

FREDDIE MAC
SUMMARY OF QUARTERLY AND ANNUAL SELECTED FINANCIAL INFORMATION
TABLE 1
2003 and 2002
(unaudited)

Line:	1Q 2002	2Q 2002	3Q 2002	4Q 2002	1Q 2003	2Q 2003	3Q 2003	4Q 2003	Full-Year 2002	Full-Year 2003
	Net Income: (dollars in millions, except share-related amounts)									
1	\$ 2,544	\$ 2,352	\$ 2,231	\$ 2,398	\$ 2,421	\$ 2,185	\$ 2,442	\$ 2,450	\$ 9,525	\$ 9,498
2	(780)	983	6,543	397	1,243	1,827	(2,299)	(1,030)	7,143	(259)
3	(354)	(401)	(333)	(777)	(406)	(410)	(557)	(773)	(1,865)	(2,146)
4	1,410	2,934	8,441	2,018	3,258	3,602	(414)	647	14,803	7,093
5	(463)	(963)	(2,779)	(508)	(991)	(1,096)	126	(241)	(4,713)	(2,202)
6	\$ 947	\$ 1,971	\$ 5,662	\$ 1,510	\$ 2,267	\$ 2,506	\$ (288)	\$ 406	\$ 10,090	\$ 4,891
7	(60)	(59)	(57)	(58)	(58)	(54)	(52)	(52)	(234)	(216)
8	\$ 887	\$ 1,912	\$ 5,605	\$ 1,452	\$ 2,209	\$ 2,452	\$ (340)	\$ 354	\$ 9,856	\$ 4,675
9	695,924	696,724	695,391	691,454	688,277	688,926	688,836	689,104	695,116	688,675
10	\$ 1.27	\$ 2.74	\$ 8.06	\$ 2.10	\$ 3.21	\$ 3.56	\$ (0.49)	\$ 0.51	\$ 14.18	\$ 6.79
11	33%	33%	33%	25%	30%	30%	30%	37%	32%	31%
	Regulatory Capital: (dollars in millions)									
12	\$ 19,371	\$ 24,079	\$ 31,309	\$ 31,330	\$ 32,508	\$ 32,941	\$ 32,344	\$ 31,562	\$ 31,330	\$ 31,562
13	(1,575)	1,380	3,271	2,340	1,457	(401)	(514)	(1,498)	2,340	(1,498)
14	20,946	22,699	28,038	28,990	31,051	33,342	32,858	33,060	28,990	33,060
15	19,932	20,185	21,404	22,339	21,986	22,957	24,336	23,774	22,339	23,774
16	\$ 1,014	\$ 2,514	\$ 6,634	\$ 6,651	\$ 9,065	\$ 10,385	\$ 8,522	\$ 9,286	\$ 6,651	\$ 9,286

(1) In accordance with recent interpretive guidance published by the Office of the Chief Accountant of the SEC, we reclassified the accrual of periodic cash settlements in accordance with the contractual terms of derivatives not designated in a qualifying hedge accounting relationship, from "Income (expense) related to derivatives," a component of "Net interest income," to "Derivative gains (losses)," a component of "Non-interest income," for all periods presented. These reclassifications, which decreased "Derivative gains (losses)" and increased "Income (expense) related to derivatives," totaled \$130 million, \$229 million, \$152 million and \$128 million for 1Q 2002, 2Q 2002, 3Q 2002 and 4Q 2002, respectively, or \$639 million on a full-year 2002 basis.

(2) Earnings per share is computed independently for each of the quarters presented. Due to the use of weighted-average common shares outstanding when calculating earnings per share, the sum of the four quarters may not equal the full-year amount. Earnings per share amounts may not recalculate due to rounding.

(3) The Office of Federal Housing Enterprise Oversight, or OFHEO, our safety-and-soundness regulator, is the authoritative source of the capital calculation that underlies our estimate of capital requirements and regulatory core capital. Core capital, as defined in 12 C.F.R. Sec. 1750.2, consists of the par value of outstanding common stock (common stock issued less common stock held in treasury), par value of outstanding perpetual preferred stock, additional paid in capital and retained earnings, as determined in accordance with generally accepted accounting principles, or GAAP.

(4) Historically, our minimum capital requirement has been in excess of our risk-based capital requirement. Although there are many aspects to the calculation of our minimum capital requirement, it is generally equal to the sum of 2.5 percent of aggregate on-balance sheet assets, as measured under GAAP, and 0.45 percent of aggregate off-balance sheet obligations. We have submitted to OFHEO amended minimum capital reports for all periods in 2003, including an estimate of our capital surplus. In January 2004, OFHEO directed us to maintain a target capital surplus of 30 percent of our minimum capital requirement. Had this target surplus been in effect at December 31, 2003, our estimated minimum capital surplus would have been approximately \$2.2 billion.

FREDDIE MAC
NET INTEREST YIELD ANALYSIS
TABLE 2
2003 and 2002
(unaudited)

Line:	1Q 2002	2Q 2002	3Q 2002	4Q 2002	1Q 2003	2Q 2003	3Q 2003	4Q 2003	Full-Year 2002	Full-Year 2003
Income: (dollars in millions)										
Interest income:										
1 Mortgage loans	\$ 1,091	\$ 1,049	\$ 1,053	\$ 1,097	\$ 1,083	\$ 1,086	\$ 1,073	\$ 1,009	\$ 4,290	\$ 4,251
2 Mortgage-related securities in the retained portfolio	7,481	7,516	7,345	7,697	7,311	6,926	7,351	7,463	30,039	29,051
3 Total retained portfolio	8,572	8,565	8,398	8,794	8,394	8,012	8,424	8,472	34,329	33,302
4 Cash and investments	893	946	1,155	1,153	986	936	990	884	4,147	3,796
5 Total interest-earning assets	\$ 9,465	\$ 9,511	\$ 9,553	\$ 9,947	\$ 9,380	\$ 8,948	\$ 9,414	\$ 9,356	\$ 38,476	\$ 37,098
Interest expense:										
6 Short-term debt	\$ (1,363)	\$ (1,129)	\$ (960)	\$ (851)	\$ (651)	\$ (632)	\$ (758)	\$ (744)	\$ (4,303)	\$ (2,785)
7 Long-term debt ⁽¹⁾	(4,839)	(5,291)	(5,520)	(5,687)	(5,759)	(5,497)	(5,282)	(5,545)	(21,337)	(22,083)
8 Total interest expense on debt securities	(6,202)	(6,420)	(6,480)	(6,538)	(6,410)	(6,129)	(6,040)	(6,289)	(25,640)	(24,868)
9 Due to Participation Certificate investors	(266)	(203)	(302)	(465)	(409)	(512)	(517)	(203)	(1,236)	(1,641)
10 Total expense on interest-bearing liabilities	\$ (6,468)	\$ (6,623)	\$ (6,782)	\$ (7,003)	\$ (6,819)	\$ (6,641)	\$ (6,557)	\$ (6,492)	\$ (26,876)	\$ (26,509)
11 Income (expense) related to derivatives ⁽¹⁾⁽²⁾⁽³⁾	(453)	(536)	(540)	(546)	(140)	(122)	(415)	(414)	(2,075)	(1,091)
12 Net interest income ⁽³⁾	\$ 2,544	\$ 2,352	\$ 2,231	\$ 2,398	\$ 2,421	\$ 2,185	\$ 2,442	\$ 2,450	\$ 9,525	\$ 9,498
13 Fully taxable equivalent adjustment ⁽⁴⁾	66	65	66	55	41	64	60	62	252	227
14 Net interest income (fully taxable equivalent basis) ⁽³⁾	\$ 2,610	\$ 2,417	\$ 2,297	\$ 2,453	\$ 2,462	\$ 2,249	\$ 2,502	\$ 2,512	\$ 9,777	\$ 9,725
Average Balances: (dollars in billions)⁽⁵⁾⁽⁶⁾⁽⁷⁾										
15 Mortgage loans	\$ 61	\$ 59	\$ 60	\$ 63	\$ 64	\$ 64	\$ 67	\$ 60	\$ 61	\$ 63
16 Mortgage-related securities	457	467	471	487	510	520	554	594	471	545
17 Total retained portfolio	518	526	531	550	574	584	621	654	532	608
18 Cash and investments	106	109	123	145	132	132	168	144	121	144
19 Total earning assets	\$ 624	\$ 635	\$ 654	\$ 695	\$ 706	\$ 716	\$ 789	\$ 798	\$ 653	\$ 752
20 Short-term debt	\$ 232	\$ 210	\$ 199	\$ 197	\$ 183	\$ 197	\$ 265	\$ 263	\$ 210	\$ 227
21 Long-term debt ⁽¹⁾	357	396	420	454	477	465	465	504	407	478
22 Total debt securities	589	606	619	651	660	662	730	767	617	705
23 Due to Participation Certificate investors	15	12	18	28	25	33	34	13	18	26
24 Total interest-bearing liabilities	604	618	637	679	685	695	764	780	635	731
25 Net non-interest-bearing funding	20	17	17	16	21	21	25	18	18	21
26 Total funding of interest-earning assets	\$ 624	\$ 635	\$ 654	\$ 695	\$ 706	\$ 716	\$ 789	\$ 798	\$ 653	\$ 752
Yield/Cost:⁽⁷⁾										
27 Mortgage loans	7.12%	7.11%	7.00%	6.89%	6.76%	6.72%	6.46%	6.67%	7.02%	6.70%
28 Mortgage-related securities	6.56%	6.44%	6.24%	6.33%	5.73%	5.33%	5.31%	5.03%	6.38%	5.34%
29 Total retained portfolio	6.63%	6.52%	6.32%	6.39%	5.85%	5.48%	5.43%	5.18%	6.46%	5.48%
30 Cash and investments	3.36%	3.46%	3.71%	3.14%	3.00%	2.83%	2.34%	2.43%	3.41%	2.63%
31 Yield on total interest-earning assets	6.07%	5.99%	5.83%	5.71%	5.32%	5.00%	4.77%	4.68%	5.89%	4.93%
32 Short-term debt	(2.35%)	(2.12%)	(1.89%)	(1.69%)	(1.43%)	(1.27%)	(1.12%)	(1.11%)	(2.03%)	(1.21%)
33 Long-term debt ⁽¹⁾	(5.41%)	(5.35%)	(5.25%)	(5.01%)	(4.82%)	(4.72%)	(4.54%)	(4.39%)	(5.24%)	(4.62%)
34 Total debt securities	(4.21%)	(4.23%)	(4.17%)	(4.01%)	(3.88%)	(3.70%)	(3.30%)	(3.27%)	(4.15%)	(3.52%)
35 Due to Participation Certificate investors	(7.17%)	(7.03%)	(6.77%)	(6.59%)	(6.48%)	(6.28%)	(6.10%)	(6.17%)	(6.82%)	(6.26%)
36 Cost of interest-bearing liabilities	(4.28%)	(4.28%)	(4.24%)	(4.11%)	(3.98%)	(3.82%)	(3.42%)	(3.32%)	(4.23%)	(3.62%)
37 Income (expense) related to derivatives ⁽³⁾	(0.29%)	(0.34%)	(0.33%)	(0.32%)	(0.08%)	(0.07%)	(0.21%)	(0.21%)	(0.32%)	(0.15%)
38 Impact of net non-interest-bearing funding	0.14%	0.13%	0.12%	0.11%	0.12%	0.12%	0.11%	0.08%	0.13%	0.10%
39 Net interest yield ⁽³⁾⁽⁸⁾	1.63%	1.49%	1.37%	1.38%	1.37%	1.22%	1.24%	1.23%	1.46%	1.27%
40 Fully taxable equivalent adjustment ⁽⁴⁾	0.04%	0.04%	0.04%	0.03%	0.02%	0.04%	0.03%	0.03%	0.04%	0.03%
41 Net interest yield (fully taxable equivalent basis) ⁽³⁾⁽⁷⁾	1.67%	1.53%	1.41%	1.41%	1.40%	1.26%	1.27%	1.26%	1.50%	1.30%

- (1) Includes current portion of long-term debt. In 2003, we reclassified the amortization of net realized gains and losses on closed (i.e., terminated or redesignated) cash flow hedges related to long-term debt from "Income (expense) related to derivatives" to the long-term debt expense line item. These reclassifications, which increased "Interest expense long-term debt" and decreased "Income (expense) related to derivatives," totaled \$30 million, \$65 million, \$89 million and \$128 million for 1Q 2002, 2Q 2002, 3Q 2002 and 4Q 2002, respectively, or \$312 million on a full-year 2002 basis.
- (2) Includes amortization of deferred balances related to certain cash flow hedges and the accrual of periodic cash settlements in accordance with the contractual terms of all derivatives in qualifying hedge accounting relationships.
- (3) In accordance with recent interpretive guidance published by the Office of the Chief Accountant of the SEC, we reclassified the accrual of periodic cash settlements in accordance with the contractual terms of derivatives not designated in a qualifying hedge accounting relationship, from "Income (expense) related to derivatives," a component of "Net interest income," to "Derivative gains (losses)," a component of "Non-interest income," for all periods presented. These reclassifications, which decreased "Derivative gains (losses)" and increased "Income (expense) related to derivatives," totaled \$130 million, \$229 million, \$152 million and \$128 million for 1Q 2002, 2Q 2002, 3Q 2002 and 4Q 2002, respectively, or \$639 million on a full-year 2002 basis.
- (4) Represents the adjustment necessary to calculate the tax exempt income and/or yield on a tax equivalent basis. We analyze net interest income, and the related net interest yield, on a taxable-equivalent basis. This basis includes an adjustment that increases GAAP net interest income by an amount that would increase interest income on certain tax-exempt securities to a level equivalent to amounts that would incur tax at the 35 percent marginal tax rate. Analysis on a taxable-equivalent basis allows the comparison of ratios related to tax-exempt or tax-advantaged securities to those of fully taxable securities with higher yields.
- (5) Excludes mortgage loans and mortgage-related securities traded, but not yet settled
- (6) For mortgage loans and securities classified as available-for-sale, we calculate average balances based on their unpaid principal balance plus their associated deferred fees and costs (e.g., premiums and discounts), but exclude the effects of lower-of-cost-or-market adjustments and other-than-temporary impairments. For securities in the retained portfolio classified as trading, we calculate average balances excluding their mark-to-fair-value adjustments. For securities in the cash and investments portfolio classified as trading, we calculate average balances based on their fair values.
- (7) Certain 2002 average balances and yields have been adjusted to agree to current year presentation.
- (8) May not sum due to rounding.

FREDDIE MAC
NON-INTEREST INCOME (LOSS)
TABLE 3
2003 and 2002
(unaudited)
(dollars in millions)

Line:	1Q 2002	2Q 2002	3Q 2002	4Q 2002	1Q 2003	2Q 2003	3Q 2003	4Q 2003	Full-Year 2002	Full-Year 2003
Non-Interest Income (Loss)										
1	\$ 372	\$ 385	\$ 370	\$ 389	\$ 558	\$ 476	\$ 235	\$ 369	\$ 1,516	\$ 1,638
2	(213)	(658)	(890)	(415)	(568)	(1,092)	258	(59)	(2,176)	(1,461)
3	146	156	62	228	235	265	301	124	592	925
4	(1,116)	637	6,263	(482)	880	3,451	(3,064)	(1,228)	5,302	39
5	(10)	45	31	121	122	283	109	130	187	644
Gains (losses) on investment activity:										
6	\$ (152)	\$ 346	\$ 564	\$ 163	\$ (632)	\$ (446)	\$ (605)	\$ (447)	\$ 921	\$ (2,130)
7	(28)	(140)	(203)	(67)	(97)	(217)	102	68	(438)	(144)
8	221	300	595	842	952	533	498	92	1,958	2,075
9	(5)	(67)	(349)	(229)	(199)	(340)	(71)	(126)	(650)	(736)
10	(5)	15	(1)	(1)	-	-	(178)	(1)	8	(179)
11	\$ 31	\$ 454	\$ 606	\$ 708	\$ 24	\$ (470)	\$ (254)	\$ (414)	\$ 1,799	\$ (1,114)
12	(106)	(148)	(82)	(338)	(421)	(1,266)	(33)	(55)	(674)	(1,775)
13	58	56	71	91	133	87	80	52	276	352
14	58	56	112	95	280	93	69	51	321	493
15	\$ (780)	\$ 983	\$ 6,543	\$ 397	\$ 1,243	\$ 1,827	\$ (2,299)	\$ (1,030)	\$ 7,143	\$ (259)

- (1) Represents the change in fair value of the "Guarantee asset for Participation Certificates, at fair value" related to Participation Certificates, or PCs, held by third parties that have previously been sold pursuant to Statement of Financial Accounting Standards 140, "Accounting for Transfers of Servicing of Financial Assets and Extinguishments of Liabilities," or SFAS 140, and PCs issued in 2003 through our Guarantor Program. See Appendix I - CONSOLIDATED RESULTS OF OPERATIONS AND FINANCIAL CONDITION - "Impact of New Accounting Standards or Changes in Accounting" for more information.
- (2) In 2002, "Income (expense) on 'Guarantee obligation for Participation Certificates'" represents the change in fair value of the "Guarantee obligation for Participation Certificates" related to PCs held by third parties that have previously been sold pursuant to SFAS 140. In 2003, we changed our accounting related to "Guarantee obligations for Participation Certificates" and consequently the composition of "Income (expense) on 'Guarantee obligation for Participation Certificates'" also changed. See Appendix I - CONSOLIDATED RESULTS OF OPERATIONS AND FINANCIAL CONDITION - "Impact of New Accounting Standards or Changes in Accounting" for more information.
- (3) Includes the mark-to-fair value of derivatives that are not in a qualifying hedge accounting relationship.
- (4) In accordance with recent interpretive guidance published by the Office of the Chief Accountant of the SEC, we reclassified the accrual of periodic cash settlements in accordance with the contractual terms of derivatives not designated in a qualifying hedge accounting relationship, from "Income (expense) related to derivatives," a component of "Net interest income," to "Derivative gains (losses)," for all periods presented. These reclassifications, which decreased "Derivative gains (losses)" and increased "Income (expense) related to derivatives," totaled \$130 million, \$229 million, \$152 million and \$128 million for 1Q 2002, 2Q 2002, 3Q 2002 and 4Q 2002, respectively, or \$639 million on a full-year 2002 basis.
- (5) "Hedge accounting gains (losses)," or hedge accounting ineffectiveness, relates to derivatives that are in a qualifying hedge accounting relationship. For derivatives designated as fair value hedges, hedge accounting ineffectiveness arises when the fair value change of a derivative is not equal to the fair value change of the hedged item. For derivatives designated as cash flow hedges, hedge accounting ineffectiveness generally arises when the change in fair value of a derivative from the inception of the hedge is greater than the cumulative change in the fair value of the expected future cash flows on the hedged transaction.
- (6) Includes gains and losses on the sale of PCs classified as trading attributable to the recognition of guarantee assets and obligations. Other gains on trading securities are included in line 6.
- (7) LOCOM refers to lower of cost or market value.
- (8) We have reclassified certain 2002 amounts to "Other income" (line 14) from "Gains (losses) on investment activity" (line 11) to conform to the current year presentation. This reclassification, which increased "Other income" and decreased "Gains (losses) on investment activity," equaled \$6 million and \$7 million in 2Q 2002 and 3Q 2002, respectively, or \$13 million on a full-year 2002 basis.
- (9) In the process of reviewing our accounting policies and practices for 2003, we identified certain issues related to the accounting for various prior year transactions that resulted in the cumulative net understatement of income of approximately \$214 million. This amount was recorded in the first quarter of 2003 and includes approximately \$271 million of income recorded to correct the accounting for certain swaption transactions during 2002 and approximately \$27 million of income related to loan prepayment fees recorded in 2003 that were earned in 2002. This increase in income is partially offset by a (\$26) million reduction of income to correct for errors in calculating the change in fair value of foreign currency denominated debt and a (\$58) million reduction in income to correct the equity-method earnings recorded on certain low income housing tax credit partnerships.

FREDDIE MAC
MANAGEMENT AND GUARANTEE INCOME & RELATED INFORMATION
TABLE 4
2003 and 2002
(unaudited)
(dollars in millions)

Line:	1Q 2002	2Q 2002	3Q 2002	4Q 2002	1Q 2003	2Q 2003	3Q 2003	4Q 2003	Full-Year 2002	Full-Year 2003
1 Management and guarantee income ⁽¹⁾	\$ 372	\$ 385	\$ 370	\$ 389	\$ 558	\$ 476	\$ 235	\$ 369	\$ 1,516	\$ 1,638
2 Average outstanding PCs ⁽²⁾	640,816	686,180	708,003	716,770	724,751	712,754	682,103	724,436	687,942	711,011
3 Management and guarantee rate (in basis points)	23.2 bp	22.4 bp	20.9 bp	21.7 bp	30.8 bp	26.7 bp	13.8 bp	20.4 bp	22.0 bp	23.0 bp
4 Guarantee asset for Participation Certificates, at fair value	\$ 3,343	\$ 3,016	\$ 2,439	\$ 2,445	\$ 2,424	\$ 2,076	\$ 3,030	\$ 3,686	\$ 2,445	\$ 3,686
5 Guarantee obligation for Participation Certificates ⁽³⁾	(1,226)	(1,282)	(1,420)	(1,427)	(1,655)	(1,956)	(2,385)	(2,904)	(1,427)	(2,904)
6 Gains (losses) on "Guarantee asset for Participation Certificates, at fair value" ⁽⁴⁾	(213)	(658)	(890)	(415)	(568)	(1,092)	258	(59)	(2,176)	(1,461)
7 Income (expense) on "Guarantee obligation for Participation Certificates" ⁽⁵⁾	146	156	62	228	235	265	301	124	592	925
8 Percentage of outstanding PCs for which a guarantee asset and obligation have been established ^{(6) (7)}	54%	54%	55%	54%	61%	70%	77%	81%	54%	81%

(1) Excludes amounts related to PCs held by us that are reported in "Net interest income".

(2) Excludes Structured Securities backed by Ginnie Mae Certificates because we do not earn "Management and guarantee income" on these Structured Securities.

(3) In 2002, we accounted for Guarantee obligation for PCs at fair value. Effective January 1, 2003, Guarantee obligation for PCs is accounted for at amortized cost. See Appendix I - CONSOLIDATED RESULTS OF OPERATIONS AND FINANCIAL CONDITION - *Impact of New Accounting Standards or Changes in Accounting* " for more information.

(4) Represents the change in fair value of the "Guarantee asset for Participation Certificates, at fair value" related to PCs held by third parties that have previously been sold pursuant to SFAS 140 and Participation Certificates issued in 2003 through our Guarantor program pursuant to Financial Accounting Standards Board Interpretation "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," or FIN 45. See Appendix I - CONSOLIDATED RESULTS OF OPERATIONS AND FINANCIAL CONDITION - *Impact of New Accounting Standards or Changes in Accounting* " for more information.

(5) In 2002, "Income (expense) on 'Guarantee obligation for Participation Certificates'" represents the change in fair value of the "Guarantee obligation for Participation Certificates" related to PCs held by third parties that have previously been sold pursuant to SFAS 140. In 2003, we changed our accounting related to "Guarantee obligation for Participation Certificates" and consequently the composition of "Income (expense) on 'Guarantee obligation for Participation Certificates'" also changed. See Appendix I - CONSOLIDATED RESULTS OF OPERATIONS AND FINANCIAL CONDITION - *Impact of New Accounting Standards or Changes in Accounting* " for more information.

(6) Based on end-of-period balances.

(7) The calculation of "Percentage of outstanding PCs for which a guarantee asset and obligation have been established" for 2002 has been adjusted to be comparable with 2003's calculation.

FREDDIE MAC
NON-INTEREST EXPENSE
TABLE 5
2003 and 2002
(unaudited)
(dollars in millions)

Line:		1Q 2002	2Q 2002	3Q 2002	4Q 2002	1Q 2003	2Q 2003	3Q 2003	4Q 2003	Full-Year 2002	Full-Year 2003
	<u>Non-Interest Expense</u>										
1	Provision for credit losses	\$ (14)	\$ (33)	\$ (4)	\$ (77)	\$ 26	\$ 14	\$ (34)	\$ (16)	\$ (128)	\$ (10)
2	REO operations income (expense)	(1)	3	6	5	7	12	6	(2)	13	23
3	Salaries and employee benefits ⁽¹⁾⁽²⁾	(137)	(133)	(140)	(183)	(152)	(148)	(167)	(157)	(593)	(624)
4	Occupancy expense ⁽²⁾	(9)	(9)	(11)	(13)	(13)	(13)	(13)	(13)	(42)	(52)
5	Housing tax credit partnerships	(40)	(41)	(39)	(40)	(53)	(49)	(49)	(49)	(160)	(200)
6	Minority interest in earnings of consolidated subsidiaries	(48)	(47)	(45)	(44)	(42)	(40)	(38)	(37)	(184)	(157)
	Other expenses:										
7	Charitable contributions ⁽³⁾	(11)	(20)	(1)	(228)	(1)	(1)	(2)	(2)	(260)	(6)
8	Professional services ⁽¹⁾⁽²⁾	(27)	(28)	(37)	(54)	(35)	(48)	(68)	(103)	(146)	(254)
9	Loan Prospector [®] -related expense	(18)	(18)	(25)	(25)	(30)	(33)	(23)	(13)	(86)	(99)
10	OFHEO civil money penalty ⁽⁴⁾	-	-	-	-	-	-	-	(125)	-	(125)
11	Selected affordable housing transaction fees ⁽⁵⁾	-	-	-	-	-	-	(55)	(69)	-	(124)
12	Realized losses related to guarantees ⁽⁶⁾	-	-	-	-	(2)	(5)	(13)	(40)	-	(60)
13	Amortization of credit enhancements ⁽⁷⁾	-	-	-	-	(44)	(35)	(35)	(20)	-	(134)
14	Other ⁽¹⁾⁽²⁾	<u>(49)</u>	<u>(75)</u>	<u>(37)</u>	<u>(118)</u>	<u>(67)</u>	<u>(64)</u>	<u>(66)</u>	<u>(127)</u>	<u>(279)</u>	<u>(324)</u>
15	Total other expenses	\$ (105)	\$ (141)	\$ (100)	\$ (425)	\$ (179)	\$ (186)	\$ (262)	\$ (499)	\$ (771)	\$ (1,126)
16	Total non-interest expense	\$ (354)	\$ (401)	\$ (333)	\$ (777)	\$ (406)	\$ (410)	\$ (557)	\$ (773)	\$ (1,865)	\$ (2,146)

- (1) In January 2003, we announced the need to restate previously issued consolidated financial statements for the years 2000 and 2001 and the first three quarters of 2002 and the revision of fourth quarter and full-year consolidated financial statements for 2002 (collectively referred to as the "restatement"). Throughout 2003, we incurred approximately \$124 million in expenses, including \$15 million in "Salaries and employee benefits," \$56 million in "Professional services" and \$53 million in "Other," due to increased accounting, auditing and consulting resources retained by us. During 2003, we also incurred legal expenses of \$48 million, including \$44 million in "Professional services" and \$4 million in "Other," for investigations related to the restatement.
- (2) Administrative expenses are defined as the sum of "Salaries and employee benefits" (line 3), "Occupancy expense" (line 4), "Professional services" (line 8) and "Other" (line 14), excluding the \$52 million loss in 4Q 2002 related to the disposition of certain technology-related assets reflected in "Other."
- (3) During 4Q 2002, we announced a \$225 million cash contribution to our philanthropic program which includes the Freddie Mac Foundation and corporate giving programs. Our 4Q 2002 contribution is expected to provide operating funds to the Freddie Mac Foundation for six to eight years.
- (4) Under the consent order we entered into with OFHEO on December 9, 2003, we paid a civil money penalty of \$125 million.
- (5) During 2003, we entered into affordable housing transactions that contained a number of contractual incentives, including the payment of fees totaling \$124 million. We incur economic costs, in addition to transaction fees, to support our housing mission that are not reflected in this line item, such as accepting reduced "Management and guarantee income" to induce originators to sell certain mortgage loans to us.
- (6) When the "Guarantee obligation for Participation Certificates" exceeds the "Guarantee asset for Participation Certificates, at fair value" at the inception of a particular transaction, the excess is recorded as a loss in "Other expenses."
- (7) Credit enhancements are amortized into "Other expenses" over the shorter of the credit enhancement's contractual term or the period the related mortgage loan remains outstanding. Previously, a portion of these credit enhancements were marked to fair value through "Gains (losses) on 'Guarantee asset for Participation Certificates, at fair value.'"

FREDDIE MAC
CONSOLIDATED FAIR VALUE BALANCE SHEETS ⁽¹⁾

TABLE 6
2003 and 2002
(unaudited)
(dollars in billions)

Line:	December 31, 2002		December 31, 2003	
	Carrying Amount ⁽²⁾	Fair Value	Carrying Amount ⁽²⁾	Fair Value ⁽³⁾
	<u>Assets</u>			
1	\$ 63.9	\$ 67.6	\$ 60.1	\$ 62.5
2	525.8	526.1	600.2	600.4
3	\$ 589.7	\$ 593.7	\$ 660.3	\$ 662.9
4	10.8	10.8	23.1	23.1
5	101.2	101.2	65.4	65.4
6	23.0	23.0	20.6	20.6
7	2.4	3.8	3.7	4.5
8	10.4	10.4	16.2	16.2
9	14.7	14.4	14.1	13.4
10	<u>\$ 752.2</u>	<u>\$ 757.3</u>	<u>\$ 803.4</u>	<u>\$ 806.1</u>
	<u>Liabilities and Minority Interest</u>			
11	\$ 665.7	\$ 683.6	\$ 739.6	\$ 749.8
12	1.4	2.1	2.9	2.4
13	0.1	-	0.1	-
14	1.0	1.0	0.3	0.3
15	50.4	45.1	27.0	24.1
16	2.3	2.6	1.9	2.1
17	<u>\$ 720.9</u>	<u>\$ 734.4</u>	<u>\$ 771.8</u>	<u>\$ 778.7</u>
	<u>Net Assets Attributable to Stockholders</u>			
18	4.6	4.6	4.6	4.4
19	26.7	18.3	27.0	23.0
20	<u>31.3</u>	<u>22.9</u>	<u>31.6</u>	<u>27.4</u>
21	<u>\$ 752.2</u>	<u>\$ 757.3</u>	<u>\$ 803.4</u>	<u>\$ 806.1</u>

⁽¹⁾ The consolidated fair value balance sheets do not purport to present our net realizable, liquidation or market value as a whole. Furthermore, amounts ultimately realized by us from the disposal of the assets or settlement of liabilities may vary significantly from the fair values presented.

⁽²⁾ Carrying amount is derived from our GAAP-based consolidated balance sheets.

⁽³⁾ Methodologies employed to calculate fair values are periodically changed on a prospective basis to reflect improvements in the underlying estimation processes. Our estimate of the overall impact of the methodology improvements implemented during 2003 is that they caused a partial offset to the increase in the fair value of net assets during the year.

⁽⁴⁾ Fair value related to the credit-enhancement on certain manufactured housing asset-backed securities of \$0.2 billion at December 31, 2002 previously reported as "Mortgage-related securities" (line 2) has been reclassified to "Other assets" (line 9) to conform to the current presentation. The fair value of mortgage-related securities exceeds the carrying value because the fair value includes Participation Certificate residuals related to Participation Certificates held in the retained portfolio that are not recognized under GAAP.

⁽⁵⁾ Includes mortgage-related securities held in connection with PC market making and supporting activities.

⁽⁶⁾ Fair values at December 31, 2003 and 2002 include estimated income taxes on the difference between the consolidated fair value balance sheets and the consolidated GAAP-based balance sheets.

FREDDIE MAC
MORTGAGE PORTFOLIO ACTIVITY BASED ON UNPAID PRINCIPAL BALANCES⁽¹⁾

TABLE 7A
2003 and 2002
(unaudited)
(dollars in millions)

Line:	1Q 2003	2Q 2003	3Q 2003	4Q 2003	Full-Year ⁽²⁾ 2002	Full-Year 2003	
Retained Portfolio⁽³⁾							
1	Beginning balance	\$ 567,272	\$ 571,867	\$ 588,477	\$ 642,208	\$ 497,639	\$ 567,272
2	Retained purchases ⁽⁴⁾	80,673	98,030	146,127	63,236	296,210	388,066
3	Sales, net of other activity ⁽⁵⁾	(20,218)	(12,270)	(9,193)	(13,968)	(66,381)	(55,649)
4	Liquidations	(55,860)	(69,150)	(83,203)	(46,010)	(160,196)	(254,223)
5	Net additions (reductions)	4,595	16,610	53,731	3,258	69,633	78,194
6	Ending balance ⁽⁶⁾	\$ 571,867	\$ 588,477	\$ 642,208	\$ 645,466	\$ 567,272	\$ 645,466
7	Percent growth (annualized)	3%	12%	37%	2%	14%	14%
8	Liquidation rate (annualized) ⁽⁷⁾	39%	48%	57%	29%	32%	45%
9	Retained portfolio as percentage of total mortgage portfolio ⁽⁸⁾	44%	45%	47%	46%	43%	46%
Retained Portfolio Components							
10	Freddie Mac securities held in retained portfolio ⁽³⁾⁽⁴⁾	\$ 337,818	\$ 333,461	\$ 389,388	\$ 393,135	\$ 341,287	\$ 393,135
11	Non-Freddie Mac mortgage-related securities ⁽⁴⁾	169,708	189,316	191,250	192,061	162,099	192,061
12	Mortgage loans	64,341	65,700	61,570	60,270	63,886	60,270
13	Total retained portfolio ⁽⁶⁾	\$ 571,867	\$ 588,477	\$ 642,208	\$ 645,466	\$ 567,272	\$ 645,466
Mortgage Purchase Agreements, net⁽⁹⁾							
14	Outstanding, at period end	\$ 22,786	\$ 80,315	\$ 35,672	\$ 7,808	\$ 30,757	\$ 7,808
Outstanding PCs and Structured Securities⁽¹⁰⁾							
15	Beginning balance (includes other PCs and Structured Securities held by Freddie Mac)	\$ 749,337	\$ 742,127	\$ 723,929	\$ 711,842	\$ 653,084	\$ 749,337
16	Original issuances	149,128	176,388	245,501	142,770	547,312	713,787
17	Purchases into retained portfolio ⁽³⁾	(50,841)	(55,477)	(121,028)	(39,643)	(192,817)	(266,989)
18	Sales from retained portfolio ⁽³⁾	15,341	11,520	7,886	9,642	51,595	44,389
19	Liquidations ⁽¹¹⁾	(120,838)	(150,629)	(144,446)	(55,678)	(309,837)	(471,591)
20	Net additions (reductions)	(7,210)	(18,198)	(12,087)	57,091	96,253	19,596
21	Subtotal (includes other PCs and Structured Securities held by Freddie Mac)	\$ 742,127	\$ 723,929	\$ 711,842	\$ 768,933	\$ 749,337	\$ 768,933
22	Less: Other PCs and Structured Securities held by Freddie Mac ⁽¹²⁾	15,102	20,508	19,669	16,769	20,112	16,769
23	Ending balance	\$ 727,025	\$ 703,421	\$ 692,173	\$ 752,164	\$ 729,225	\$ 752,164
24	Percent growth (annualized) ⁽¹³⁾	(1%)	(13%)	(6%)	35%	16%	3%
25	Liquidation rate based on subtotal (annualized) ⁽¹⁴⁾	65%	81%	80%	31%	47%	63%

⁽¹⁾ Excludes mortgages and mortgage-related securities traded, but not yet settled.

⁽²⁾ All portfolio activity for 2002 has been adjusted to include Structured Securities backed by Ginnie Mae Certificates.

⁽³⁾ Excludes mortgage-related securities held in connection with PC market making and support activities, which are reflected in the "Investments" caption on the consolidated balance sheets.

⁽⁴⁾ Includes certain mortgage-related securities that have been transferred from "Investments."

⁽⁵⁾ Includes a reduction in the retained portfolio for mortgage-related securities that have been sold net of additions to the portfolio for delinquent mortgage loans and balloon reset mortgage loans that have been purchased out of PC pools.

⁽⁶⁾ The retained portfolio presented in this table differs from the "Retained portfolio" presented in our consolidated balance sheets because the consolidated balance sheets caption includes valuation adjustments (e.g., fair value adjustments for securities classified as available-for-sale and trading and the "Reserve for losses on mortgage loans held for investment") and deferred balances (e.g., premiums and discounts).

⁽⁷⁾ The sale of mortgages and mortgage-related securities does not affect the calculation of liquidation rates.

⁽⁸⁾ Total mortgage portfolio is equal to the sum of retained portfolio (Table 7A-line 6) and Outstanding PCs and Structured Securities including Other PCs and Structured Securities held by Freddie Mac (Table 7A-line 21).

⁽⁹⁾ Mortgage Purchase Agreements, net includes: *i*) outstanding purchase commitments of mortgage-related securities for the retained portfolio offset by outstanding sales commitments of mortgage-related securities out of the retained portfolio. Substantially all of these commitments are settled by delivery of a mortgage-related security, the remaining are net settled for cash, *ii*) mortgage-related securities that we expect to purchase pursuant to options written by us and held by certain counterparties. For all periods presented, we have purchased all of the mortgage-related securities associated with these written options in accordance with their contractual terms and *iii*) the net amount of mortgage loan purchases and sales, which are based on settlement date as opposed to trade date due to data constraints.

⁽¹⁰⁾ Equal to ending balance of Total PCs Issued (Table 7B-line 12), less Freddie Mac securities held in retained portfolio (Table 7A-Line 10) and other PCs and Structured Securities held by us (Table 7A-Line 22).

⁽¹¹⁾ Liquidations include prepayment activity and delinquent mortgage loans and balloon reset mortgage loans purchased out of PC pools.

⁽¹²⁾ Represents PCs and Structured Securities held by us in connection with PC market making and support activities, which are reflected in the "Investments" caption on the consolidated balance sheets.

⁽¹³⁾ Calculated based on the ending balance of Outstanding PCs and Structured Securities (line 23).

⁽¹⁴⁾ Calculated based on "Subtotal (includes other PCs and Structured Securities held by Freddie Mac)" (line 21) because "liquidations" (line 19) excludes liquidations of other PCs and Structured Securities held by us.

FREDDIE MAC
MORTGAGE PORTFOLIO ACTIVITY BASED ON UNPAID PRINCIPAL BALANCES ⁽¹⁾

TABLE 7B
2003 and 2002
(unaudited)
(dollars in millions)

Line:	1Q 2003	2Q 2003	3Q 2003	4Q 2003	Full-Year ⁽²⁾ 2002	Full-Year 2003	
<u>Total Mortgage Portfolio ⁽³⁾</u>							
1	Beginning balance	\$ 1,316,609	\$ 1,313,994	\$ 1,312,406	\$ 1,354,050	\$ 1,150,723	\$ 1,316,609
2	New business purchases ⁽⁴⁾	178,960	218,941	270,600	166,363	650,705	834,864
3	Liquidations and other ⁽⁵⁾	<u>(181,575)</u>	<u>(220,529)</u>	<u>(228,956)</u>	<u>(106,014)</u>	<u>(484,819)</u>	<u>(737,074)</u>
4	Net additions (reductions)	(2,615)	(1,588)	41,644	60,349	165,886	97,790
5	Ending balance	\$ 1,313,994	\$ 1,312,406	\$ 1,354,050	\$ 1,414,399	\$ 1,316,609	\$ 1,414,399
6	Percent growth (annualized)	(1%)	-%	13%	18%	14%	7%
7	Liquidation rate (annualized) ⁽⁶⁾	53%	66%	69%	30%	40%	55%
<u>Total PCs Issued and Structured Securities ⁽⁷⁾</u>							
8	Beginning balance	\$ 1,090,624	\$ 1,079,945	\$ 1,057,390	\$ 1,101,230	\$ 961,511	\$ 1,090,624
9	Issuances	149,128	176,388	245,501	142,770	547,312	713,787
10	Liquidations	<u>(159,807)</u>	<u>(198,943)</u>	<u>(201,661)</u>	<u>(81,932)</u>	<u>(418,199)</u>	<u>(642,343)</u>
11	Net additions	(10,679)	(22,555)	43,840	60,838	129,113	71,444
12	Ending balance	\$ 1,079,945	\$ 1,057,390	\$ 1,101,230	\$ 1,162,068	\$ 1,090,624	\$ 1,162,068
13	Percent growth (annualized)	(4%)	(8%)	17%	22%	13%	7%
14	Liquidation rate (annualized)	59%	74%	76%	30%	43%	59%
15	Structured securitizations ⁽⁸⁾	\$ 107,138	\$ 74,471	\$ 63,291	\$ 53,218	\$ 331,672	\$ 298,118

⁽¹⁾ Excludes mortgages and mortgage-related securities traded, but not yet settled.

⁽²⁾ All portfolio activity for 2002 has been adjusted to include Structured Securities backed by Ginnie Mae Certificates.

⁽³⁾ Equal to the sum of Retained Portfolio (Table 7A-line 6) and Outstanding PCs and Structured Securities including Other PCs and Structured Securities held by Freddie Mac (Table 7A-line 21).

⁽⁴⁾ Includes certain mortgage-related securities that have been transferred from "Investments" caption on the consolidated balance sheets.

⁽⁵⁾ Includes the impact of non-Freddie Mac mortgage-related security sales.

⁽⁶⁾ The sale of mortgage-related securities is excluded from the calculation of liquidation rates.

⁽⁷⁾ Represents PCs and Structured Securities backed by non-Freddie Mac mortgage-related securities and other credit guarantees of mortgage loans held by third parties. The balances and activities are based on the underlying collateral, which ultimately impacts the principal amount of the PCs, Structured Securities or credit guarantees of mortgage loans held by third parties.

⁽⁸⁾ Includes activity related to multi-class Structured Securities, primarily REMICs as well as interest-only and principal-only stripped securities and other Structured Securities backed by non-Freddie Mac mortgage related securities. These amounts exclude resecuritizations of PCs into single-class securities.

FREDDIE MAC
RECONCILIATION OF RETAINED PORTFOLIO UNPAID PRINCIPAL BALANCES TO CONSOLIDATED BALANCE SHEETS
TABLE 8
2003 and 2002
(unaudited)
(dollars in millions)

Line:	December 31, 2002	December 31, 2003
<u>Mortgage Loans in the Retained Portfolio:</u>		
1 Unpaid principal balances	\$ 63,886	\$ 60,270
2 Premiums, discounts, deferred fees and other basis adjustments ⁽¹⁾	232	64
3 Less: Reserve for losses on mortgage loans held for investment	(177)	(174)
4 Mortgage loans, net of reserve per consolidated balance sheets	<u>63,941</u>	<u>60,160</u>
<u>Mortgage-Related Securities in the Retained Portfolio:</u> ⁽²⁾		
5 Unpaid principal balances ⁽³⁾	503,386	585,196
6 Premiums, discounts, deferred fees and other basis adjustments ⁽⁴⁾	3,463	4,729
7 Unrealized gains on mortgage-related securities	18,520	9,601
8 Participation Certificate residuals at fair value	412	671
9 Mortgage-related securities per consolidated balance sheets	<u>525,781</u>	<u>600,197</u>
10 Total retained portfolio per consolidated balance sheets	<u>\$ 589,722</u>	<u>\$ 660,357</u>

(1) Other basis adjustments include valuation adjustments for loans held for sale, as well as basis adjustments related to the settlement of commitments and hedging activities. Basis adjustments are modifications to the carrying value of these mortgage loans.

(2) Includes PCs, Structured Securities and non-Freddie Mac mortgage-related securities.

(3) Includes other-than-temporary impairments of manufactured housing securities. Impairments to unpaid principal balances are recorded in certain circumstances when the fair value declines below the amortized cost basis of a security.

(4) Other basis adjustments are related to hedging activities and certain impairments related to interest-only securities. Basis adjustments are modifications to the carrying value of these securities.

FREDDIE MAC
CREDIT QUALITY INDICATORS
TABLE 9
2003 and 2002
(unaudited)
(dollars in millions)

Line:	1Q 2002	2Q 2002	3Q 2002	4Q 2002	1Q 2003	2Q 2003	3Q 2003	4Q 2003	Full-Year 2002	Full-Year 2003
<u>Credit Enhancements</u>										
1	19 %	24 %	24 %	17 %	16 %	14 %	15 %	20 %	20 %	16 %
2	32 %	31 %	30 %	27 %	26 %	24 %	22 %	21 %	27 %	21 %
<u>Delinquencies⁽¹⁾</u>										
Single-family: ⁽²⁾										
<i>Non-credit-enhanced portfolio</i>										
3	0.28 %	0.26 %	0.27 %	0.29 %	0.29 %	0.29 %	0.28 %	0.27 %	0.29 %	0.27 %
4	19,980	18,883	19,508	21,426	22,120	21,240	21,162	21,571	21,426	21,571
<i>Credit-enhanced portfolio</i>										
5	1.39 %	1.37 %	1.62 %	2.06 %	2.27 %	2.41 %	2.71 %	2.95 %	2.06 %	2.95 %
6	43,183	42,675	48,399	58,288	59,774	58,413	61,067	65,775	58,288	65,775
Multifamily: ⁽³⁾										
7	0.14 %	0.02 %	0.01 %	0.13 %	0.01 %	0.01 %	0.01 %	0.05 %	0.13 %	0.05 %
8	\$ 43	\$ 5	\$ 5	\$ 49	\$ 4	\$ 3	\$ 3	\$ 24	\$ 49	\$ 24
<u>REO Balances</u>										
9	\$ 487	\$ 508	\$ 578	\$ 593	\$ 664	\$ 697	\$ 739	\$ 758	\$ 593	\$ 758
10	1	1	1	1	38	38	38	37	1	37
11	\$ 488	\$ 509	\$ 579	\$ 594	\$ 702	\$ 735	\$ 777	\$ 795	\$ 594	\$ 795
<u>REO Inventory (Number of Units)</u>										
12	5,713	6,231	6,540	7,240	7,222	7,895	8,259	8,855	5,713	7,222
13	2,981	3,231	3,563	3,745	4,091	4,329	4,581	4,749	13,520	17,750
14	(2,463)	(2,922)	(2,863)	(3,763)	(3,418)	(3,965)	(3,985)	(4,434)	(12,011)	(15,802)
15	6,231	6,540	7,240	7,222	7,895	8,259	8,855	9,170	7,222	9,170
<u>REO Operations Income (Expense)</u>										
16	\$ (1)	\$ 3	\$ 6	\$ 5	\$ 7	\$ 12	\$ 7	\$ -	\$ 13	\$ 26
17	-	-	-	-	-	-	(1)	(2)	-	(3)
18	\$ (1)	\$ 3	\$ 6	\$ 5	\$ 7	\$ 12	\$ 6	\$ (2)	\$ 13	\$ 23
<u>Loan Loss Reserves⁽⁴⁾</u>										
19	\$ 224	\$ 220	\$ 234	\$ 211	\$ 265	\$ 330	\$ 297	\$ 311	\$ 224	\$ 265
20	14	33	4	77	(26)	(14)	34	16	128	10
21	(19)	(19)	(27)	(23)	(18)	(24)	(28)	(28)	(88)	(98)
22	1	-	-	-	(7)	-	-	-	1	(7)
23	-	-	-	-	116	5	8	-	-	129
24	\$ 220	\$ 234	\$ 211	\$ 265	\$ 330	\$ 297	\$ 311	\$ 299	\$ 265	\$ 299
25	0.7 bp	0.7 bp	1.0 bp	0.8 bp	0.9 bp	0.9 bp	1.0 bp	0.9 bp	0.8 bp	0.9 bp
<u>Total Credit Losses (Gains)⁽⁷⁾</u>										
26	\$ 19	\$ 16	\$ 21	\$ 18	\$ 18	\$ 12	\$ 22	\$ 30	\$ 74	\$ 82
27	0.7 bp	0.6 bp	0.8 bp	0.6 bp	0.7 bp	0.4 bp	0.8 bp	1.0 bp	0.7 bp	0.7 bp

(1) Based on the total mortgage portfolio, excluding both non-Freddie Mac mortgage-related securities and that portion of Structured Securities that is backed by Ginnie Mae Certificates.

(2) Based on the number of mortgages 90 days or more delinquent or in foreclosure.

(3) Based on net carrying value of mortgages 60 days or more delinquent or in foreclosure.

(4) Represents the sum of "Reserve for losses on mortgage loans held for investment" (consolidated balance sheets - line 2) and "Reserve for guarantee losses on Participation Certificates" (consolidated balance sheets - line 33).

(5) Represents the reclassification of the incurred losses included in the "Guarantee obligation for Participation Certificates" at January 1, 2003 in conjunction with the implementation of FIN 45 and the ongoing recognition of the portion of the guarantee obligation that represents incurred losses for PCs initially established at fair value during 2003.

(6) Calculated using the average total mortgage portfolio, excluding non-Freddie Mac mortgage-related securities and that portion of Structured Securities that is backed by Ginnie Mae Certificates.

(7) Equal to "REO operations income (expense)" (Line 18) plus charge-offs, net (Lines 21 and 22).