>			
12	Management and guarantee income (includes interest on Guarantee asset of \$244, \$242 and \$252)	1,638	1,516	1,392
13	Gains (losses) on "Guarantee asset for Participation Certificates, at fair value"	(1,461)	(2,176)	(789)
14	Income (expense) on "Guarantee obligation for Participation Certificates"	925	592	203
15	Derivative gains (losses)	39	5,302	(2,313)
16	Hedge accounting gains (losses)	644	187	(294)
17	Gains (losses) on investment activity	(1,114)	1,799	191
18	Gains (losses) on debt retirement	(1,775)	(674)	(356)
19	Resecuritization fees	352	276	135
20	Other income	493	321	229
21	<i>Non-interest income (loss)</i>	(259)	7,143	(1,602)
	<i>Non-interest expense</i>			
22	Provision for credit losses	(10)	(128)	(32)
23	REO operations income (expense)	23	13	(7)
24	Salaries and employee benefits	(624)	(593)	(537)
25	Occupancy expense	(52)	(42)	(35)
26	Housing tax credit partnerships	(200)	(160)	(121)
27	Minority interest in earnings of consolidated subsidiaries	(157)	(184)	(208)
28	Other expenses	(1,126)	(771)	(452)
29	<i>Non-interest expense</i>	(2,146)	(1,865)	(1,392)
30	Income before income tax expense and cumulative effect of change in accounting principles	7,093	14,803	4,454
31	Income tax expense	(2,202)	(4,713)	(1,339)
32	Income before cumulative effect of change in accounting principles, net of taxes	4,891	10,090	3,115
33	Cumulative effect of change in accounting principles, net of taxes of \$24	-	-	43
34	<i>Net income</i>	\$ 4,891	\$ 10,090	\$ 3,158
35	Preferred stock dividends	(216)	(234)	(217)
36	<i>Net income available to common stockholders</i>	\$ 4,675	\$ 9,856	\$ 2,941
37	Basic earnings per common share before cumulative effect of change in accounting principles, net of taxes	\$ 6.80	\$ 14.23	\$ 4.19
38	Cumulative effect of change in accounting principles, net of taxes	-	-	0.06
39	Basic earnings per common share after cumulative effect of change in accounting principles, net of taxes	\$ 6.80	\$ 14.23	\$ 4.25
40	Diluted earnings per common share before cumulative effect of change in accounting principles, net of taxes	\$ 6.79	\$ 14.18	\$ 4.17
41	Cumulative effect of change in accounting principles, net of taxes	-	-	0.06
42	Diluted earnings per common share after cumulative effect of change in accounting principles, net of taxes	\$ 6.79	\$ 14.18	\$ 4.23
	<i>Weighted average common shares outstanding (thousands)</i>			
43	Basic	687,094	692,727	692,603
44	Diluted	688,675	695,116	695,973
45	Dividends per common share	\$ 1.04	\$ 0.88	\$ 0.80

**FREDDIE MAC
CONSOLIDATED BALANCE SHEETS**

Line:	December 31, 2003	December 31, 2002
	(dollars in millions)	
Assets		
<i>Retained portfolio</i>		
Mortgage loans:		
1	\$ 57,804	\$ 57,483
2	(174)	(177)
3	2,530	6,635
4	<u>60,160</u>	<u>63,941</u>
Mortgage-related securities:		
5	581,326	496,265
6	18,200	29,104
7	671	412
8	<u>600,197</u>	<u>525,781</u>
9	<u>660,357</u>	<u>589,722</u>
<i>Cash and investments</i>		
10	23,142	10,792
Investments:		
Mortgage-related securities:		
11	32,817	32,366
12	(5)	8
Non-mortgage-related securities:		
13	31,228	66,419
14	1,314	2,409
15	<u>32,542</u>	<u>68,828</u>
16	65,354	101,202
17	20,582	23,043
18	<u>109,078</u>	<u>135,037</u>
19	8,373	10,611
20	16,180	10,393
21	3,686	2,445
22	795	594
23	4,980	3,447
24	<u>\$ 803,449</u>	<u>\$ 752,249</u>
Liabilities and stockholders' equity		
<i>Debt securities, net</i>		
Senior debt:		
25	\$ 295,262	\$ 244,429
26	438,738	415,662
27	5,613	5,605
28	<u>739,613</u>	<u>665,696</u>
29	13,205	35,080
30	7,345	7,286
31	2,904	1,427
32	357	967
33	125	88
34	6,409	8,066
35	<u>769,958</u>	<u>718,610</u>
36	Commitments and contingencies	
37	1,929	2,309
<i>Stockholders' equity</i>		
38	4,609	4,609
39	152	152
40	814	744
41	28,912	24,955
Accumulated other comprehensive income (loss), net of taxes, related to:		
42	6,349	12,217
43	(7,837)	(9,877)
44	(10)	-
45	<u>(1,498)</u>	<u>2,340</u>
46	(1,427)	(1,470)
47	<u>31,562</u>	<u>31,330</u>
48	<u>\$ 803,449</u>	<u>\$ 752,249</u>

FREDDIE MAC
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Line:	Year Ended December 31,						
	2003		2002		2001		
	Shares	Amount	Shares	Amount	Shares	Amount	
	(dollars and shares in millions)						
	<i>Preferred stock, at redemption value</i>						
1	Balance, beginning of year	92	\$ 4,609	92	\$ 4,596	64	\$ 3,195
2	Preferred stock issuances	-	-	6	300	28	1,401
3	Preferred stock redemptions	-	-	(6)	(287)	-	-
4	<i>Preferred stock, end of year</i>	92	4,609	92	4,609	92	4,596
	<i>Common stock, par value</i>						
5	Balance, beginning of year	726	152	726	152	726	152
6	<i>Common stock, end of year</i>	726	152	726	152	726	152
	<i>Additional paid-in capital</i>						
7	Balance, beginning of year		744		671		624
8	Stock-based compensation, net of \$34, \$35, and \$32 tax effect		64		65		60
9	Income tax benefit from employee stock option exercises		16		16		30
10	Preferred stock issuance costs		-		(2)		(13)
11	Common stock issuances		(10)		(6)		(30)
12	<i>Additional paid-in capital, end of year</i>		814		744		671
	<i>Retained earnings</i>						
13	Balance, beginning of year		24,955		15,710		13,326
14	Net income		4,891		10,090		3,158
15	Preferred stock dividends declared		(216)		(234)		(217)
16	Common stock dividends declared		(718)		(611)		(557)
17	<i>Retained earnings, end of year</i>		28,912		24,955		15,710
	<i>Accumulated other comprehensive income (loss), net of taxes (AOCI)</i>						
18	Balance, beginning of year		2,340		(557)		1,084
19	Changes in unrealized gains (losses) related to available-for-sale securities, net of reclassification adjustment		(5,868)		8,017		3,116
20	Changes in unrealized gains (losses) related to cash flow hedge relationships, net of reclassification adjustment		2,040		(5,120)		(2,117)
21	Change in minimum pension liability		(10)		-		-
22	Cumulative effect of change in accounting principle		-		-		(2,640)
23	<i>AOCI, end of year</i>		(1,498)		2,340		(557)
	<i>Treasury stock, at cost</i>						
24	Balance, beginning of year	39	(1,470)	31	(948)	33	(1,024)
25	Common stock issuances	(2)	43	(1)	33	(2)	76
26	Common stock repurchases	-	-	9	(555)	-	-
27	<i>Treasury stock, end of year</i>	37	(1,427)	39	(1,470)	31	(948)
28	<i>Total stockholders' equity</i>		\$ 31,562		\$ 31,330		\$ 19,624
	<i>Comprehensive income</i>						
29	Net income		\$ 4,891		\$ 10,090		\$ 3,158
30	Changes in AOCI, net of reclassification adjustment		(3,838)		2,897		(1,641)
31	<i>Total comprehensive income</i>		\$ 1,053		\$ 12,987		\$ 1,517