

FREDDIE MAC
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2009	2008	2007
	(in millions, except share-related amounts)		
<i>Interest income</i>			
Investments in securities	\$ 33,290	\$ 35,067	\$ 36,587
Mortgage loans	6,815	5,369	4,449
Other:			
Cash and cash equivalents	193	618	594
Federal funds sold and securities purchased under agreements to resell	48	423	1,280
Total other	241	1,041	1,874
Total interest income	40,346	41,477	42,910
<i>Interest expense</i>			
Short-term debt	(2,234)	(6,800)	(8,916)
Long-term debt	(19,916)	(26,532)	(29,148)
Total interest expense on debt	(22,150)	(33,332)	(38,064)
Due to Participation Certificate investors	-	-	(418)
Total interest expense	(22,150)	(33,332)	(38,482)
Expense related to derivatives	(1,123)	(1,349)	(1,329)
Net interest income	17,073	6,796	3,099
<i>Non-interest income (loss)</i>			
Management and guarantee income (includes interest on guarantee asset of \$923, \$1,121 and \$549, respectively)	3,033	3,370	2,635
Gains (losses) on guarantee asset	3,299	(7,091)	(1,484)
Income on guarantee obligation	3,479	4,826	1,905
Derivative gains (losses)	(1,900)	(14,954)	(1,904)
Gains (losses) on investments:			
Impairment-related:			
Total other-than-temporary impairment of available-for-sale securities	(23,125)	(17,682)	(365)
Portion of other-than-temporary impairment recognized in AOCI	11,928	-	-
Net impairment of available-for-sale securities recognized in earnings	(11,197)	(17,682)	(365)
Other gains (losses) on investments	5,841	1,574	659
Total gains (losses) on investments	(5,356)	(16,108)	294
Gains (losses) on debt recorded at fair value	(404)	406	-
Gains (losses) on debt retirement	(568)	209	345
Recoveries on loans impaired upon purchase	379	495	505
Foreign-currency gains (losses), net	-	-	(2,348)
Low-income housing tax credit partnerships	(4,155)	(453)	(469)
Trust management income (expense)	(761)	(70)	18
Other income	222	195	228
Non-interest income (loss)	(2,732)	(29,175)	(275)
<i>Non-interest expense</i>			
Salaries and employee benefits	(912)	(828)	(828)
Professional services	(310)	(262)	(392)
Occupancy expense	(68)	(67)	(64)
Other administrative expenses	(361)	(348)	(390)
Total administrative expenses	(1,651)	(1,505)	(1,674)
Provision for credit losses	(29,530)	(16,432)	(2,854)
Real estate owned operations expense	(307)	(1,097)	(206)
Losses on certain credit guarantees	-	(17)	(1,988)
Losses on loans purchased	(4,754)	(1,634)	(1,865)
Securities administrator loss on investment activity	-	(1,082)	-
Other expenses	(483)	(418)	(226)
Non-interest expense	(36,725)	(22,185)	(8,813)
Loss before income tax benefit (expense)	(22,384)	(44,564)	(5,989)
Income tax benefit (expense)	830	(5,552)	2,887
Net loss	(21,554)	(50,116)	(3,102)
Less: Net (income) loss attributable to noncontrolling interest	1	(3)	8
Net loss attributable to Freddie Mac	\$ (21,553)	\$ (50,119)	\$ (3,094)
Preferred stock dividends and issuance costs on redeemed preferred stock	(4,105)	(675)	(404)
Amount allocated to participating security option holders	-	(1)	(5)
Net loss attributable to common stockholders	\$ (25,658)	\$ (50,795)	\$ (3,503)
Loss per common share:			
Basic	\$ (7.89)	\$ (34.60)	\$ (5.37)
Diluted	\$ (7.89)	\$ (34.60)	\$ (5.37)
Weighted average common shares outstanding (in thousands):			
Basic	3,253,836	1,468,062	651,881
Diluted	3,253,836	1,468,062	651,881
Dividends per common share	\$ -	\$ 0.50	\$ 1.75

The Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K dated February 24, 2010 are an integral part of these consolidated financial statements.

**FREDDIE MAC
CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2009	2008
	(in millions, except share-related amounts)	
Assets		
Cash and cash equivalents	\$ 64,683	\$ 45,326
Restricted cash	527	953
Federal funds sold and securities purchased under agreements to resell	7,000	10,150
<i>Investments in securities:</i>		
Available-for-sale, at fair value (includes \$10,879 and \$21,302, respectively, pledged as collateral that may be repledged)	384,684	458,898
Trading, at fair value	222,250	190,361
<i>Total investments in securities</i>	606,934	649,259
<i>Mortgage loans:</i>		
Held-for-sale, at lower-of-cost-or-fair-value (except \$2,799 and \$401 at fair value, respectively)	16,305	16,247
Held-for-investment, at amortized cost (net of allowances for loan losses of \$1,441 and \$690, respectively)	111,565	91,344
<i>Total mortgage loans, net</i>	127,870	107,591
Accounts and other receivables, net	6,095	6,337
Derivative assets, net	215	955
Guarantee asset, at fair value	10,444	4,847
Real estate owned, net	4,692	3,255
Deferred tax assets, net	11,101	15,351
Low-income housing tax credit partnership equity investments	-	4,145
Other assets	2,223	2,794
<i>Total assets</i>	<u>\$ 841,784</u>	<u>\$ 850,963</u>
Liabilities and equity (deficit)		
<i>Liabilities</i>		
Accrued interest payable	\$ 5,047	\$ 6,504
<i>Debt, net:</i>		
Short-term debt (includes \$6,328 and \$1,638 at fair value, respectively)	343,975	435,114
Long-term debt (includes \$2,590 and \$11,740 at fair value, respectively)	436,629	407,907
<i>Total debt, net</i>	780,604	843,021
Guarantee obligation	12,465	12,098
Derivative liabilities, net	589	2,277
Reserve for guarantee losses on Participation Certificates	32,416	14,928
Other liabilities	6,291	2,769
<i>Total liabilities</i>	837,412	881,597
<i>Commitments and contingencies</i>		
<i>Equity (deficit)</i>		
<i>Freddie Mac stockholders' equity (deficit)</i>		
Senior preferred stock, at redemption value	51,700	14,800
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 648,369,668 shares and 647,260,293 shares outstanding, respectively	-	-
Additional paid-in capital	57	19
Retained earnings (accumulated deficit)	(33,921)	(23,191)
<i>Accumulated other comprehensive income (loss), or AOCI, net of taxes, related to:</i>		
Available-for-sale securities (includes \$15,947, net of taxes, of other-than-temporary impairments at December 31, 2009)	(20,616)	(28,510)
Cash flow hedge relationships	(2,905)	(3,678)
Defined benefit plans	(127)	(169)
<i>Total AOCI, net of taxes</i>	(23,648)	(32,357)
Treasury stock, at cost, 77,494,218 shares and 78,603,593 shares, respectively	(4,019)	(4,111)
<i>Total Freddie Mac stockholders' equity (deficit)</i>	4,278	(30,731)
Noncontrolling interest	94	97
<i>Total equity (deficit)</i>	4,372	(30,634)
<i>Total liabilities and equity (deficit)</i>	<u>\$ 841,784</u>	<u>\$ 850,963</u>

The Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K dated February 24, 2010 are an integral part of these consolidated financial statements.

FREDDIE MAC
CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)

	Year Ended December 31,					
	2009		2008		2007	
	Shares	Amount	Shares	Amount	Shares	Amount
	(in millions)					
<i>Senior preferred stock, at redemption value</i>						
Balance, beginning of year	1	\$ 14,800	-	\$ -	-	\$ -
Senior preferred stock issuance	-	-	1	1,000	-	-
Increase in liquidation preference	-	36,900	-	13,800	-	-
<i>Senior preferred stock, end of year</i>	<u>1</u>	<u>51,700</u>	<u>1</u>	<u>14,800</u>	<u>-</u>	<u>-</u>
<i>Preferred stock, at redemption value</i>						
Balance, beginning of year	464	14,109	464	14,109	132	6,109
Preferred stock issuances	-	-	-	-	344	8,600
Preferred stock redemptions	-	-	-	-	(12)	(600)
<i>Preferred stock, end of year</i>	<u>464</u>	<u>14,109</u>	<u>464</u>	<u>14,109</u>	<u>464</u>	<u>14,109</u>
<i>Common stock, par value</i>						
Balance, beginning of year	726	-	726	152	726	152
Adjustment to par value	-	-	-	(152)	-	-
<i>Common stock, end of year</i>	<u>726</u>	<u>-</u>	<u>726</u>	<u>-</u>	<u>726</u>	<u>152</u>
<i>Additional paid-in capital</i>						
Balance, beginning of year		19		871		962
Stock-based compensation		58		74		81
Income tax benefit from stock-based compensation		7		(16)		-
Preferred stock issuance costs		-		-		(116)
Common stock issuances		(90)		(66)		(42)
Real Estate Investment Trust preferred stock repurchase		-		4		(14)
Adjustment to common stock par value		-		152		-
Common stock warrant issuance		-		2,304		-
Commitment from the U.S. Department of the Treasury		-		(3,304)		-
Transfer from retained earnings (accumulated deficit)		63		-		-
<i>Additional paid-in capital, end of year</i>		<u>57</u>		<u>19</u>		<u>871</u>
<i>Retained earnings (accumulated deficit)</i>						
Balance, beginning of year		(23,191)		26,909		31,372
Cumulative effect of change in accounting principle, net of taxes		-		1,023		181
Balance, beginning of year, as adjusted		(23,191)		27,932		31,553
Cumulative effect of change in accounting principle, net of taxes		14,996		-		-
Net loss attributable to Freddie Mac		(21,553)		(50,119)		(3,094)
Senior preferred stock dividends declared		(4,105)		(172)		-
Preferred stock dividends declared		-		(503)		(398)
Common stock dividends declared		-		(323)		(1,140)
Dividends equivalent payments on expired stock options		(5)		(6)		(12)
Transfer to additional paid-in capital		(63)		-		-
<i>Retained earnings (accumulated deficit), end of year</i>		<u>(33,921)</u>		<u>(23,191)</u>		<u>26,909</u>
<i>AOI, net of taxes</i>						
Balance, beginning of year		(32,357)		(11,143)		(8,451)
Cumulative effect of change in accounting principle, net of taxes		-		(850)		-
Balance, beginning of year, as adjusted		(32,357)		(11,993)		(8,451)
Cumulative effect of change in accounting principle, net of taxes		(9,931)		-		-
Changes in unrealized gains (losses) related to available-for-sale securities, net of reclassification adjustments		17,825		(20,616)		(3,708)
Changes in unrealized gains (losses) related to cash flow hedge relationships, net of reclassification adjustments		773		377		973
Changes in defined benefit plans		42		(125)		43
<i>AOI, net of taxes, end of year</i>		<u>(23,648)</u>		<u>(32,357)</u>		<u>(11,143)</u>
<i>Treasury stock, at cost</i>						
Balance, beginning of year	79	(4,111)	80	(4,174)	65	(3,230)
Common stock issuances	(2)	92	(1)	63	(1)	56
Common stock repurchases	-	-	-	-	16	(1,000)
<i>Treasury stock, end of year</i>	<u>77</u>	<u>(4,019)</u>	<u>79</u>	<u>(4,111)</u>	<u>80</u>	<u>(4,174)</u>
<i>Noncontrolling interest</i>						
Balance, beginning of year		97		181		516
Net income (loss) attributable to noncontrolling interest		(1)		3		(8)
Real Estate Investment Trust preferred stock repurchase		-		(82)		(302)
Dividends and other		(2)		(5)		(25)
<i>Noncontrolling interest, end of year</i>		<u>94</u>		<u>97</u>		<u>181</u>
<i>Total equity (deficit)</i>		<u>\$ 4,372</u>		<u>\$ (30,634)</u>		<u>\$ 26,905</u>
<i>Comprehensive income (loss)</i>						
Net loss		\$ (21,554)		\$ (50,116)		\$ (3,102)
Changes in other comprehensive income, net of taxes, net of reclassification adjustments		18,640		(20,364)		(2,692)
Comprehensive income (loss)		(2,914)		(70,480)		(5,794)
Less: Comprehensive (income) loss attributable to noncontrolling interest		1		(3)		8
<i>Total comprehensive income (loss) attributable to Freddie Mac</i>		<u>\$ (2,913)</u>		<u>\$ (70,483)</u>		<u>\$ (5,786)</u>

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FREDDIE MAC
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2009	2008	2007
	(in millions)		
Cash flows from operating activities			
Net loss	\$ (21,554)	\$ (50,116)	\$ (3,102)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:			
Derivative (gains) losses	(2,046)	13,650	2,231
Asset related amortization -- premiums, discounts and basis adjustments	163	(493)	(10)
Debt related amortization -- premiums and discounts on certain debt securities and basis adjustments	3,959	8,765	10,894
Net discounts paid on retirements of debt	(4,303)	(8,844)	(8,405)
Losses (gains) on debt retirement	568	(209)	(345)
Provision for credit losses	29,530	16,432	2,854
Low-income housing tax credit partnerships	4,155	453	469
Losses on loans purchased	4,754	1,634	1,865
Losses (gains) on investment activity	5,356	16,108	(294)
Foreign-currency losses, net	-	-	2,348
Losses (gains) on debt recorded at fair value	404	(406)	-
Deferred income tax (benefit) expense	(670)	5,507	(3,943)
Purchases of held-for-sale mortgages	(101,976)	(38,070)	(21,678)
Sales of held-for-sale mortgages	88,094	24,578	19,525
Repayments of held-for-sale mortgages	3,050	896	138
Change in:			
Due to Participation Certificates and Structured Securities Trust	250	(623)	946
Trading securities	-	-	(1,922)
Accounts and other receivables, net	(1,343)	(1,668)	(909)
Amounts due to Participation Certificate investors, net	-	-	(10,744)
Accrued interest payable	(1,324)	(786)	(263)
Income taxes payable	312	(1,185)	130
Guarantee asset, at fair value	(5,597)	4,744	(2,203)
Guarantee obligation	(183)	(1,470)	4,245
Other, net	(311)	944	503
<i>Net cash provided by (used for) operating activities</i>	<u>1,288</u>	<u>(10,159)</u>	<u>(7,670)</u>
Cash flows from investing activities			
Purchases of trading securities	(250,411)	(200,613)	-
Proceeds from sales of trading securities	153,093	94,764	-
Proceeds from maturities of trading securities	69,025	18,382	-
Purchases of available-for-sale securities	(15,346)	(174,968)	(319,213)
Proceeds from sales of available-for-sale securities	22,259	35,872	109,973
Proceeds from maturities of available-for-sale securities	86,702	193,573	219,047
Purchases of held-for-investment mortgages	(23,606)	(25,099)	(25,059)
Repayments of held-for-investment mortgages	6,862	6,516	9,571
Decrease (increase) in restricted cash	426	(857)	(96)
Net (payments) proceeds from mortgage insurance and acquisitions and dispositions of real estate owned	(4,690)	(2,573)	1,798
Net decrease (increase) in federal funds sold and securities purchased under agreements to resell	3,150	(3,588)	16,466
Derivative premiums and terminations and swap collateral, net	99	(12,829)	(2,484)
Investments in low-income housing tax credit partnerships	-	-	(158)
<i>Net cash provided by (used for) investing activities</i>	<u>47,563</u>	<u>(71,420)</u>	<u>9,845</u>
Cash flows from financing activities			
Proceeds from issuance of short-term debt	996,886	1,194,456	1,016,933
Repayments of short-term debt	(1,088,026)	(1,061,595)	(986,489)
Proceeds from issuance of long-term debt	336,973	241,222	183,161
Repayments of long-term debt	(307,780)	(267,732)	(222,541)
Increase in liquidation preference of senior preferred stock	36,900	13,800	-
Proceeds from issuance of preferred stock	-	-	8,484
Redemption of preferred stock	-	-	(600)
Repurchases of common stock	-	-	(1,000)
Payment of cash dividends on senior preferred stock, preferred stock and common stock	(4,105)	(998)	(1,539)
Excess tax benefits associated with stock-based awards	1	3	5
Payments of low-income housing tax credit partnerships notes payable	(343)	(742)	(1,068)
Other, net	-	(83)	(306)
<i>Net cash (used for) provided by financing activities</i>	<u>(29,494)</u>	<u>118,331</u>	<u>(4,960)</u>
Net increase (decrease) in cash and cash equivalents	19,357	36,752	(2,785)
Cash and cash equivalents at beginning of period	45,326	8,574	11,359
<i>Cash and cash equivalents at end of period</i>	<u>\$ 64,683</u>	<u>\$ 45,326</u>	<u>\$ 8,574</u>
Supplemental cash flow information			
Cash paid (received) for:			
Debt interest	\$ 25,169	\$ 35,664	\$ 37,473
Swap collateral interest	6	149	445
Derivative interest carry, net	2,268	804	(1,070)
Income taxes	(472)	1,230	927
Non-cash investing and financing activities:			
Held-for-sale mortgages securitized and retained as available-for-sale securities	1,088	-	169
Investments in low-income housing tax credit partnerships financed by notes payable	-	-	286
Transfers from held-for-sale mortgages to held-for-investment mortgages	10,336	-	41
Transfers from held-for-investment mortgages to held-for-sale mortgages	435	-	-
Transfers from Participation Certificates recognized on our consolidated balance sheets to held-for-investment mortgages	-	-	2,229
Transfers from available-for-sale securities to trading securities	-	87,281	-
Issuance of senior preferred stock and warrant to purchase common stock to U.S. Department of the Treasury	-	3,304	-

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