

FREDDIE MAC
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(dollars in millions, except share-related amounts)			
<i>Interest income</i>				
Mortgage loans	\$ 1,361	\$ 1,103	\$ 3,924	\$ 3,244
Mortgage-related securities	8,590	8,943	25,103	26,278
Cash and investments	518	959	1,558	2,897
Total interest income	<u>10,469</u>	<u>11,005</u>	<u>30,585</u>	<u>32,419</u>
<i>Interest expense</i>				
Short-term debt	(1,468)	(2,292)	(5,149)	(6,749)
Long-term debt	(6,795)	(7,521)	(20,231)	(22,028)
Total interest expense on debt securities	(8,263)	(9,813)	(25,380)	(28,777)
Due to Participation Certificate investors	-	(98)	-	(322)
Total interest expense	(8,263)	(9,911)	(25,380)	(29,099)
Expense related to derivatives	(362)	(333)	(1,034)	(995)
<i>Net interest income</i>	<u>1,844</u>	<u>761</u>	<u>4,171</u>	<u>2,325</u>
<i>Non-interest income (loss)</i>				
Management and guarantee income (includes interest on guarantee asset of \$299, \$138, \$757 and \$395, respectively)	832	718	2,378	1,937
Gains (losses) on guarantee asset	(1,722)	(465)	(2,002)	(168)
Income on guarantee obligation	783	473	2,721	1,377
Derivative gains (losses)	(3,080)	(188)	(3,210)	(394)
Gains (losses) on investment activity	(9,747)	478	(11,855)	(44)
Unrealized gains (losses) on foreign-currency denominated debt recorded at fair value	1,500	-	684	-
Gains (losses) on debt retirement	36	91	312	187
Recoveries on loans impaired upon purchase	91	125	438	232
Foreign-currency gains (losses), net	-	(1,162)	-	(1,692)
Other income	25	47	147	154
<i>Non-interest income (loss)</i>	<u>(11,282)</u>	<u>117</u>	<u>(10,387)</u>	<u>1,589</u>
<i>Non-interest expense</i>				
Salaries and employee benefits	(133)	(216)	(605)	(656)
Professional services	(61)	(103)	(188)	(296)
Occupancy expense	(16)	(16)	(49)	(46)
Other administrative expenses	(98)	(93)	(267)	(275)
Total administrative expenses	(308)	(428)	(1,109)	(1,273)
Provision for credit losses	(5,702)	(1,372)	(9,479)	(2,067)
Real estate owned operations expense	(333)	(51)	(806)	(81)
Losses on certain credit guarantees	(2)	(392)	(17)	(719)
Losses on loans purchased	(252)	(649)	(423)	(1,129)
Securities administrator loss on investment activity	(1,082)	-	(1,082)	-
Low-income housing tax credit partnerships	(121)	(111)	(346)	(354)
Minority interest in earnings of consolidated subsidiaries	-	(4)	(8)	(22)
Other expenses	(86)	(63)	(264)	(168)
<i>Non-interest expense</i>	<u>(7,886)</u>	<u>(3,070)</u>	<u>(13,534)</u>	<u>(5,813)</u>
Loss before income tax (expense) benefit	(17,324)	(2,192)	(19,750)	(1,899)
Income tax (expense) benefit	(7,971)	954	(6,517)	1,257
<i>Net loss</i>	<u>\$ (25,295)</u>	<u>\$ (1,238)</u>	<u>\$ (26,267)</u>	<u>\$ (642)</u>
Preferred stock dividends and issuance costs on redeemed preferred stock (including \$-, \$-, \$- and \$6 of issuance costs on redeemed preferred stock, respectively)	(6)	(102)	(509)	(292)
Amount allocated to participating security option holders	-	(2)	(1)	(4)
<i>Net loss applicable to common stockholders</i>	<u>\$ (25,301)</u>	<u>\$ (1,342)</u>	<u>\$ (26,777)</u>	<u>\$ (938)</u>
Loss per common share:				
Basic	\$ (19.44)	\$ (2.07)	\$ (30.90)	\$ (1.43)
Diluted	\$ (19.44)	\$ (2.07)	\$ (30.90)	\$ (1.43)
Weighted average common shares outstanding (in thousands):				
Basic	1,301,430	647,377	866,472	653,825
Diluted	1,301,430	647,377	866,472	653,825
Dividends per common share	\$ -	\$ 0.50	\$ 0.50	\$ 1.50

See our unaudited Consolidated Financial Statements as presented in our Form 10-Q dated November 14, 2008.

FREDDIE MAC
CONSOLIDATED BALANCE SHEETS

	September 30, 2008 (unaudited)	December 31, 2007
	(in millions, except share-related amounts)	
Assets		
<i>Retained portfolio</i>		
Mortgage loans:		
Held-for-investment, at amortized cost (net of allowances for loan losses of \$459 and \$256, respectively)	\$ 86,225	\$ 76,347
Held-for-sale, at lower-of-cost-or-fair-value (except \$95 at fair value at September 30, 2008)	11,978	3,685
Mortgage loans, net	<u>98,203</u>	<u>80,032</u>
Mortgage-related securities:		
Available-for-sale, at fair value (includes \$22,659 and \$17,010, respectively, pledged as collateral that may be repledged)	478,413	615,665
Trading, at fair value	118,002	14,089
Total mortgage-related securities	<u>596,415</u>	<u>629,754</u>
<i>Retained portfolio</i>	<u>694,618</u>	<u>709,786</u>
<i>Cash and investments</i>		
Cash and cash equivalents	50,180	8,574
Investments:		
Non-mortgage-related securities:		
Available-for-sale, at fair value	10,410	35,101
Securities purchased under agreements to resell and federal funds sold	8,000	6,562
<i>Cash and investments</i>	<u>68,590</u>	<u>50,237</u>
Accounts and other receivables, net	5,298	5,003
Derivative assets, net	3,040	827
Guarantee asset, at fair value	9,679	9,591
Real estate owned, net	3,224	1,736
Deferred tax asset, net	11,866	10,304
Low-income housing tax credit partnerships equity investments	4,248	4,568
Other assets	3,827	2,316
<i>Total assets</i>	<u>\$ 804,390</u>	<u>\$ 794,368</u>
Liabilities and stockholders' equity (deficit)		
Short-term debt (includes \$1,950 at fair value at September 30, 2008)	\$ 319,641	\$ 295,921
Long-term debt (includes \$11,751 at fair value at September 30, 2008)	464,309	442,636
Accrued interest payable	6,207	7,864
Guarantee obligation	13,874	13,712
Derivative liabilities, net	1,359	582
Reserve for guarantee losses on Participation Certificates	9,761	2,566
Other liabilities	2,939	4,187
<i>Total liabilities</i>	<u>818,090</u>	<u>767,468</u>
Commitments and contingencies		
Minority interests in consolidated subsidiaries	95	176
<i>Stockholders' equity (deficit)</i>		
Senior preferred stock, at redemption value	1,000	-
Preferred stock, at redemption value	14,109	14,109
Common stock, \$0.00 par value, 4,000,000,000 and 806,000,000 shares authorized, 725,863,886 shares issued and 647,156,870 shares and 646,266,701 shares outstanding, respectively	-	152
Additional paid-in capital	14	871
Retained earnings	833	26,909
Accumulated other comprehensive income (loss), or AOCI, net of taxes, related to:		
Available-for-sale securities	(22,037)	(7,040)
Cash flow hedge relationships	(3,554)	(4,059)
Defined benefit plans	(43)	(44)
Total AOCI, net of taxes	<u>(25,634)</u>	<u>(11,143)</u>
Treasury stock, at cost, 78,707,016 shares and 79,597,185 shares, respectively	<u>(4,117)</u>	<u>(4,174)</u>
<i>Total stockholders' equity (deficit)</i>	<u>(13,795)</u>	<u>26,724</u>
<i>Total liabilities and stockholders' equity (deficit)</i>	<u>\$ 804,390</u>	<u>\$ 794,368</u>

See our unaudited Consolidated Financial Statements as presented in our Form 10-Q dated November 14, 2008.

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

	Nine Months Ended September 30,			
	2008		2007	
	Shares	Amount	Shares	Amount
	(in millions)			
<i>Senior preferred stock, at redemption value</i>				
Balance, beginning of year	-	\$ -	-	\$ -
Senior preferred stock issuance	1	1,000	-	-
<i>Senior preferred stock, end of period</i>	<u>1</u>	<u>1,000</u>	<u>-</u>	<u>-</u>
<i>Preferred stock, at redemption value</i>				
Balance, beginning of year	464	\$ 14,109	132	\$ 6,109
Preferred stock issuances	-	-	104	2,600
Preferred stock redemptions	-	-	(12)	(600)
<i>Preferred stock, end of period</i>	<u>464</u>	<u>14,109</u>	<u>224</u>	<u>8,109</u>
<i>Common stock, par value</i>				
Balance, beginning of year	726	152	726	152
Adjustment to par value	-	(152)	-	-
<i>Common stock, end of period</i>	<u>726</u>	<u>-</u>	<u>726</u>	<u>152</u>
<i>Additional paid-in capital</i>				
Balance, beginning of year		871		962
Stock-based compensation		60		61
Income tax benefit from stock-based compensation		(13)		2
Preferred stock issuance costs		-		(26)
Common stock issuances		(60)		(31)
Real Estate Investment Trust preferred stock repurchase		4		(7)
Adjustment to common stock par value		152		-
Common stock warrant issuance		2,304		-
Commitment from the U.S. Department of the Treasury		(3,304)		-
<i>Additional paid-in capital, end of period</i>		<u>14</u>		<u>961</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 loss		(26,267)		(642)
Preferred stock dividends declared		(503)		(286)
Common stock dividends declared		(329)		(989)
<i>Retained earnings, end of period</i>		<u>833</u>		<u>29,636</u>
<i>AOCI, 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		(14,143)		(1,469)
Changes in unrealized gains (losses) related to cash flow hedge relationships, net of reclassification adjustments		501		724
Changes in defined benefit plans		1		7
<i>AOCI, net of taxes, end of period</i>		<u>(25,634)</u>		<u>(9,189)</u>
<i>Treasury stock, at cost</i>				
Balance, beginning of year	80	(4,174)	65	(3,230)
Common stock issuances	(1)	57	(1)	44
Common stock repurchases	-	-	16	(1,000)
<i>Treasury stock, end of period</i>	<u>79</u>	<u>(4,117)</u>	<u>80</u>	<u>(4,186)</u>
<i>Total stockholders' equity (deficit)</i>		<u>\$ (13,795)</u>		<u>\$ 25,483</u>
<i>Comprehensive income (loss)</i>				
Net loss		\$ (26,267)		\$ (642)
Changes in other comprehensive income (loss), net of taxes, net of reclassification adjustments		(13,641)		(738)
<i>Total comprehensive income (loss)</i>		<u>\$ (39,908)</u>		<u>\$ (1,380)</u>

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FREDDIE MAC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30,	
	2008	2007
	(in millions)	
Cash flows from operating activities		
Net loss	\$ (26,267)	\$ (642)
Adjustments to reconcile net loss to net cash used for operating activities:		
Hedge accounting losses	16	-
Derivative losses	2,207	635
Asset related amortization -- premiums, discounts and basis adjustments	84	28
Debt related amortization -- premiums and discounts on certain debt securities and basis adjustments	6,678	8,192
Net discounts paid on retirements of debt	(6,981)	(6,195)
Gains on debt retirement	(312)	(187)
Provision for credit losses	9,479	2,067
Low-income housing tax credit partnerships	346	354
Losses on loans purchased	423	1,129
Losses on investment activity	11,881	80
Foreign-currency losses, net	-	1,692
Unrealized gains on foreign-currency denominated debt recorded at fair value	(684)	-
Deferred income taxes	5,959	(462)
Purchases of held-for-sale mortgages	(29,871)	(16,091)
Sales of held-for-sale mortgages	21,196	14,369
Repayments of held-for-sale mortgages	457	95
Due to Participation Certificates and Structured Securities Trust	(180)	-
Change in trading securities	-	(2,269)
Change in accounts and other receivables, net	(1,129)	(360)
Change in amounts due to Participation Certificate investors, net	-	(1,360)
Change in accrued interest payable	(1,188)	(786)
Change in income taxes payable	(594)	(1,459)
Change in guarantee asset, at fair value	(87)	(2,478)
Change in guarantee obligation	236	2,404
Other, net	705	530
<i>Net cash used for operating activities</i>	(7,626)	(714)
Cash flows from investing activities		
Purchases of trading securities	(100,523)	-
Proceeds from sales of trading securities	67,222	-
Proceeds from maturities of trading securities	14,674	-
Purchases of available-for-sale securities	(168,108)	(240,572)
Proceeds from sales of available-for-sale securities	35,182	82,475
Proceeds from maturities of available-for-sale securities	175,446	181,194
Purchases of held-for-investment mortgages	(16,215)	(13,161)
Repayments of held-for-investment mortgages	4,797	7,076
Increase in restricted cash	(899)	-
Net (payments) proceeds from mortgage insurance and acquisitions and dispositions of real estate owned	(2,455)	1,255
Net (increase) decrease in securities purchased under agreements to resell and Federal funds sold	(1,437)	5,762
Derivative premiums and terminations and swap collateral, net	(4,472)	(1,118)
Investments in low-income housing tax credit partnerships	-	(116)
<i>Net cash provided by investing activities</i>	3,212	22,795
Cash flows from financing activities		
Proceeds from issuance of short-term debt	832,442	722,518
Repayments of short-term debt	(806,121)	(737,779)
Proceeds from issuance of long-term debt	218,830	149,092
Repayments of long-term debt	(197,623)	(153,691)
Proceeds from the issuance of preferred stock	-	2,574
Redemption of preferred stock	-	(600)
Payment of cash dividends on preferred stock and common stock	(835)	(1,279)
Excess tax benefits associated with stock-based awards	4	5
Payments of low-income housing tax credit partnerships notes payable	(600)	(824)
Increase (decrease) in cash overdraft	6	(3)
Other, net	(83)	(1,226)
<i>Net cash provided by (used for) financing activities</i>	46,020	(21,213)
Net increase in cash and cash equivalents	41,606	868
Cash and cash equivalents at beginning of year	8,574	11,359
<i>Cash and cash equivalents at end of period</i>	\$ 50,180	\$ 12,227
Supplemental cash flow information		
Cash paid (received) for:		
Debt interest	\$ 27,868	\$ 28,821
Swap collateral interest	137	344
Derivative interest carry, net	261	(838)
Income taxes	1,230	663
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	1,517	1,977
Investments in low-income housing tax credit partnerships financed by notes payable	-	173
Transfers from held-for-sale mortgages to held-for-investment mortgages	-	40
Transfers from retained portfolio Participation Certificates to held-for-investment mortgages	-	1,570
Issuance of senior preferred stock to U.S. Department of the Treasury	1,000	-
Transfers from available-for-sale securities to trading securities	87,281	-

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