

**FREDDIE MAC**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**(UNAUDITED)**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
	(dollars in millions, except share-related amounts)			
<i>Interest income</i>				
Mortgage loans	\$ 1,320	\$ 1,075	\$ 2,563	\$ 2,141
Mortgage-related securities	8,380	8,784	16,513	17,335
Cash and investments	520	966	1,040	1,938
Total interest income	<u>10,220</u>	<u>10,825</u>	<u>20,116</u>	<u>21,414</u>
<i>Interest expense</i>				
Short-term debt	(1,637)	(2,249)	(3,681)	(4,457)
Long-term debt	(6,711)	(7,331)	(13,436)	(14,507)
Total interest expense on debt securities	<u>(8,348)</u>	<u>(9,580)</u>	<u>(17,117)</u>	<u>(18,964)</u>
Due to Participation Certificate investors	-	(121)	-	(224)
Total interest expense	<u>(8,348)</u>	<u>(9,701)</u>	<u>(17,117)</u>	<u>(19,188)</u>
Expense related to derivatives	(343)	(331)	(672)	(662)
<i>Net interest income</i>	<u>1,529</u>	<u>793</u>	<u>2,327</u>	<u>1,564</u>
<i>Non-interest income</i>				
Management and guarantee income (includes interest on guarantee asset of \$243, \$130, \$458 and \$257, respectively)	757	591	1,546	1,219
Gains (losses) on guarantee asset	1,114	820	(280)	297
Income on guarantee obligation	769	474	1,938	904
Derivative gains (losses)	115	318	(130)	(206)
Gains (losses) on investment activity	(3,327)	(540)	(2,108)	(522)
Unrealized gains (losses) on foreign-currency denominated debt recorded at fair value	569	-	(816)	-
Gains (losses) on debt retirement	(29)	89	276	96
Recoveries on loans impaired upon purchase	121	72	347	107
Foreign currency gains (losses), net	-	(333)	-	(530)
Other income	75	58	122	107
<i>Non-interest income</i>	<u>164</u>	<u>1,549</u>	<u>895</u>	<u>1,472</u>
<i>Non-interest expense</i>				
Salaries and employee benefits	(241)	(227)	(472)	(440)
Professional services	(55)	(104)	(127)	(193)
Occupancy expense	(18)	(16)	(33)	(30)
Other administrative expenses	(90)	(95)	(169)	(182)
Total administrative expenses	<u>(404)</u>	<u>(442)</u>	<u>(801)</u>	<u>(845)</u>
Provision for credit losses	(2,537)	(447)	(3,777)	(695)
Real estate owned operations expense	(265)	(16)	(473)	(30)
Losses on certain credit guarantees	-	(150)	(15)	(327)
Losses on loans purchased	(120)	(264)	(171)	(480)
Low-income housing tax credit partnerships	(108)	(135)	(225)	(243)
Minority interest in earnings of consolidated subsidiaries	(5)	(9)	(8)	(18)
Other expenses	(106)	(56)	(178)	(105)
<i>Non-interest expense</i>	<u>(3,545)</u>	<u>(1,519)</u>	<u>(5,648)</u>	<u>(2,743)</u>
Income (loss) before income tax (expense) benefit	(1,852)	823	(2,426)	293
Income tax (expense) benefit	1,031	(94)	1,454	303
<i>Net income (loss)</i>	<u>\$ (821)</u>	<u>\$ 729</u>	<u>\$ (972)</u>	<u>\$ 596</u>
Preferred stock dividends and issuance costs on redeemed preferred stock (including \$-, \$-, \$- and \$6 of issuance costs on redeemed preferred stock, respectively)	(231)	(95)	(503)	(190)
Amount allocated to participating security option holders	(1)	(2)	(1)	(1)
<i>Net income (loss) available (applicable) to common stockholders</i>	<u>\$ (1,053)</u>	<u>\$ 632</u>	<u>\$ (1,476)</u>	<u>\$ 405</u>
Earnings (loss) per common share:				
Basic	\$ (1.63)	\$ 0.97	\$ (2.28)	\$ 0.62
Diluted	\$ (1.63)	\$ 0.96	\$ (2.28)	\$ 0.61
Weighted average common shares outstanding (in thousands):				
Basic	646,868	652,877	646,603	657,103
Diluted	646,868	655,784	646,603	659,365
Dividends per common share	\$ 0.25	\$ 0.50	\$ 0.50	\$ 1.00

See our unaudited Consolidated Financial Statements as presented in our Form 10-Q dated August 6, 2008.

**FREDDIE MAC**  
**CONSOLIDATED BALANCE SHEETS**

	<b>June 30, 2008 (unaudited)</b>	<b>December 31, 2007</b>
	<b>(dollars in millions, except share-related amounts)</b>	
<b>Assets</b>		
<i>Retained portfolio</i>		
Mortgage loans:		
Held-for-investment, at amortized cost (net of allowances for loan losses of \$468 and \$256, respectively)	\$ 81,533	\$ 76,347
Held-for-sale, at lower-of-cost-or-fair-value	7,536	3,685
Mortgage loans, net	89,069	80,032
Mortgage-related securities:		
Available-for-sale, at fair value (includes \$21,896 and \$17,010, respectively, pledged as collateral that may be repledged)	512,197	615,665
Trading, at fair value	159,594	14,089
Total mortgage-related securities	671,791	629,754
<i>Retained portfolio</i>		
	760,860	709,786
<i>Cash and investments</i>		
Cash and cash equivalents	43,553	8,574
Investments:		
Non-mortgage-related securities:		
Available-for-sale, at fair value	12,869	35,101
Securities purchased under agreements to resell and federal funds sold	15,265	6,562
<i>Cash and investments</i>		
	71,687	50,237
Accounts and other receivables, net	6,247	5,003
Derivative assets, net	441	827
Guarantee asset, at fair value	11,019	9,591
Real estate owned, net	2,580	1,736
Deferred tax asset, net	18,399	10,304
Low-income housing tax credit partnerships equity investments	4,362	4,568
Other assets	3,448	2,316
<i>Total assets</i>	\$ 879,043	\$ 794,368
<b>Liabilities and stockholders' equity</b>		
<i>Debt securities, net</i>		
Senior debt:		
Due within one year (includes \$362 at fair value at June 30, 2008)	\$ 326,303	\$ 295,921
Due after one year (includes \$14,840 at fair value at June 30, 2008)	505,013	438,147
Subordinated debt, due after one year	4,496	4,489
<i>Total debt securities, net</i>		
	835,812	738,557
Accrued interest payable	7,208	7,864
Guarantee obligation	14,022	13,712
Derivative liabilities, net	910	582
Reserve for guarantee losses on Participation Certificates	5,345	2,566
Other liabilities	2,667	4,187
<i>Total liabilities</i>	865,964	767,468
Commitments and contingencies		
Minority interests in consolidated subsidiaries	131	176
<i>Stockholders' equity</i>		
Preferred stock, at redemption value	14,109	14,109
Common stock, \$0.21 par value, 806,000,000 shares authorized, 725,863,886 shares issued and 647,015,003 shares and 646,266,701 shares outstanding, respectively	152	152
Additional paid-in capital	864	871
Retained earnings	26,128	26,909
Accumulated other comprehensive income (loss), or AOCI, net of taxes, related to:		
Available-for-sale securities	(20,719)	(7,040)
Cash flow hedge relationships	(3,418)	(4,059)
Defined benefit plans	(43)	(44)
Total AOCI, net of taxes	(24,180)	(11,143)
Treasury stock, at cost, 78,848,883 shares and 79,597,185 shares, respectively	(4,125)	(4,174)
<i>Total stockholders' equity</i>	12,948	26,724
<i>Total liabilities and stockholders' equity</i>	\$ 879,043	\$ 794,368

See our unaudited Consolidated Financial Statements as presented in our Form 10-Q dated August 6, 2008.

**FREDDIE MAC**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**

	Six Months Ended June 30,			
	2008		2007	
	Shares	Amount	Shares	Amount
	(in millions)			
<i>Preferred stock, at redemption value</i>				
Balance, beginning of year	464	\$ 14,109	132	\$ 6,109
Preferred stock issuances	-	-	64	1,600
Preferred stock redemptions	-	-	(12)	(600)
<i>Preferred stock, end of period</i>	<u>464</u>	<u>14,109</u>	<u>184</u>	<u>7,109</u>
<i>Common stock, par value</i>				
Balance, beginning of year	726	152	726	152
<i>Common stock, end of period</i>	<u>726</u>	<u>152</u>	<u>726</u>	<u>152</u>
<i>Additional paid-in capital</i>				
Balance, beginning of year		871		962
Stock-based compensation		53		42
Income tax benefit from stock-based compensation		(12)		1
Preferred stock issuance costs		-		(16)
Common stock issuances		(52)		(27)
Real Estate Investment Trust preferred stock repurchase		4		(7)
<i>Additional paid-in capital, end of period</i>		<u>864</u>		<u>955</u>
<i>Retained earnings</i>				
Balance, beginning of year		26,909		31,372
Cumulative effect of change in accounting principle, net of taxes		1,023		181
Balance, beginning of year, as adjusted		27,932		31,553
Net income (loss)		(972)		596
Preferred stock dividends declared		(503)		(184)
Common stock dividends declared		(329)		(663)
<i>Retained earnings, end of period</i>		<u>26,128</u>		<u>31,302</u>
<i>AOCl, net of taxes</i>				
Balance, beginning of year		(11,143)		(8,451)
Cumulative effect of change in accounting principle, net of taxes		(850)		-
Balance, beginning of year, as adjusted		(11,993)		(8,451)
Changes in unrealized gains (losses) related to available-for-sale securities, net of reclassification adjustments		(12,825)		(3,058)
Changes in unrealized gains (losses) related to cash flow hedge relationships, net of reclassification adjustments		637		458
Changes in defined benefit plans		1		6
<i>AOCl, net of taxes, end of period</i>		<u>(24,180)</u>		<u>(11,045)</u>
<i>Treasury stock, at cost</i>				
Balance, beginning of year	80	(4,174)	65	(3,230)
Common stock issuances	(1)	49	(1)	35
Common stock repurchases	-	-	12	(750)
<i>Treasury stock, end of period</i>	<u>79</u>	<u>(4,125)</u>	<u>76</u>	<u>(3,945)</u>
<i>Total stockholders' equity</i>		<u>\$ 12,948</u>		<u>\$ 24,528</u>
<i>Comprehensive income (loss)</i>				
Net income (loss)		\$ (972)		\$ 596
Changes in other comprehensive income (loss), net of taxes, net of reclassification adjustments		(12,187)		(2,594)
<i>Total comprehensive income (loss)</i>		<u>\$ (13,159)</u>		<u>\$ (1,998)</u>

See our unaudited Consolidated Financial Statements as presented in our Form 10-Q dated August 6, 2008.

**FREDDIE MAC**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	Six Months Ended June 30,	
	2008	2007
	(in millions)	
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ (972)	\$ 596
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Hedge accounting gains	(4)	-
Derivative (gains) losses	(587)	337
Asset related amortization - premiums, discounts and basis adjustments	8	62
Debt related amortization - premiums and discounts on certain debt securities and basis adjustments	4,760	5,391
Net discounts paid on retirements of debt	(5,187)	(4,240)
Gains on debt retirement	(276)	(96)
Provision for credit losses	3,777	695
Low-income housing tax credit partnerships	225	243
Losses on loans purchased	171	480
Losses on investment activity	2,120	550
Foreign-currency loss, net	-	530
Unrealized losses on foreign-currency denominated debt recorded at fair value	816	-
Deferred income taxes	(1,628)	(1,230)
Purchases of held-for-sale mortgages	(21,885)	(9,886)
Sales of held-for-sale mortgages	17,806	9,157
Repayments of held-for-sale mortgages	294	56
Due to Participation Certificates and Structured Securities Trust	(694)	-
Change in trading securities	-	(2,204)
Change in accounts and other receivables, net	(1,615)	(471)
Change in amounts due to Participation Certificate investors, net	-	2,400
Change in accrued interest payable	(200)	145
Change in income taxes payable	(594)	320
Change in guarantee asset, at fair value	(1,427)	(1,910)
Change in guarantee obligation	368	1,359
Other, net	251	22
<i>Net cash (used for) provided by operating activities</i>	<u>(4,473)</u>	<u>2,306</u>
<b>Cash flows from investing activities</b>		
Purchases of trading securities	(78,273)	-
Proceeds from sales of trading securities	9,289	-
Proceeds from maturities of trading securities	9,974	-
Purchases of available-for-sale securities	(155,571)	(157,291)
Proceeds from sales of available-for-sale securities	19,781	37,008
Proceeds from maturities of available-for-sale securities	153,259	120,317
Purchases of held-for-investment mortgages	(8,641)	(8,178)
Repayments of held-for-investment mortgages	2,075	4,980
Increase in restricted cash	(369)	-
Net proceeds (payments) from mortgage insurance and acquisitions and dispositions of real estate owned	(631)	813
Net increase in securities purchased under agreements to resell and federal funds sold	(8,702)	(4,473)
Derivative premiums and terminations and swap collateral, net	939	207
Investments in low-income housing tax credit partnerships	-	(57)
<i>Net cash used for investing activities</i>	<u>(56,870)</u>	<u>(6,674)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of short-term debt	588,190	472,390
Repayments of short-term debt	(542,916)	(476,407)
Proceeds from issuance of long-term debt	192,731	118,776
Repayments of long-term debt	(140,395)	(108,517)
Proceeds from the issuance of preferred stock	-	1,584
Redemption of preferred stock	-	(600)
Payment of cash dividends on preferred stock and common stock	(832)	(847)
Excess tax benefits associated with stock-based awards	2	3
Payments of low-income housing tax credit partnerships notes payable	(433)	(568)
Increase (decrease) in cash overdraft	23	(16)
Other, net	(48)	(981)
<i>Net cash provided by financing activities</i>	<u>96,322</u>	<u>4,817</u>
Net increase in cash and cash equivalents	34,979	449
Cash and cash equivalents at beginning of period	8,574	11,359
<i>Cash and cash equivalents at end of period</i>	<u>\$ 43,553</u>	<u>\$ 11,808</u>
<b>Supplemental cash flow information</b>		
Cash paid (received) for:		
Debt Interest	\$ 18,465	\$ 18,502
Swap collateral interest	97	226
Derivative interest carry, net	65	(165)
Income taxes	1,054	607
Non-cash investing and financing activities:		
Held-for-sale mortgages securitized and retained as available-for-sale securities	-	169
Transfers from mortgage loans to real estate owned	1,508	1,146
Investments in low-income housing tax credit partnerships financed by notes payable	-	117
Transfers from held-for-sale mortgages to held-for-investment mortgages	-	40
Transfers from retained portfolio Participation Certificates to held-for-investment mortgages	-	893
Transfers from available-for-sale securities to trading securities	87,281	-

See our unaudited Consolidated Financial Statements as presented in our Form 10-Q dated August 6, 2008.