

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

	Three Months Ended, September 30,		Nine Months Ended, September 30,	
	2009	2008	2009	2008
(dollars in millions, except share-related amounts)				
<i>Interest income</i>				
Investments in securities	\$ 8,080	\$ 8,718	\$ 25,574	\$ 25,767
Mortgage loans	1,740	1,361	5,041	3,924
Other	45	390	214	894
Total interest income	<u>9,865</u>	<u>10,469</u>	<u>30,829</u>	<u>30,585</u>
<i>Interest expense</i>				
Short-term debt	(333)	(1,468)	(2,026)	(5,149)
Long-term debt	(4,792)	(6,795)	(15,367)	(20,231)
Total interest expense	(5,125)	(8,263)	(17,393)	(25,380)
Expense related to derivatives	(278)	(362)	(860)	(1,034)
<i>Net interest income</i>	<u>4,462</u>	<u>1,844</u>	<u>12,576</u>	<u>4,171</u>
<i>Non-interest income (loss)</i>				
Management and guarantee income (includes interest on guarantee asset of \$235, \$299, \$735 and \$757, respectively)	800	832	2,290	2,378
Gains (losses) on guarantee asset	580	(1,722)	2,241	(2,002)
Income on guarantee obligation	814	783	2,685	2,721
Derivative gains (losses)	(3,775)	(3,080)	(1,233)	(3,210)
Gains (losses) on investments:				
Impairment-related:				
Total other-than-temporary impairment of available-for-sale securities	(4,199)	(9,106)	(21,802)	(10,217)
Portion of other-than-temporary impairment recognized in AOCI	3,012	-	11,272	-
Net impairment of available-for-sale securities recognized in earnings	(1,187)	(9,106)	(10,530)	(10,217)
Other gains (losses) on investments	2,605	(641)	5,588	(1,638)
Total gains (losses) on investments	1,418	(9,747)	(4,942)	(11,855)
Gains (losses) on debt recorded at fair value	(238)	1,500	(568)	684
Gains (losses) on debt retirement	(215)	36	(475)	312
Recoveries on loans impaired upon purchase	109	91	229	438
Low-income housing tax credit partnerships	(479)	(121)	(752)	(346)
Trust management income (expense)	(155)	4	(600)	(12)
Other income	59	21	170	159
<i>Non-interest income (loss)</i>	<u>(1,082)</u>	<u>(11,403)</u>	<u>(955)</u>	<u>(10,733)</u>
<i>Non-interest expense</i>				
Salaries and employee benefits	(230)	(133)	(658)	(605)
Professional services	(91)	(61)	(215)	(188)
Occupancy expense	(16)	(16)	(49)	(49)
Other administrative expenses	(96)	(98)	(266)	(267)
Total administrative expenses	(433)	(308)	(1,188)	(1,109)
Provision for credit losses	(7,577)	(5,702)	(21,567)	(9,479)
Real estate owned operations income (expense)	96	(333)	(219)	(806)
Losses on loans purchased	(531)	(252)	(3,742)	(423)
Securities administrator loss on investment activity	-	(1,082)	-	(1,082)
Other expenses	(97)	(89)	(272)	(284)
<i>Non-interest expense</i>	<u>(8,542)</u>	<u>(7,766)</u>	<u>(26,988)</u>	<u>(13,183)</u>
Income (loss) before income tax benefit (expense)	(5,162)	(17,325)	(15,367)	(19,745)
Income tax benefit (expense)	149	(7,970)	1,270	(6,518)
<i>Net loss</i>	<u>(5,013)</u>	<u>(25,295)</u>	<u>(14,097)</u>	<u>(26,263)</u>
Less: Net (income) loss attributable to noncontrolling interest	1	-	2	(4)
<i>Net loss attributable to Freddie Mac</i>	<u>\$ (5,012)</u>	<u>\$ (25,295)</u>	<u>\$ (14,095)</u>	<u>\$ (26,267)</u>
Preferred stock dividends	(1,293)	(6)	(2,813)	(509)
Amount allocated to participating security option holders	-	-	-	(1)
<i>Net loss attributable to common stockholders</i>	<u>\$ (6,305)</u>	<u>\$ (25,301)</u>	<u>\$ (16,908)</u>	<u>\$ (26,777)</u>
Loss per common share:				
Basic	\$ (1.94)	\$ (19.44)	\$ (5.20)	\$ (30.90)
Diluted	\$ (1.94)	\$ (19.44)	\$ (5.20)	\$ (30.90)
Weighted average common shares outstanding (in thousands):				
Basic	3,253,172	1,301,430	3,254,261	866,472
Diluted	3,253,172	1,301,430	3,254,261	866,472
Dividends per common share	\$ -	\$ -	\$ -	\$ 0.50

See our unaudited Consolidated Financial Statements as presented in our Form 10-Q dated November 6, 2009.

**FREDDIE MAC**  
**CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	(in millions, except share-related amounts)	
<b>Assets</b>		
Cash and cash equivalents	\$ 55,620	\$ 45,326
Restricted cash	1,698	953
Federal funds sold and securities purchased under agreements to resell	9,550	10,150
<i>Investments in securities:</i>		
Available-for-sale, at fair value (includes \$11,594 and \$21,302, respectively, pledged as collateral that may be repledged)	402,774	458,898
Trading, at fair value	235,859	190,361
<i>Total investments in securities</i>	638,633	649,259
<i>Mortgage loans:</i>		
Held-for-sale, at lower-of-cost-or-fair-value (except \$1,572 and \$401 at fair value, respectively)	12,801	16,247
Held-for-investment, at amortized cost (net of allowances for loan losses of \$974 and \$690, respectively)	109,990	91,344
<i>Total mortgage loans, net</i>	122,791	107,591
Accounts and other receivables, net	6,070	6,337
Derivative assets, net	162	955
Guarantee asset, at fair value	8,722	4,847
Real estate owned, net	4,234	3,255
Deferred tax assets, net	12,443	15,351
Low-income housing tax credit partnerships equity investments	3,402	4,145
Other assets	3,276	2,794
<i>Total assets</i>	<u>\$ 866,601</u>	<u>\$ 850,963</u>
<b>Liabilities and equity (deficit)</b>		
<i>Liabilities</i>		
Accrued interest payable	\$ 4,341	\$ 6,504
<i>Debt, net:</i>		
Short-term debt (includes \$6,421 and \$1,638 at fair value, respectively)	365,414	435,114
Long-term debt (includes \$2,661 and \$11,740 at fair value, respectively)	438,367	407,907
<i>Total debt, net</i>	803,781	843,021
Guarantee obligation	12,215	12,098
Derivative liabilities, net	949	2,277
Reserve for guarantee losses on Participation Certificates	28,604	14,928
Other liabilities	6,305	2,769
<i>Total liabilities</i>	856,195	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 648,335,201 shares and 647,260,293 shares outstanding, respectively	-	-
Additional paid-in capital	50	19
Retained earnings (accumulated deficit)	(25,171)	(23,191)
<i>Accumulated other comprehensive income (loss), or AOCI, net of taxes, related to:</i>		
Available-for-sale securities (includes \$17,837, net of taxes, of other-than-temporary impairments at September 30, 2009)	(23,108)	(28,510)
Cash flow hedge relationships	(3,084)	(3,678)
Defined benefit plans	(163)	(169)
<i>Total AOCI, net of taxes</i>	(26,355)	(32,357)
Treasury stock, at cost, 77,528,685 shares and 78,603,593 shares, respectively	(4,022)	(4,111)
<i>Total Freddie Mac stockholders' equity (deficit)</i>	10,311	(30,731)
Noncontrolling interest	95	97
<i>Total equity (deficit)</i>	10,406	(30,634)
<i>Total liabilities and equity (deficit)</i>	<u>\$ 866,601</u>	<u>\$ 850,963</u>

*See our unaudited Consolidated Financial Statements as presented in our Form 10-Q dated November 6, 2009.*

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

	Nine Months Ended September 30,			
	2009		2008	
	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	-	-
<i>Senior preferred stock, end of period</i>	<u>1</u>	<u>51,700</u>	<u>1</u>	<u>1,000</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
Adjustment to par value	-	-	-	(152)
<i>Common stock, end of period</i>	<u>726</u>	<u>-</u>	<u>726</u>	<u>-</u>
<i>Additional paid-in capital</i>				
Balance, beginning of year		19		871
Stock-based compensation		49		60
Income tax benefit from stock-based compensation		7		(13)
Common stock issuances		(88)		(60)
Real Estate Investment Trust preferred stock repurchase		-		4
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 period</i>		<u>50</u>		<u>14</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		(14,095)		(26,267)
Senior preferred stock dividends declared		(2,813)		-
Preferred stock dividends declared		-		(503)
Common stock dividends declared		-		(323)
Dividend equivalent payments on expired stock options		(5)		(6)
Transfer to additional paid-in capital		(63)		-
<i>Retained earnings (accumulated deficit), end of period</i>		<u>(25,171)</u>		<u>833</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		15,333		(14,143)
Changes in unrealized gains (losses) related to cash flow hedge relationships, net of reclassification adjustments		594		501
Changes in defined benefit plans		6		1
<i>AOI, net of taxes, end of period</i>		<u>(26,355)</u>		<u>(25,634)</u>
<i>Treasury stock, at cost</i>				
Balance, beginning of year	79	(4,111)	80	(4,174)
Common stock issuances	(1)	89	(1)	57
<i>Treasury stock, end of period</i>	<u>78</u>	<u>(4,022)</u>	<u>79</u>	<u>(4,117)</u>
<i>Noncontrolling interest</i>				
Balance, beginning of year		97		181
Net income (loss) attributable to noncontrolling interest		(2)		4
Real Estate Investment Trust preferred stock repurchase		-		(82)
Dividends and other		-		(6)
<i>Noncontrolling interest, end of period</i>		<u>95</u>		<u>97</u>
<i>Total equity (deficit)</i>		<u>\$ 10,406</u>		<u>\$ (13,698)</u>
<i>Comprehensive income (loss)</i>				
Net loss		\$ (14,097)		\$ (26,263)
Changes in other comprehensive income (loss), net of taxes, net of reclassification adjustments		15,933		(13,641)
Comprehensive income (loss)		1,836		(39,904)
Less: Comprehensive income (loss) attributable to noncontrolling interest		2		(4)
<i>Total comprehensive income (loss) attributable to Freddie Mac</i>		<u>\$ 1,838</u>		<u>\$ (39,908)</u>

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

	Nine Months Ended September 30,	
	2009	2008
	(in millions)	
<b>Cash flows from operating activities</b>		
Net loss	\$ (14,097)	\$ (26,263)
Adjustments to reconcile net loss to net cash used for operating activities:		
Derivative (gains) losses	(1,484)	2,207
Asset related amortization -- premiums, discounts and basis adjustments	62	84
Debt related amortization -- premiums and discounts on certain debt securities and basis adjustments	3,303	6,678
Net discounts paid on retirements of debt	(3,777)	(6,981)
Losses (gains) on debt retirement	475	(312)
Provision for credit losses	21,567	9,479
Low-income housing tax credit partnerships	752	346
Losses on loans purchased	3,742	423
Losses on investment activity	4,942	11,855
Losses (gains) on debt recorded at fair value	568	(684)
Deferred income tax (benefit) expense	(583)	5,959
Purchases of held-for-sale mortgages	(82,102)	(29,871)
Sales of held-for-sale mortgages	71,973	21,093
Repayments of held-for-sale mortgages	2,868	454
Change in:		
Due to Participation Certificates and Structured Securities Trust	22	(558)
Accounts and other receivables, net	(1,168)	(1,185)
Accrued interest payable	(2,076)	(1,188)
Income taxes payable	(671)	(670)
Guarantee asset, at fair value	(3,875)	(87)
Guarantee obligation	41	268
Other, net	1,907	793
<i>Net cash provided by (used for) operating activities</i>	<u>2,389</u>	<u>(8,160)</u>
<b>Cash flows from investing activities</b>		
Purchases of trading securities	(228,839)	(100,523)
Proceeds from sales of trading securities	137,234	67,222
Proceeds from maturities of trading securities	51,036	14,674
Purchases of available-for-sale securities	(13,365)	(168,108)
Proceeds from sales of available-for-sale securities	16,611	35,182
Proceeds from maturities of available-for-sale securities	68,741	175,446
Purchases of held-for-investment mortgages	(18,459)	(16,449)
Repayments of held-for-investment mortgages	4,925	4,906
Increase in restricted cash	(745)	(805)
Net payments of mortgage insurance and acquisitions and dispositions of real estate owned	(3,775)	(1,891)
Net decrease (increase) in federal funds sold and securities purchased under agreements to resell	600	(1,437)
Derivative premiums and terminations and swap collateral, net	(918)	(4,472)
<i>Net cash provided by investing activities</i>	<u>13,046</u>	<u>3,745</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of short-term debt	782,332	832,442
Repayments of short-term debt	(869,964)	(806,121)
Proceeds from issuance of long-term debt	285,920	218,830
Repayments of long-term debt	(237,274)	(197,623)
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	(2,813)	(826)
Excess tax benefits associated with stock-based awards	1	2
Payments of low-income housing tax credit partnerships notes payable	(243)	(600)
Other, net	-	(83)
<i>Net cash (used for) provided by financing activities</i>	<u>(5,141)</u>	<u>46,021</u>
Net increase in cash and cash equivalents	10,294	41,606
Cash and cash equivalents at beginning of period	45,326	8,574
<i>Cash and cash equivalents at end of period</i>	<u>\$ 55,620</u>	<u>\$ 50,180</u>
<b>Supplemental cash flow information</b>		
Cash paid (received) for:		
Debt interest	\$ 20,975	\$ 27,868
Swap collateral interest	5	137
Derivative interest carry, net	361	261
Income taxes	(15)	1,230
Non-cash investing and financing activities:		
Transfers from available-for-sale securities to trading securities	-	87,281
Held-for-sale mortgages securitized and retained as available-for-sale securities	1,087	-
Transfer from held-for-sale mortgages to held-for-investment mortgages	9,742	-
Issuance of senior preferred stock and warrant to purchase common stock to U.S. Department of the Treasury	-	1,000

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