

FREDDIE MAC
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

| | Three Months Ended, June 30, | | Six Months Ended, June 30, | |
|---|---------------------------------|-------------------|-------------------------------|-------------------|
| | 2009 | 2008 | 2009 | 2008 |
| (dollars in millions, except share-related amounts) | | | | |
| <i>Interest income</i> | | | | |
| Investments in securities | \$ 8,523 | \$ 8,603 | \$ 17,494 | \$ 17,049 |
| Mortgage loans | 1,721 | 1,320 | 3,301 | 2,563 |
| Other | 75 | 297 | 169 | 504 |
| Total interest income | <u>10,319</u> | <u>10,220</u> | <u>20,964</u> | <u>20,116</u> |
| <i>Interest expense</i> | | | | |
| Short-term debt | (571) | (1,637) | (1,693) | (3,681) |
| Long-term debt | (5,211) | (6,711) | (10,575) | (13,436) |
| Total interest expense | <u>(5,782)</u> | <u>(8,348)</u> | <u>(12,268)</u> | <u>(17,117)</u> |
| Expense related to derivatives | (282) | (343) | (582) | (672) |
| <i>Net interest income</i> | <u>4,255</u> | <u>1,529</u> | <u>8,114</u> | <u>2,327</u> |
| <i>Non-interest income</i> | | | | |
| Management and guarantee income (includes interest on guarantee asset of \$251, \$243, \$500 and \$458, respectively) | 710 | 757 | 1,490 | 1,546 |
| Gains (losses) on guarantee asset | 1,817 | 1,114 | 1,661 | (280) |
| Income on guarantee obligation | 961 | 769 | 1,871 | 1,938 |
| Derivative gains (losses) | 2,361 | 115 | 2,542 | (130) |
| Gains (losses) on investments: | | | | |
| Impairment-related: | | | | |
| Total other-than-temporary impairment of available-for-sale securities | (10,473) | (1,040) | (17,603) | (1,111) |
| Portion of other-than-temporary impairment recognized in AOCI | 8,260 | - | 8,260 | - |
| Net impairment of available-for-sale securities recognized in earnings | (2,213) | (1,040) | (9,343) | (1,111) |
| Other gains (losses) on investments | 797 | (2,287) | 2,983 | (997) |
| Total gains (losses) on investments | (1,416) | (3,327) | (6,360) | (2,108) |
| Gains (losses) on debt recorded at fair value | (797) | 569 | (330) | (816) |
| Gains (losses) on debt retirement | (156) | (29) | (260) | 276 |
| Recoveries on loans impaired upon purchase | 70 | 121 | 120 | 347 |
| Low-income housing tax credit partnerships | (167) | (108) | (273) | (225) |
| Trust management income (expense) | (238) | (19) | (445) | (16) |
| Other income | 70 | 94 | 111 | 138 |
| <i>Non-interest income</i> | <u>3,215</u> | <u>56</u> | <u>127</u> | <u>670</u> |
| <i>Non-interest expense</i> | | | | |
| Salaries and employee benefits | (221) | (241) | (428) | (472) |
| Professional services | (64) | (55) | (124) | (127) |
| Occupancy expense | (15) | (18) | (33) | (33) |
| Other administrative expenses | (83) | (90) | (170) | (169) |
| Total administrative expenses | (383) | (404) | (755) | (801) |
| Provision for credit losses | (5,199) | (2,537) | (13,990) | (3,777) |
| Real estate owned operations expense | (9) | (265) | (315) | (473) |
| Losses on loans purchased | (1,199) | (120) | (3,211) | (171) |
| Other expenses | (97) | (108) | (175) | (195) |
| <i>Non-interest expense</i> | <u>(6,887)</u> | <u>(3,434)</u> | <u>(18,446)</u> | <u>(5,417)</u> |
| Income (loss) before income tax benefit | 583 | (1,849) | (10,205) | (2,420) |
| Income tax benefit | 184 | 1,030 | 1,121 | 1,452 |
| <i>Net income (loss)</i> | <u>767</u> | <u>(819)</u> | <u>(9,084)</u> | <u>(968)</u> |
| Less: Net (income) loss attributable to noncontrolling interest | 1 | (2) | 1 | (4) |
| <i>Net income (loss) attributable to Freddie Mac</i> | <u>\$ 768</u> | <u>\$ (821)</u> | <u>\$ (9,083)</u> | <u>\$ (972)</u> |
| Preferred stock dividends | (1,142) | (231) | (1,520) | (503) |
| Amount allocated to participating security option holders | - | (1) | - | (1) |
| <i>Net loss attributable to common stockholders</i> | <u>\$ (374)</u> | <u>\$ (1,053)</u> | <u>\$ (10,603)</u> | <u>\$ (1,476)</u> |
| <i>Loss per common share:</i> | | | | |
| Basic | \$ (0.11) | \$ (1.63) | \$ (3.26) | \$ (2.28) |
| Diluted | \$ (0.11) | \$ (1.63) | \$ (3.26) | \$ (2.28) |
| <i>Weighted average common shares outstanding (in thousands):</i> | | | | |
| Basic | 3,253,716 | 646,868 | 3,254,815 | 646,603 |
| Diluted | 3,253,716 | 646,868 | 3,254,815 | 646,603 |
| Dividends per common share | \$ - | \$ 0.25 | \$ - | \$ 0.50 |

See our unaudited Consolidated Financial Statements as presented in our Form 10-Q dated August 7, 2009.

FREDDIE MAC
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

| | June 30, 2009 | December 31, 2008 |
|--|---|----------------------|
| | (in millions, except share-related amounts) | |
| Assets | | |
| Cash and cash equivalents | \$ 46,662 | \$ 45,326 |
| Restricted cash | 1,609 | 953 |
| Federal funds sold and securities purchased under agreements to resell | 8,500 | 10,150 |
| <i>Investments in securities:</i> | | |
| Available-for-sale, at fair value (includes \$8,112 and \$21,302, respectively, pledged as collateral that may be repledged) | 420,691 | 458,898 |
| Trading, at fair value | 250,666 | 190,361 |
| <i>Total investments in securities</i> | 671,357 | 649,259 |
| <i>Mortgage loans:</i> | | |
| Held-for-sale, at lower-of-cost-or-fair-value (except \$223 and \$401 at fair value, respectively) | 22,596 | 16,247 |
| Held-for-investment, at amortized cost (net of allowances for loan losses of \$831 and \$690, respectively) | 99,354 | 91,344 |
| <i>Total mortgage loans, net</i> | 121,950 | 107,591 |
| Accounts and other receivables, net | 6,871 | 6,337 |
| Derivative assets, net | 319 | 955 |
| Guarantee asset, at fair value | 7,576 | 4,847 |
| Real estate owned, net | 3,416 | 3,255 |
| Deferred tax assets, net | 16,894 | 15,351 |
| Low-income housing tax credit partnerships equity investments | 3,879 | 4,145 |
| Other assets | 3,257 | 2,794 |
| <i>Total assets</i> | \$ 892,290 | \$ 850,963 |
| Liabilities and equity (deficit) | | |
| <i>Liabilities</i> | | |
| Accrued interest payable | \$ 5,500 | \$ 6,504 |
| <i>Debt, net:</i> | | |
| Short-term debt (includes \$1,645 and \$1,638 at fair value, respectively) | 344,135 | 435,114 |
| Long-term debt (includes \$5,852 and \$11,740 at fair value, respectively) | 492,843 | 407,907 |
| <i>Total debt, net</i> | 836,978 | 843,021 |
| Guarantee obligation | 11,956 | 12,098 |
| Derivative liabilities, net | 885 | 2,277 |
| Reserve for guarantee losses on Participation Certificates | 24,366 | 14,928 |
| Other liabilities | 4,373 | 2,769 |
| <i>Total liabilities</i> | 884,058 | 881,597 |
| Commitments and contingencies | | |
| <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 648,305,154 shares and 647,260,293 shares outstanding, respectively | - | - |
| Additional paid-in capital | 30 | 19 |
| Retained earnings (accumulated deficit) | (18,863) | (23,191) |
| <i>Accumulated other comprehensive income (loss), or AOCI, net of taxes, related to:</i> | | |
| Available-for-sale securities (includes \$17,774, net of taxes, of other-than-temporary impairments at June 30, 2009) | (31,375) | (28,510) |
| Cash flow hedge relationships | (3,275) | (3,678) |
| Defined benefit plans | (165) | (169) |
| <i>Total AOCI, net of taxes</i> | (34,815) | (32,357) |
| Treasury stock, at cost, 77,558,732 shares and 78,603,593 shares, respectively | (4,024) | (4,111) |
| <i>Total Freddie Mac stockholders' equity (deficit)</i> | 8,137 | (30,731) |
| Noncontrolling interest | 95 | 97 |
| <i>Total equity (deficit)</i> | 8,232 | (30,634) |
| <i>Total liabilities and equity (deficit)</i> | \$ 892,290 | \$ 850,963 |

See our unaudited Consolidated Financial Statements as presented in our Form 10-Q dated August 7, 2009.

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

| | Six Months Ended June 30, | | | |
|--|---------------------------|-------------------|------------|--------------------|
| | 2009 | | 2008 | |
| | Shares | Amount | Shares | Amount |
| | (in millions) | | | |
| <i>Senior preferred stock, at redemption value</i> | | | | |
| Balance, beginning of year | 1 | \$ 14,800 | - | \$ - |
| Increase in liquidation preference | - | 36,900 | - | - |
| <i>Senior preferred stock, end of period</i> | <u>1</u> | <u>51,700</u> | <u>-</u> | <u>-</u> |
| <i>Preferred stock, at redemption value</i> | | | | |
| Balance, beginning of year | 464 | 14,109 | 464 | 14,109 |
| <i>Preferred stock, end of period</i> | <u>464</u> | <u>14,109</u> | <u>464</u> | <u>14,109</u> |
| <i>Common stock, at par value</i> | | | | |
| Balance, beginning of year | 726 | - | 726 | 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 | | 19 | | 871 |
| Stock-based compensation | | 27 | | 53 |
| Income tax benefit from stock-based compensation | | 7 | | (12) |
| Common stock issuances | | (86) | | (52) |
| Real Estate Investment Trust preferred stock repurchase | | - | | 4 |
| Transfer from retained earnings (accumulated deficit) | | 63 | | - |
| <i>Additional paid-in capital, end of period</i> | | <u>30</u> | | <u>864</u> |
| <i>Retained earnings (accumulated deficit)</i> | | | | |
| Balance, beginning of year | | (23,191) | | 26,909 |
| Cumulative effect of change in accounting principle, net of taxes | | - | | 1,023 |
| Balance, beginning of year, as adjusted | | (23,191) | | 27,932 |
| Cumulative effect of change in accounting principle, net of taxes | | 14,996 | | - |
| Net loss attributable to Freddie Mac | | (9,083) | | (972) |
| Senior preferred stock dividends declared | | (1,519) | | - |
| Preferred stock dividends declared | | - | | (503) |
| Common stock dividends declared | | - | | (323) |
| Dividend equivalent payments on expired stock options | | (3) | | (6) |
| Transfer to additional paid-in capital | | (63) | | - |
| <i>Retained earnings (accumulated deficit), end of period</i> | | <u>(18,863)</u> | | <u>26,128</u> |
| <i>AOI, net of taxes</i> | | | | |
| Balance, beginning of year | | (32,357) | | (11,143) |
| Cumulative effect of change in accounting principle, net of taxes | | - | | (850) |
| Balance, beginning of year, as adjusted | | (32,357) | | (11,993) |
| 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 | | 7,066 | | (12,825) |
| Changes in unrealized gains (losses) related to cash flow hedge relationships, net of reclassification adjustments | | 403 | | 637 |
| Changes in defined benefit plans | | 4 | | 1 |
| <i>AOI, net of taxes, end of period</i> | | <u>(34,815)</u> | | <u>(24,180)</u> |
| <i>Treasury stock, at cost</i> | | | | |
| Balance, beginning of year | 79 | (4,111) | 80 | (4,174) |
| Common stock issuances | (1) | 87 | (1) | 49 |
| <i>Treasury stock, end of period</i> | <u>78</u> | <u>(4,024)</u> | <u>79</u> | <u>(4,125)</u> |
| <i>Noncontrolling interest</i> | | | | |
| Balance, beginning of year | | 97 | | 181 |
| Net income (loss) attributable to noncontrolling interest | | (1) | | 4 |
| Real Estate Investment Trust preferred stock repurchase | | - | | (45) |
| Dividends and other | | (1) | | (6) |
| <i>Noncontrolling interest, end of period</i> | | <u>95</u> | | <u>134</u> |
| <i>Total equity (deficit)</i> | | <u>\$ 8,232</u> | | <u>\$ 13,082</u> |
| <i>Comprehensive income (loss)</i> | | | | |
| Net loss | | \$ (9,084) | | \$ (968) |
| Changes in other comprehensive income (loss), net of taxes, net of reclassification adjustments | | 7,473 | | (12,187) |
| Comprehensive income (loss) | | (1,611) | | (13,155) |
| Less: Comprehensive income (loss) attributable to noncontrolling interest | | 1 | | (4) |
| <i>Total comprehensive income (loss) attributable to Freddie Mac</i> | | <u>\$ (1,610)</u> | | <u>\$ (13,159)</u> |

See our unaudited Consolidated Financial Statements as presented in our Form 10-Q dated August 7, 2009.

FREDDIE MAC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

Six Months Ended June 30,

2009 **2008**

(in millions)

| | | |
|--|------------------|------------------|
| Cash flows from operating activities | | |
| Net loss | \$ (9,084) | \$ (968) |
| Adjustments to reconcile net loss to net cash used for operating activities: | | |
| Derivative gains | (4,127) | (587) |
| Asset related amortization -- premiums, discounts and basis adjustments | (13) | 8 |
| Debt related amortization -- premiums and discounts on certain debt securities and basis adjustments | 2,528 | 4,760 |
| Net discounts paid on retirements of debt | (3,187) | (5,187) |
| Losses (gains) on debt retirement | 260 | (276) |
| Provision for credit losses | 13,990 | 3,777 |
| Low-income housing tax credit partnerships | 273 | 225 |
| Losses on loans purchased | 3,211 | 171 |
| Losses on investment activity | 6,360 | 2,108 |
| Losses on debt recorded at fair value | 330 | 816 |
| Deferred income tax benefit | (486) | (1,628) |
| Purchases of held-for-sale mortgages | (60,741) | (21,885) |
| Sales of held-for-sale mortgages | 50,674 | 17,734 |
| Repayments of held-for-sale mortgages | 2,547 | 294 |
| Change in: | | |
| Due to Participation Certificates and Structured Securities Trust | 531 | (694) |
| Accounts and other receivables, net | (1,363) | (1,306) |
| Accrued interest payable | (919) | (200) |
| Income taxes payable | (620) | (878) |
| Guarantee asset, at fair value | (2,729) | (1,427) |
| Guarantee obligation | (254) | 368 |
| Other, net | 1,365 | 816 |
| <i>Net cash used for operating activities</i> | <u>(1,454)</u> | <u>(3,959)</u> |
| Cash flows from investing activities | | |
| Purchases of trading securities | (177,261) | (78,273) |
| Proceeds from sales of trading securities | 89,175 | 9,289 |
| Proceeds from maturities of trading securities | 29,659 | 9,974 |
| Purchases of available-for-sale securities | (11,177) | (155,571) |
| Proceeds from sales of available-for-sale securities | 7,085 | 19,781 |
| Proceeds from maturities of available-for-sale securities | 46,305 | 153,259 |
| Purchases of held-for-investment mortgages | (15,332) | (9,961) |
| Repayments of held-for-investment mortgages | 3,067 | 2,886 |
| Increase in restricted cash | (656) | (520) |
| Net payments of mortgage insurance and acquisitions and dispositions of real estate owned | (1,712) | (461) |
| Net decrease (increase) in federal funds sold and securities purchased under agreements to resell | 1,650 | (8,702) |
| Derivative premiums and terminations and swap collateral, net | 2,201 | 939 |
| <i>Net cash used for investing activities</i> | <u>(26,996)</u> | <u>(57,360)</u> |
| Cash flows from financing activities | | |
| Proceeds from issuance of short-term debt | 523,576 | 589,891 |
| Repayments of short-term debt | (590,226) | (544,617) |
| Proceeds from issuance of long-term debt | 240,570 | 192,731 |
| Repayments of long-term debt | (179,347) | (140,395) |
| Proceeds from increase in liquidation preference of senior preferred stock | 36,900 | - |
| Payment of cash dividends on senior preferred stock, preferred stock and common stock | (1,522) | (832) |
| Excess tax benefits associated with stock-based awards | 1 | 1 |
| Payments of low-income housing tax credit partnerships notes payable | (166) | (433) |
| Other, net | - | (48) |
| <i>Net cash provided by financing activities</i> | <u>29,786</u> | <u>96,298</u> |
| Net increase in cash and cash equivalents | 1,336 | 34,979 |
| Cash and cash equivalents at beginning of period | 45,326 | 8,574 |
| <i>Cash and cash equivalents at end of period</i> | <u>\$ 46,662</u> | <u>\$ 43,553</u> |
| Supplemental cash flow information | | |
| Cash paid (received) for: | | |
| Debt interest | \$ 14,488 | \$ 18,465 |
| Swap collateral interest | 3 | 97 |
| Derivative interest carry, net | 350 | 65 |
| Income taxes | (15) | 1,054 |
| Non-cash investing activities: | | |
| Transfers from available-for-sale securities to trading securities | - | 87,281 |
| Held-for-sale mortgages securitized and retained as available-for-sale securities | 1,024 | - |

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