

AUDIT COMMITTEE REPORT

The Audit Committee operates under a written charter most recently revised and approved by the Board in June 2006. As stated in the charter, the Audit Committee's primary responsibility is to assist the Board in discharging its oversight responsibilities with respect to financial matters and compliance with laws and regulations. The Audit Committee's specific responsibilities are summarized under "Proposal 1: Election of Directors — Meetings of the Board and Committees" above. A copy of the charter is included in this Proxy Statement as Appendix B and is available on our Website at www.freddiemac.com.

The Audit Committee currently comprises the following five directors: Messrs. Goeltz, Johnson, O'Malley, Ross and Turner. The Board has determined that each of these directors meets the independence requirements of the NYSE listing standards and our Guidelines. During the year ended December 31, 2005, the Audit Committee met 16 times. During the period January 1, 2006 through June 1, 2006 the Audit Committee met six times.

Mr. Goeltz is currently the Chairman of the Audit Committee and has been a member of the Audit Committee since March 31, 2004. The Board has determined that Mr. Goeltz has the requisite experience to qualify as an "audit committee financial expert" under the rules and regulations of the SEC and has designated him as such. However, Mr. Goeltz is not an auditor or accountant for Freddie Mac, does not perform field work and is not an employee of Freddie Mac. In accordance with the SEC's safe harbor relating to audit committee financial experts, a person designated or identified as an audit committee financial expert will not be deemed an "expert" for purposes of the federal securities laws. In addition, such designation or identification does not impose on such person any duties, obligations or liabilities that are greater than those imposed on such person as a member of the Audit Committee and Board of Directors in the absence of such designation or identification and does not affect the duties, obligations or liabilities of any other member of the Audit Committee or Board of Directors.

Management is responsible for the effectiveness of our internal control over financial reporting and the preparation of our consolidated financial statements in accordance with U.S. Generally Accepted Accounting Principles, or GAAP. Our independent auditors are responsible for performing an independent audit of our consolidated financial statements and for reporting, based on the results of their audit, whether the audited financial statements are fairly presented, in all material respects, in conformity with GAAP. The Audit Committee is responsible for overseeing the conduct of these activities and, subject to stockholder ratification, appointing our independent auditors. As stated above and in its charter (see Appendix B), the Audit Committee's role in this process is one of oversight. While the Audit Committee has the responsibilities and powers set forth in its charter, it is not the responsibility of the Audit Committee to prepare financial statements, or to determine that our financial statements and disclosures are complete and accurate and prepared in accordance with GAAP and applicable rules and regulations. These are the responsibilities of management. It is also not the responsibility of the Audit Committee to plan or conduct an independent audit of the financial statements. These are the responsibilities of our independent auditors. In carrying out its oversight responsibilities, the Audit Committee is not providing any expert, professional or special assurance as to our financial statements or any professional certification. The Audit Committee relies on the information provided and representations made to it by management, and also on the report on our consolidated financial statements that it receives from our independent auditors.

Audit Committee Report

In discharging its responsibilities relating to our internal controls, accounting and financial reporting policies and auditing practices, the Audit Committee discussed and reviewed with our independent auditors, PricewaterhouseCoopers, the overall scope and process for their audit. The Audit Committee regularly meets with PricewaterhouseCoopers, with and without management present, to discuss the results of their examination, their observations about our internal controls and the overall quality of our financial reporting.

The Audit Committee has discussed with PricewaterhouseCoopers the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, *Communication with Audit Committees or Others with Equivalent Authority and Responsibility*. The Audit Committee also has received the written disclosures and the letter from PricewaterhouseCoopers that are required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and has discussed with PricewaterhouseCoopers their independence from Freddie Mac and our management. As part of this review, the Audit Committee has considered whether the provision of non-audit services by PricewaterhouseCoopers to Freddie Mac in 2005 was consistent with maintaining PricewaterhouseCoopers' independence, and determined that it was.

The Audit Committee has reviewed and discussed with management our audited consolidated financial statements as of and for the fiscal year ended December 31, 2005.

The Audit Committee has also met with members of senior management and compliance, internal tax, finance, legal and internal audit personnel to discuss and review, among other things, the results of internal audit examinations, the scope and resources for the internal audit function, management's development and implementation of systems and programs for the detection and prevention of fraud, management's policies, guidelines and processes regarding the assessment and management of our risk exposures, OFHEO's annual report of examination regarding our safety and soundness, the status of litigation and investigations in which we are involved, our compliance with legal and regulatory requirements, and directors' and employees' compliance with our Codes of Conduct.

Based on the reviews, reports and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements referred to above be included in our Annual Report for the year ended December 31, 2005.

In addition, the Audit Committee has approved the appointment of PricewaterhouseCoopers as our independent auditors for the fiscal year ending December 31, 2006, and has submitted the appointment to the stockholders for ratification at this annual meeting. The Audit Committee pre-approved the terms of the audit services expected to be provided by our independent auditors for the fiscal year ending December 31, 2006.

This report is respectfully submitted by the members of the Audit Committee of the Board.

Richard Karl Goeltz, *Chairman*
Thomas S. Johnson
Shaun F. O'Malley
Stephen A. Ross
William J. Turner

EXECUTIVE OFFICERS

As of June 1, 2006, our executive officers are as follows:

<u>Name</u>	<u>Age</u>	<u>Year of Affiliation</u>	<u>Position</u>
Richard F. Syron	62	2003	Chairman and Chief Executive Officer
Eugene M. McQuade	57	2004	President and Chief Operating Officer
Robert E. Bostrom	53	2006	Executive Vice President, General Counsel and Corporate Secretary
Ralph F. Boyd, Jr.	49	2004	Executive Vice President, Community Relations
Patricia L. Cook	53	2004	Executive Vice President, Investments and Capital Markets
Paul G. George	55	2005	Executive Vice President, Human Resources
Joseph A. Smialowski	57	2004	Executive Vice President, Operations and Technology
Kirk Die	48	2006	Senior Vice President and General Auditor
James R. Egan	53	2006	Senior Vice President — Corporate Controller and Principal Accounting Officer
Michael C. May	47	1983	Senior Vice President, Multifamily Sourcing
Hollis S. McLoughlin	55	2004	Senior Vice President, External Relations
Paul E. Mullings	56	2005	Senior Vice President, Single Family Sourcing
Anurag Saksena	45	2005	Senior Vice President and Chief Enterprise Risk Officer
Robert Y. Tsien	53	2000	Senior Vice President, Mission Oversight and Development
Jerry Weiss	48	2003	Senior Vice President and Chief Compliance Officer

The following is a brief biographical description of each of our executive officers who are not also nominees for election to our Board of Directors.

Robert E. Bostrom was appointed Executive Vice President, General Counsel and Corporate Secretary in February 2006. Prior to joining us, Mr. Bostrom was the managing partner of the New York office of Winston & Strawn LLP, a member of that firm’s executive committee and head of its financial institutions practice. Mr. Bostrom originally joined Winston & Strawn in 1990. From 1992 until 1996, Mr. Bostrom served as Executive Vice President of Legal, Regulatory and Compliance and General Counsel of National Westminster Bancorp.

Ralph F. Boyd, Jr. was appointed Executive Vice President, Community Relations in February 2005. Prior to holding his current position, he served as our Executive Vice President, General Counsel and Corporate Secretary. Prior to joining us, Mr. Boyd was a senior partner with the law firm Alston & Bird LLP from August 2003 and was U.S. Assistant Attorney General and head of the Justice Department’s Civil Rights Division from July 2001 through July 2003. From 1997 to 2001, Mr. Boyd was counsel and subsequently a litigation and trial partner with Goodwin Procter LLP, and before that, he served for six years as an Assistant U.S. Attorney in Boston. He also was an associate at the law firm of Ropes & Gray in Boston from 1987 to 1991.

Patricia L. Cook was appointed Executive Vice President, Investments and Capital Markets in February 2005. Prior to holding her current position, she served as our Executive Vice President, Investments beginning in August 2004. Prior to joining us, Ms. Cook was Managing Director and Chief Investment Officer, Global Fixed Income at JPMorgan Fleming Asset Management from May 2003. Prior to joining JP Morgan Fleming, she was Managing Director and Chief Investment Officer, Fixed Income at Prudential Investment Management. From June 1991 to July 2001,

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Ms. Cook was Managing Director at Fisher Francis Trees and Watts. Prior to that, she worked in various management positions at Salomon Brothers, Inc from January 1979 to June 1991.

Paul G. George was appointed Executive Vice President, Human Resources in August 2005. Prior to joining us, Mr. George was Senior Executive Vice President of Human Resources at Wachovia Corp. from July 1999 through December 2004. Prior to that, he was a member of Waste Management Inc.'s interim management team from 1998 to 1999. He also served for approximately 9 years as Senior Vice President of Human Resources at United Airlines. Between 1985 and 1988 he was Vice President of Human Resources at Pacific Southwest Airlines. Prior to that he was a partner at Meserve, Mumper & Hughes, the second oldest law firm in Los Angeles.

Joseph A. Smialowski was appointed Executive Vice President, Operations and Technology in December 2004. Prior to joining us, Mr. Smialowski was Executive Vice President at Fleet Boston Financial from December 1998. Prior to that, he was Chief Information Officer at Sears, Roebuck and Co. from September 1993. Mr. Smialowski was also a partner at Price Waterhouse (now PricewaterhouseCoopers) during his tenure at the firm between 1984 and 1993. Early in his career, Mr. Smialowski held increasingly responsible management, technology and operations positions at Dennison Manufacturing, Xerox and The Hartford.

Kirk Die was appointed Senior Vice President and General Auditor in April 2006. Mr. Die joined us from MBNA, where he served in a series of increasingly responsible roles from 1993. Most recently, as a result of MBNA's merger with Bank of America, he was the audit executive responsible for the combined Card Services Division. Prior to the merger, he was Senior Executive Vice President and Corporate General Auditor of MBNA. Prior to becoming Corporate General Auditor, Mr. Die managed the Operational, Business Development and Financial Audit Departments of MBNA. Prior to that, Mr. Die was a manager with Coopers & Lybrand (now PricewaterhouseCoopers).

James R. Egan was appointed Senior Vice President — Corporate Controller and Principal Accounting Officer in April 2006. Prior to joining us, Mr. Egan was Executive Vice President and Controller for MBNA America Bank from February 2003. Prior to his time at MBNA, Mr. Egan was Senior Vice President, Finance at U.S. Bancorp from 1996 until being appointed as Senior Vice President and Director of Tax in 1999, a position he held until leaving U.S. Bancorp in January 2003. From 1988 to 1996, Mr. Egan held various accounting and financial management positions at First Chicago NBD Corporation. Mr. Egan was an accountant with Price Waterhouse (now PricewaterhouseCoopers) from 1980 until 1988 and with Grant Thornton from 1976 until 1980.

Michael C. May was appointed Senior Vice President, Multifamily Sourcing in August 2005. Immediately prior to his appointment, Mr. May had served as our Senior Vice President, Operations starting in February 2005. He also served as Senior Vice President, Mortgage Sourcing, Operations & Funding from October 2003 to February 2005. Prior to that, Mr. May held the positions of Senior Vice President, Single Family Operations from July 2002 to October 2003 and Senior Vice President, Project Enterprise from January 2001 to July 2002. Mr. May also held various positions at our company since joining us in 1983, including Senior Vice President, Customer Services and Control, Vice President of Loan Prospector and Vice President of Structured Finance.

Hollis S. McLoughlin was appointed Senior Vice President, External Relations in January 2006. Prior to that, Mr. McLoughlin served as Senior Vice President and Chief of Staff from April

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2004 to January 2006. From 1998, Mr. McLoughlin was Chief Operating Officer of two private equity-backed operating companies. Before that, he was one of the founding partners of Darby Overseas, a private equity partnership based in Washington, D.C. He has also been a senior executive at Purolator Courier, an overnight delivery company, and a privately held transportation company. From 1989 through 1992, Mr. McLoughlin served as Assistant Secretary of the Treasury under former President George H. W. Bush. He served as Chief of Staff to Sen. Nicholas Brady, R-N.J., in 1982 and to Rep. Millicent Fenwick, R-N.J., from 1975 to 1979.

Paul E. Mullings was appointed Senior Vice President, Single Family Sourcing in July 2005. Before joining us, Mr. Mullings was Senior Vice President of JPMorgan Chase and Mortgage Finance and Fair Lending Executive at Chase Home Finance. Prior to joining Chase Home Finance in 1997, Mr. Mullings was President and Chief Executive Officer of Mortgage Electronic Registration Systems, Inc. Mr. Mullings was also President and Chief Executive Officer of the residential mortgage division of First Interstate Bank, Los Angeles. Prior to First Interstate, he held a series of increasingly responsible senior management positions at Glendale Federal Bank, Glendale, California.

Anurag Saxena was appointed Senior Vice President and Chief Enterprise Risk Officer in August 2005. Prior to joining us, Mr. Saxena led Enterprise Risk Management at General Motors Acceptance Corporation from July 1999 to December 2004. In addition, Mr. Saxena founded Enterprise Risk Advisors, LLC. He has also held risk and portfolio management positions of increasing responsibility at Société Générale in New York, Royal Bank Financial Group in Toronto and Great-West Life Assurance Company in Winnipeg.

Robert Y. Tsien was appointed Senior Vice President, Mission Oversight and Development in April 2004. Prior to that, he served as Senior Vice President, Production in the Multifamily Division from October 2003, and as our Chief Credit Officer from September 2001 to October 2003. Mr. Tsien joined us as Vice President of Multifamily Risk Management in April 2000. Prior to joining us, Mr. Tsien was director of risk management and securitization pricing at Titanium Investment Company.

Jerry Weiss was appointed Senior Vice President and Chief Compliance Officer in October 2003. Prior to joining us, Mr. Weiss worked from 1990 at Merrill Lynch Investment Managers, most recently as First Vice President and Global Head of Compliance. From 1982 to 1990, Mr. Weiss was with a national law practice in Washington, D.C., where he specialized in securities regulation and corporate finance matters.

REPORT OF THE CHRC ON EXECUTIVE COMPENSATION

This report addresses the compensation policies of Freddie Mac applicable to our executive officers during fiscal year 2005. A primary responsibility of the CHRC is to oversee our executive compensation program. The CHRC is composed exclusively of non-employee directors, all of whom are independent within the meaning of the NYSE listing standards and our Guidelines. The five members of the CHRC are Ms. Engler and Messrs. Boisi (Chair), Johnson, O'Malley and Poe.

The CHRC, with input from other non-employee directors, annually reviews and approves the compensation of the Chief Executive Officer and the President and Chief Operating Officer. The CHRC also annually reviews and approves the compensation of all other executive officers, including the executive officers listed on the Summary Compensation Table appearing under "Executive Compensation — Compensation Tables" below. The CHRC met nine times during 2005. During the period January 1, 2006 through June 1, 2006, the CHRC met four times. The CHRC has retained and is assisted by a major global human resources consulting firm that provides executive compensation consulting to many Fortune 100 companies and has advised our Board on compensation matters since 1990.

Compensation Philosophy

The CHRC's philosophy on executive compensation is to provide an executive compensation package that attracts and retains high caliber executives and reflects our pay-for-performance philosophy. In order to achieve our goal of recruiting and retaining exceptional leaders and executive officers, Freddie Mac has entered into employment or letter agreements with certain executive officers, including the Chief Executive Officer and the President and Chief Operating Officer. For the Chief Executive Officer and the President and Chief Operating Officer, these agreements include a minimum guaranteed annual equity award during the term of their employment with Freddie Mac. For more information on the terms of these agreements, see "Executive Compensation — Employment and Separation Agreements" below. Our pay-for-performance philosophy, which generally applies to all Freddie Mac employees, provides additional incentives for executive performance and results that are aligned with the interests of our stockholders, and is implemented by offering our executive officers competitive base salaries, annual and long-term performance incentive opportunities, and an ownership stake in Freddie Mac. Annual incentives are based on corporate objectives of importance to Freddie Mac, including those objectives described under "Components of Executive Compensation — *Short-Term Incentive Compensation — Corporate Performance Objectives*" below.

Methodology

In evaluating and setting executive officer compensation packages for 2005, the CHRC set compensation to be competitive with companies that were either in a similar line of business or were otherwise relevant for purposes of recruiting and retaining individuals with the requisite skills and capabilities. The CHRC generally uses executive compensation data from a group of companies we refer to as the Comparator Group as a guideline for determining competitive market compensation. The 2005 Comparator Group consisted of 20 leading financial services companies, including a government-sponsored enterprise, major national and regional financial institutions, and insurance companies, all but one of which is included in the S&P 500 Financial Sector Index in the Stock Performance Graph under "Executive Compensation — Stock Performance Graph" below. The CHRC is not able to use the Comparator Group to benchmark compensation for all executive

officers. In general, Freddie Mac does not use the Comparator Group when comparable executive positions do not exist in the Comparator Group or when available data is incomplete. In those instances, Freddie Mac uses data from alternative widely utilized survey sources for financial services companies. In those cases in which the alternative survey sources do not identify executive positions comparable to our positions, Freddie Mac sets compensation targets based on its best estimates of the relative scope and responsibilities of the position as compared to the scope and responsibilities of comparable positions within Freddie Mac for which survey data exists.

Total compensation for each executive officer is generally benchmarked at the 50th percentile of the Comparator Group or alternative sources, as appropriate. For any individual executive officer, the CHRC also considers the executive's performance and those factors discussed under "Components of Executive Compensation" below when setting target compensation. In setting 2005 target compensation for Executive Vice President-level officers and above, including for each of the named executive officers, in addition to reviewing competitive compensation data, the CHRC reviewed and discussed Freddie Mac's benefit obligations to the executive officers (both current and estimated values upon retirement), the executive officer's beneficial ownership levels of Freddie Mac common stock, and the value of the executive officer's outstanding long-term stock-based incentive awards. For the Chief Executive Officer and the President and Chief Operating Officer, the CHRC also reviewed the treatment of compensation elements in the event of various termination scenarios.

From time to time, the CHRC establishes special retention programs to retain and reward critical personnel in specific circumstances. In November 2003, the CHRC established a critical personnel retention program primarily to recognize the magnitude of sacrifice and commitment to the restatement and remediation effort, and to retain critical talent. Pursuant to the program, Freddie Mac entered into retention agreements with certain executive officers that provided two-year guaranteed cash compensation (salary and bonus) for performance years 2004 and 2005, as well as a one-time grant of restricted stock units. In November 2005, the CHRC established a senior leadership retention program that included Mr. Baumann and two other executive officers who are critical to successfully achieving our objectives over the next two-year period. Pursuant to the program, Freddie Mac entered into retention agreements with these executive officers that provide for a cash award payable at the end of a multi-year period. The retention agreements also provide for a one-time grant of restricted stock units.

Components of Executive Compensation

Base Salary

As discussed under "Methodology" above, the base salaries of our executive officers, including the Chief Executive Officer and the President and Chief Operating Officer, are broadly based on salaries for comparable positions in the market. Where applicable, base salaries reflect the terms of an executive officer's employment or letter agreement. Base salaries also reflect the executive officer's performance in the job, future potential, scope of responsibilities and experience. Salaries are reviewed annually for adjustment based on individual performance and market trends.

Short-Term Incentive Compensation

Our short-term cash incentive program seeks to motivate executive officers, including the Chief Executive Officer and the President and Chief Operating Officer, to work effectively to achieve our

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annual corporate performance objectives and to reward them when those objectives are met or exceeded. For 2005, the annual incentive pool was funded based on the CHRC's assessment of Freddie Mac's performance against the corporate performance objectives, or corporate scorecard, for the year, as well as achievements not reflected on the corporate scorecard. Individual 2005 annual incentive payments were based on an assessment of each executive officer's business results and leadership effectiveness and, where applicable, the executive officer's employment or letter agreement.

Corporate Performance Objectives. The Board and the CHRC reviewed, and the CHRC approved, the corporate scorecard containing the performance objectives for 2005 that were used to assess corporate performance for the year. The CHRC determined the level of incentive pool funding for the year based on corporate performance against the plan for the year, as well as other achievements and progress during the year.

The corporate scorecard for 2005 included the following performance areas and related objectives:

- **Shareholder Value**, which focused on maximizing shareholder value while maintaining regulatory capital compliance;
- **Mission**, which focused on meeting our increased affordable housing goals;
- **Customers**, which focused on improving market share and developing new capabilities to further penetrate the mortgage market;
- **Financial Reporting & Controls**, which focused on certain milestones in returning to timely financial reporting and registration of the company's common stock with the SEC; and
- **Operations**, which focused on greater integration and efficiency in our operations.

Performance Against Objectives. The Chief Executive Officer determined in January 2006 that, although we failed to achieve several key financial reporting milestones that were part of the corporate scorecard for 2005, given our performance in the aggregate relative to each of the targets, coupled with achievements and progress not addressed on the scorecard, our corporate performance for 2005 was "Strong On Plan." The Chief Executive Officer discussed his assessment and his recommendation regarding the bonus pool funding with the CHRC, and the CHRC approved the 2005 corporate bonus funding level. For 2005, the determination of the amounts of bonuses for executive officers was delayed until after the release of our 2005 financial results on May 30, 2006.

Annual Long-Term Stock-Based Incentive Awards

We believe that our long-term incentive program is the component of executive compensation that is most aligned with the long-term interests of our stockholders. A significant portion of our executive officer compensation is long-term equity compensation. Other than with respect to our Chief Executive Officer and the President and Chief Operating Officer, whose compensation is based on the terms of their respective employment agreements and determined solely by the CHRC with input from the other non-employee directors, management recommends target levels for annual equity grants. The CHRC approves annual equity grants after reviewing management's recommendations. Management's recommendations are based in part on a review of individual performance during the prior year, criticality of skills, retention, market comparison data, and, where

applicable, an executive officer's employment or letter agreement. The annual long-term equity awards granted to executive officers in May 2005 were delivered 50% each in stock options and restricted stock units.

Restricted Stock Units. A restricted stock unit represents a conditional contractual right to receive one share of Freddie Mac common stock at a specified future date. The underlying stock is not issued until the time restrictions lapse, at which time the restricted stock unit is settled or, if previously elected by the grantee, deferred. In the event a cash dividend is declared and paid on our common stock, holders of restricted stock units will receive dividend equivalents, paid out in cash promptly after the payment date for such dividend, equal to the number of restricted stock units held by the executive officer multiplied by the dividend paid on each outstanding share of our common stock. Restricted stock units do not have voting rights because they are not considered legally issued or outstanding shares.

In awarding restricted stock units for the annual award in 2005, the CHRC first set the dollar value of the restricted stock units to be awarded. The number of restricted stock units awarded to each senior executive then was calculated by dividing the dollar amount of the award by the discounted value of a share of our common stock on the grant date. The discount reflects risk of forfeiture during the restricted period and is applied to the average of the high and low prices of our common stock on the grant date. The value of one restricted stock unit, as determined by the formula, was \$56.67, which was approximately 90 percent of the average of the high and low trading prices of a share of common stock on May 6, 2005, the grant date for annual equity awards made in 2005 to executive officers.

The restricted stock units granted to executive officers in May 2005 as part of the annual award vested and settled with respect to 25% of the award in May 2006 and will vest and settle at a rate of 25% per year in each of May 2007, 2008 and 2009. Settlement generally occurs on the date of vesting unless an executive officer has elected under our 2002 Executive Deferred Compensation Plan to defer the settlement to a later date. See "Executive Compensation — Executive Deferred Compensation Plan" for more information regarding the deferral of restricted stock units.

Stock Options. To determine the number of stock options for the annual award in 2005, the CHRC first set the dollar amount of stock options to be awarded. On the grant date, that dollar amount was converted into a number of shares of common stock subject to the stock option pursuant to the Black-Scholes model for the valuation of stock options. Our application of this model resulted in a grant date value for 2005 of \$26.61 per share based on an option exercise price of \$62.69, which was equal to the average of the high and low trading prices of our common stock on the grant date, May 6, 2005.

The stock options granted to executive officers in May 2005 as part of the annual award have an exercise price equal to the fair market value of Freddie Mac common stock on the date of grant. These stock options vested and became exercisable with respect to 25% of the award in May 2006 and will vest and become exercisable at a rate of 25% per year in each of May 2007, 2008 and 2009.

For stock options vested as of December 31, 2004, in the event that a cash dividend is declared and paid on our common stock, the option grantee will receive a dividend equivalent on each share of common stock underlying the option in the amount of the dividend per share declared and paid on our issued and outstanding shares of common stock. The dividend equivalents with respect to those stock options are accrued and are payable in cash upon exercise or expiration of the option. On

November 30, 2005, the CHRC approved a modification of the terms of certain outstanding stock options granted to employees, including executive officers, under the 1995 Stock Compensation Plan and the 2004 Stock Compensation Plan, to bring the terms of these stock options into compliance with Internal Revenue Code Section 409A. As a result, the terms of any stock option grant or portion thereof outstanding as of December 31, 2005 that was not vested as of December 31, 2004 (including stock options granted in 2005) were modified to remove the prior existing provisions regarding accrual of dividend equivalents. Dividend equivalents accrued through December 31, 2005 with respect to such stock options were distributed in a lump sum and, thereafter, dividend equivalents with respect to such stock options will not accrue, but are being distributed as soon as practicable. In addition, dividend equivalents will no longer be granted in connection with awards of stock options to employees, including executive officers.

Chief Executive Officer's 2005 Compensation

The CHRC determined the Chief Executive Officer's 2005 compensation after obtaining and considering the views of the other non-employee directors on his performance and compensation.

The Chief Executive Officer's 2005 compensation reflects the CHRC's determination with respect to Mr. Syron's individual leadership and performance displayed throughout the year, as well as Freddie Mac's performance relative to the targets on its 2005 corporate scorecard, a summary of which is set forth under "Components of Executive Compensation — *Short-Term Incentive Compensation — Corporate Performance Objectives*" above. Mr. Syron's compensation also is based on his employment agreement and relative pay versus that of chief executive officers in the Comparator Group. For more information on Mr. Syron's employment agreement, see "Executive Compensation — Employment and Separation Agreements — *Richard F. Syron*". Messrs. Syron and McQuade each recommended that their 2005 cash bonus awards be reduced below the level for 2004 because Freddie Mac failed to achieve several key financial reporting milestones that were part of the corporate scorecard for 2005.

Impact of IRS Limits on Deductibility of Compensation

Freddie Mac is not subject to the provisions of Section 162(m) of the Internal Revenue Code relating to the deductibility of executive compensation expenses. Consequently, the CHRC did not consider the qualification of certain items of executive compensation for deductibility under that Code section in establishing its compensation policy.

This report is respectfully submitted by the members of the Compensation and Human Resources Committee of the Board.

Geoffrey T. Boisi, *Chairman*
Michelle Engler
Thomas S. Johnson
Shaun F. O'Malley
Ronald F. Poe

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Compensation Tables

Summary Compensation Table

The following table sets forth the 2005, 2004 and 2003 compensation provided to our Chief Executive Officer and our four other most highly compensated executive officers who were serving as executive officers as of December 31, 2005, who are collectively referred to as our named executive officers.

Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation		All Other Compensation ⁽⁵⁾⁽⁶⁾
		Salary ⁽¹⁾	Bonus ⁽²⁾	Other Annual Compensation ⁽³⁾	Restricted Stock Unit Awards ⁽⁴⁾	Securities Underlying Options (#)	
Richard F. Syron ⁽⁷⁾ Chairman of the Board and Chief Executive Officer	2005	\$1,100,000	\$2,200,000	\$168,053	\$4,821,289	165,390	\$130,169
	2004	1,100,000	2,500,000	429,989	4,826,707	166,580	22,026
	2003	4,231	0	99,000	8,809,819	0	0
Eugene M. McQuade ⁽⁷⁾ President and Chief Operating Officer	2005	\$ 900,000	\$1,500,000	\$ 68,433	\$3,287,666	112,770	\$ 26,853
	2004	300,000	2,565,000	154,842	6,253,875	0	348
	2003	N/A	N/A	N/A	N/A	N/A	N/A
Patricia L. Cook ⁽⁷⁾ Executive Vice President — Investments and Capital Markets	2005	\$ 600,000	\$2,750,000	\$ 0	\$1,095,889	37,590	\$ 20,462
	2004	250,000	3,000,000	\$103,971	1,873,771	18,580	634
	2003	N/A	N/A	N/A	N/A	N/A	N/A
Martin F. Baumann ⁽⁷⁾ Former Executive Vice President — Finance and Chief Financial Officer	2005	\$ 537,083	\$ 750,000	—	\$1,872,478	30,070	\$ 90,672
	2004	518,750	1,300,000	—	860,294	29,680	37,089
	2003	373,106	647,727	\$147,987	921,233	32,900	2,244
Joseph A. Smialowski ⁽⁷⁾ Executive Vice President — Operations and Technology	2005	\$ 500,000	\$1,300,000	\$ 87,060	\$ 822,072	28,200	\$ 13,834
	2004	41,667	400,000	60,783	815,178	0	0
	2003	N/A	N/A	N/A	N/A	N/A	N/A

- (1) Messrs. Syron, McQuade and Smialowski and Ms. Cook have employment or letter agreements with Freddie Mac that establish minimum guaranteed compensation for specified periods of time. Mr. Baumann resigned his position as Executive Vice President — Finance and Chief Financial Officer of Freddie Mac effective March 21, 2006 and entered into a separation agreement with Freddie Mac dated March 21, 2006, which superceded his prior letter agreements and retention agreements with Freddie Mac. Pursuant to the terms of the separation agreement, Mr. Baumann continued to serve as Executive Vice President — Special Advisor to the President and Chief Operating Officer until May 31, 2006. For more information on these employment and letter agreements and Mr. Baumann's separation agreement, see "Employment and Separation Agreements" below. Mr. McQuade's 2004 salary of \$300,000 was attributable to his four months of employment in 2004 based on an annual salary of \$900,000. Ms. Cook's 2004 salary of \$250,000 was attributable to her five months of employment in 2004 based on an annual salary of \$600,000. Mr. Smialowski's 2004 salary of \$41,667 was attributable to his one month of employment in 2004 based on an annual salary of \$500,000. Mr. Syron's 2003 salary of \$4,231 was attributable to his one day of employment in 2003 based on an annual salary of \$1,100,000. Mr. Baumann's 2003 salary of \$373,106 was attributable to his nine months of employment in 2003 based on an annual salary of \$500,000.
- (2) The 2005 bonus amount reported for Mr. Baumann reflects the terms of his March 21, 2006 separation agreement with Freddie Mac. Mr. Baumann's 2004 bonus amount reported includes a retention bonus payment of \$300,000, and his 2003 bonus amount reported includes a \$200,000 one-time cash sign-on bonus. The 2004 bonus amounts reported for Mr. McQuade, Ms. Cook and Mr. Smialowski include one-time cash sign-on bonuses in the amount of \$2,000,000, \$2,000,000 and \$400,000, respectively, which are subject to repayment by each executive under certain circumstances.
- (3) Other Annual Compensation consists of perquisites received by the named executive officers. Perquisites are valued at their aggregate incremental cost to Freddie Mac. Amounts shown represent relocation pay and related tax gross-ups, home security systems, reimbursement of certain legal fees, life insurance premiums, personal use of a car and driver for commuting transportation in the metropolitan Washington, D.C. area and related tax gross-ups, payment of

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spousal travel costs and related tax gross-ups, and financial planning services. During 2005 and 2004, the cost of perquisites furnished to Mr. Baumann did not exceed the lesser of \$50,000 or 10% of the sum of his salary and bonus reported in the table.

For Mr. Syron, the perquisite cost reported for 2005 that exceeds 25% of the total perquisite costs reported is \$95,748 for life and long-term disability insurance premiums and \$40,185 for relocation pay and related tax gross-up, and the perquisite cost reported for 2004 that exceeds 25% of the total perquisite costs reported is relocation pay and related tax gross-up in the total amount of \$314,209. The perquisite cost reported for 2003 for Mr. Syron is legal fees paid in connection with the negotiation of his employment agreement with us. For Mr. McQuade, the perquisite cost reported for 2005 that exceeds 25% of the total perquisite costs reported is \$40,171 in relocation pay and related tax gross-ups, and the perquisite cost reported for 2004 that exceeds 25% of the total perquisite costs reported is relocation pay and related tax gross-up in the total amount of \$146,134. For Ms. Cook, the perquisite cost reported for 2004 is relocation pay and related tax gross-up. For Mr. Baumann, the perquisite cost reported for 2003 is relocation pay and related tax gross-up. For Mr. Smialowski, the perquisite cost reported for 2005 that exceeds 25% of the total perquisite costs reported, and the total perquisite cost reported for 2004, is relocation pay and related tax gross-up in the amounts of \$82,060 and \$60,783, respectively.

- (4) The dollar values reported in the Summary Compensation Table are based on the closing price of our common stock on the grant date multiplied by the number of restricted stock units awarded. The number of restricted stock units awarded is as follows:

Fiscal Year	Mr. Syron	Mr. McQuade	Ms. Cook	Mr. Baumann	Mr. Smialowski
2005	77,650	52,950	17,650	30,420	13,240
2004	75,630	92,650	28,730	13,480	11,890
2003	151,060	N/A	N/A	16,950	N/A

Mr. Syron's 2003 equity award of restricted stock units was a sign-on award designed to partially compensate him for earnings foregone in order to join Freddie Mac. Mr. McQuade's 2004 equity award of restricted stock units was a sign-on award. Ms. Cook's 2004 equity awards of restricted stock units consisted of a sign-on award and her 2004 annual equity grant. Mr. Baumann's 2005 equity award of restricted stock units consisted of a November 1, 2005 retention award of 16,300 restricted stock units, with a value on the grant date of \$1,000,000, and his 2005 annual equity award. Mr. Smialowski's 2004 equity award of restricted stock units was a sign-on award. With the exception of the sign-on award for Mr. Syron for 2003; the sign-on awards for Mr. McQuade, Ms. Cook and Mr. Smialowski for 2004; and the retention award for Mr. Baumann for 2005, restricted stock units were granted as part of annual equity awards on November 26, 2003, August 9, 2004 and May 6, 2005.

The 77,650, 52,950, 17,650 and 13,240 restricted stock units awarded to Mr. Syron, Mr. McQuade, Ms. Cook and Mr. Smialowski, respectively, as part of the annual award in 2005 vested with respect to 25% of the award in May 2006 and will vest at a rate of 25% in each of May 2007, 2008 and 2009. The 75,630, 17,120, and 13,480 restricted stock units awarded to Mr. Syron, Ms. Cook and Mr. Baumann, respectively, in August 2004 as part of the annual award in 2004 vested with respect to 25% of the award in each of August 2005 and April 2006 and will vest at a rate of 25% in each of April 2007 and 2008, respectively. The 151,060 restricted stock units awarded to Mr. Syron on December 31, 2003 are vesting in three equal annual installments beginning on the first anniversary of the grant date in accordance with the terms of his employment agreement described in "Employment and Separation Agreements — *Richard F. Syron*." The 92,650 restricted stock units granted to Mr. McQuade on September 1, 2004 are vesting in three equal installments beginning on the first anniversary of the grant date in accordance with the terms of his employment agreement described below under "Employment and Separation Agreements — *Eugene M. McQuade*." The 11,610 restricted stock units granted to Ms. Cook on August 2, 2004 are vesting in three equal installments beginning on the first anniversary of the grant date and her initial long-term incentive award is vesting in four equal installments beginning on the first anniversary of the grant date in accordance with the terms of her letter agreement described below under "Employment and Separation Agreements — *Patricia L. Cook*." Subject to the terms of Mr. Baumann's March 21, 2006 separation agreement, of the 14,120 restricted stock units awarded to Mr. Baumann as part of the annual award in 2005, 25% vested in May 2006, 25% will vest in each of May 2007 and May 2008, and the remaining 25% that otherwise would have vested in 2009 will be forfeited; the August 2004 award of restricted stock units will continue to vest on the schedule noted above for the annual award in 2004; the 16,950 restricted stock units awarded in November 2003 will vest in March 2008; and the restrictions on the November 1, 2005 retention award of 16,300 restricted stock units will lapse on December 31, 2007. The 11,890

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restricted stock units granted to Mr. Smialowski on December 13, 2004 are vesting at a rate of 33% in each of December 2005 and 2006 and 34% in December 2007.

The number and value, based on the closing price of our common stock on December 31, 2005, of restricted stock units held by each named executive officer at December 31, 2005 is as follows:

	<u>Number of Restricted Stock Units</u>	<u>Dollar Value</u>
Mr. Syron	184,726	\$12,071,844
Mr. McQuade	114,716	\$ 7,496,691
Ms. Cook	38,230	\$ 2,498,331
Mr. Baumann	57,480	\$ 3,756,318
Mr. Smialowski	21,207	\$ 1,385,877

For information on dividend equivalent rights associated with restricted stock units, see “Stock Ownership by Directors and Officers — *Beneficial Ownership*” and “Report of the CHRC on Executive Compensation — Components of Executive Compensation — *Annual Long-Term Stock-Based Incentive Awards — Restricted Stock Units*” above.

- (5) The 2005 figures include: (i) basic and matching contributions we made to our tax-qualified Thrift/401(k) Savings Plan in fiscal 2005; and (ii) allocations pursuant to the Make Up Contribution (as defined under “Pension Plan and Supplemental Executive Retirement Plan” below) component of our non-qualified supplemental executive retirement plan, or SERP, as follows:

	<u>Thrift /401(k) Savings Plan Contributions</u>	<u>SERP Allocations</u>
Mr. Syron	\$ 6,000	\$101,825
Mr. McQuade	0	7,875
Ms. Cook	0	6,750
Mr. Baumann	12,320	64,487
Mr. Smialowski	0	625

For additional information regarding the SERP, see “Pension Plan and Supplemental Executive Retirement Plan” below.

- (6) The 2005 figures for Messrs. Syron, McQuade, Baumann and Smialowski and Ms. Cook include FlexDollars of \$22,344, \$18,978, \$13,527, \$13,084 and \$13,712, respectively. The 2004 figures for Messrs. Syron, McQuade, Baumann and Smialowski and Ms. Cook include FlexDollars of \$21,413, \$348, \$13,204, \$0 and \$634, respectively. The 2003 figure for Mr. Baumann includes FlexDollars of \$2,244. FlexDollars are provided to all employees as part of our benefits program and are used to offset costs related to medical insurance, dental insurance, vision insurance, group term life insurance, accidental death and personal loss insurance, and vacation purchase. Any unused FlexDollars are payable as taxable income.
- (7) Mr. Syron became Chairman and Chief Executive Officer on December 31, 2003. Mr. McQuade became President and Chief Operating Officer on September 1, 2004. Ms. Cook became Executive Vice President — Investments on August 2, 2004 and Executive Vice President — Investments and Capital Markets on February 1, 2005. Mr. Baumann became Executive Vice President — Finance on April 2, 2003 and was appointed Chief Financial Officer on June 6, 2003. Mr. Baumann resigned his position as Executive Vice President — Finance and Chief Financial Officer effective March 21, 2006 and continued to serve as Executive Vice President — Special Advisor to the President and Chief Operating Officer until May 31, 2006. Mr. Smialowski became Executive Vice President — Operations and Technology on December 1, 2004.

Elective Compensation Deferrals

As of December 31, 2005, none of the named executive officers had accumulated any deferred compensation balances. All executives with outstanding deferrals were given the option to reverse their prior deferral elections in response to Internal Revenue Code Section 409A. Ms. Cook and Mr. Smialowski were the only named executive officers with accumulated deferred compensation balances and both of them elected to reverse their prior deferral elections.

Option Grants in Last Fiscal Year

The following table contains information concerning grants of stock options made to each of the named executive officers during fiscal year 2005.

Name	Number of Securities Underlying Options Granted⁽¹⁾	Percentage of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price (\$/Share)	Expiration Date	Effective Date of Grant Present Value⁽²⁾
Richard F. Syron	165,390	13.97%	\$62.69	May 5, 2015	\$4,400,201
Eugene M. McQuade	112,770	9.53%	62.69	May 5, 2015	\$3,000,246
Patricia L. Cook	37,590	3.18%	62.69	May 5, 2015	\$1,000,082
Martin F. Baumann	30,070	2.54%	62.69	May 5, 2015	\$ 800,012
Joseph A. Smialowski	28,200	2.38%	62.69	May 5, 2015	\$ 750,261

- (1) The options granted vest over four years, with vesting at the rate of 25% in each of May 2006, 2007, 2008 and 2009. The options have dividend equivalent rights that entitle the grantee to dividend equivalents on each share of our common stock underlying the option equal to the dividend per share declared and paid on our issued and outstanding shares of common stock. The dividend equivalents are paid out as dividends are declared, as described in "Report of the CHRC on Executive Compensation — Components of Executive Compensation — Annual Long-Term Stock-Based Incentive Awards" above.
- (2) The estimated value of the stock options has been developed solely for purposes of comparative disclosure in accordance with the rules and regulations of the SEC and is consistent with the assumptions we used on the grant date for purposes of the disclosures of our grants made in 2005 in the consolidated financial statements contained in our Annual Report. The estimated value has been determined by application of the Black-Scholes option-pricing model based upon the terms of the option grant and Freddie Mac's stock price performance history as of the grant date.

Key assumptions for the May 6, 2005 grant of stock options to the named executive officers are as follows: an annualized stock price volatility rate of 30.01%, which refers to the expected fluctuations of future stock prices over the expected option life; a 4.12% risk-free rate of return, which reflects the estimated interest payable on Treasury securities on the grant date to reflect the expected option life of 7.4 years; and a dividend yield of 0%, because options granted under the employee and directors' stock compensation plans include dividend equivalent rights.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table sets forth information concerning each exercise of a stock option during fiscal year 2005 by each of the named executive officers and the number and value of unexercised stock options held by each of the named executive officers on December 31, 2005.

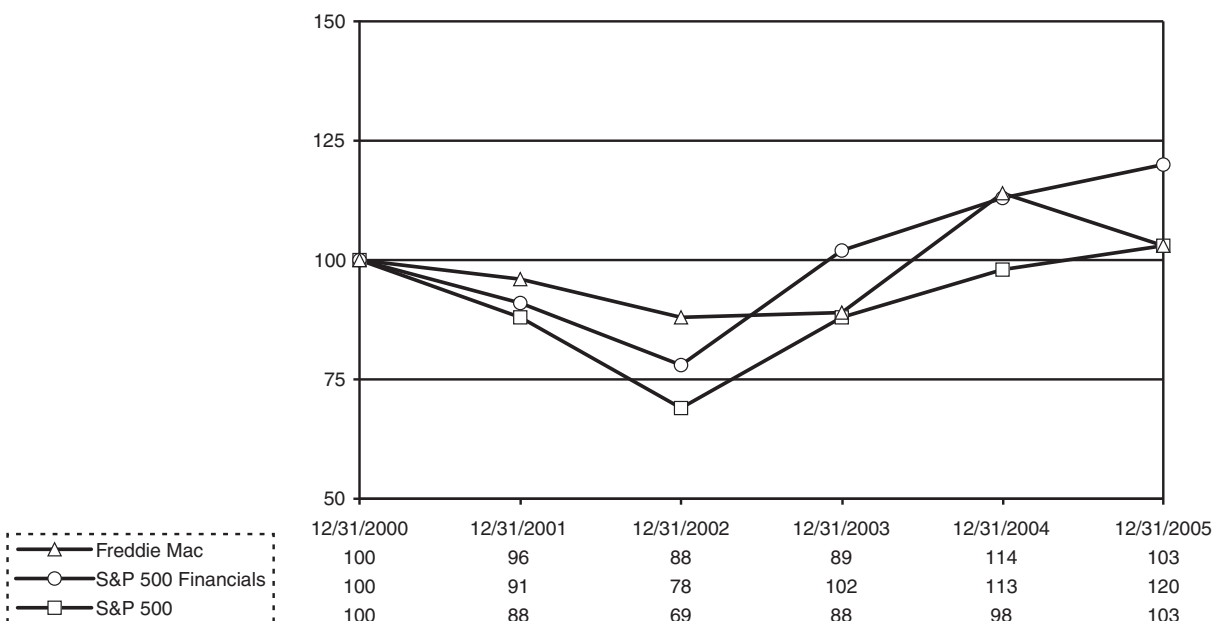
Name	Shares Acquired on Exercise (number of shares)	Value Realized	Number of Securities Underlying Unexercised Options at December 31, 2005 Exercisable / Unexercisable	Value of Unexercised In-the-Money Options at December 31, 2005⁽¹⁾ Exercisable / Unexercisable
Richard F. Syron	0	\$0	41,645/290,325	\$33,524/\$509,913
Eugene M. McQuade	0	0	0/112,770	0/279,106
Patricia L. Cook	0	0	4,645/51,525	2,508/100,560
Martin F. Baumann ⁽²⁾	0	0	15,645/77,005	95,379/360,560
Joseph A. Smialowski	0	0	0/28,200	0/69,795

- (1) The value of the unexercised in-the-money options is calculated on a grant-by-grant basis by multiplying the number of shares underlying unexercised options at December 31, 2005 by the difference between the exercise price for such options and the year-end fair market value of our common stock of \$65.165 (equal to the average of the high and low trading prices of our common stock on December 31, 2005).
- (2) Mr. Baumann resigned his position as Executive Vice President — Finance and Chief Financial Officer effective March 21, 2006. Pursuant to the terms of the separation agreement dated March 21, 2006, all stock options that were unvested as of May 31, 2006 were forfeited and all remaining vested stock options must be exercised within 90 days of May 31, 2006. The value of Mr. Baumann's 16,450 vested in-the-money stock options as of May 31, 2006 was \$99,194. The value is calculated on a grant-by-grant basis by multiplying the number of shares underlying the vested unexercised options at May 31, 2006 by the difference between the exercise price for such options and the May 31, 2006 fair market value of our common stock of \$60.325 (equal to the average of the high and low trading prices of our common stock on May 31, 2006).

Stock Performance Graph

The following graph compares the five-year cumulative total stockholder return on our common stock with that of the S&P 500 Index and the S&P 500 Financial Sector Index. On January 1, 2002, the composition of the S&P 500 Financial Sector Index was modified. Historical data has been recalculated to reflect this change. The table assumes \$100 invested in each of Freddie Mac common stock, the S&P 500 Financial Sector Index and S&P 500 Index on December 31, 2000. Total return calculations assume annual dividend reinvestment. The table does not forecast performance of our common stock.

COMPARATIVE CUMULATIVE TOTAL STOCKHOLDER RETURN



Executive Deferred Compensation Plan

Our executive officers and other key employees are eligible to participate in our 2002 Executive Deferred Compensation Plan, which is an unfunded, non-qualified plan that allows certain key employees to elect to defer all or a portion of their annual salary and cash bonus, and certain key management employees to defer the settlement of restricted stock units received from Freddie Mac under Freddie Mac stock plans and all or a portion of their annual salary and cash bonus, for any number of years specified by the employee, subject to certain restrictions, except that the period elected cannot exceed the employee's life expectancy. As of December 31, 2005, none of the named executive officers had accumulated any deferred compensation balances under the 2002 Executive Deferred Compensation Plan.

Pension Plan and Supplemental Executive Retirement Plan

The following table shows estimated annual benefits payable upon retirement (estimated at age 65) from our tax-qualified pension plan and the restoration portion of the non-qualified Supplemental Executive Retirement Plan, or SERP (which we collectively refer to as the Pension Plans for purposes of the table and accompanying footnotes), calculated in accordance with the Pension Plans' formulas currently in effect for specified years-of-service and compensation classes.

The SERP is designed to provide participants with the full amount of benefits to which they would have been entitled under the tax-qualified pension plan (which benefit is known as the Restoration Benefit in the SERP) and Thrift/401(k) Savings Plan (which benefit is known as the Make Up Contribution in the SERP) in the absence of certain limits on benefit levels imposed by the Internal Revenue Code and the exclusion of deferred amounts under the Executive Deferred Compensation Plan from the tax-qualified plans.

Under the SERP, if the participant's employment terminates (for a reason other than death, disability or retirement), then the Make Up Contribution in the SERP is paid over three annual installments, the first installment within 90 days after the end of the calendar year in which such termination of employment occurs, and the second and third installments following the end of the next two succeeding years. The Restoration Benefit in the SERP generally is payable as a single life annuity beginning at age 65 or in installments over 15 years following retirement, whichever results in the greater actuarial value. The Chief Executive Officer may, upon a participant's request and in the Chief Executive Officer's sole discretion, direct that upon termination of a participant other than the Chief Executive Officer or President and Chief Operating Officer (other than for death, disability or retirement) the Restoration Benefit be paid in the form of a lump sum or a series of three annual installments. In the case of a request by the Chief Executive Officer or President and Chief Operating Officer requesting a lump sum payment or series of installments, the CHRC would need to approve the request. The values represented below are exclusive of the benefits received under the tax-qualified Thrift/401 (k) Savings Plan and the Make Up Contribution under the SERP benefit.

The Jobs Act and Internal Revenue Code Section 409A imposed significant new rules regarding deferred compensation, generally effective for deferred amounts that vest on or after January 1, 2005. These new rules necessitated amendments to our SERP and other deferred compensation arrangements. Freddie Mac's excess benefit plan was terminated on November 30, 2005 after an analysis that showed no employees had benefits accrued under that plan. The amendments to the SERP address new key employee rules, grandfathered and non-grandfathered benefit accruals and new forms of payment elections. Additional amendments to our SERP and other deferred compensation arrangements may be required as more guidance is received in 2006 and when the Internal Revenue Service issues final regulations implementing Section 409A.

ESTIMATED ANNUAL BENEFITS UNDER PENSION PLANS⁽¹⁾⁽²⁾⁽³⁾

Highest Average Annual Compensation	Years of Credited Service				
	10	15	20	25	30
\$ 350,000	\$ 35,000	\$ 52,500	\$ 70,000	\$ 87,500	\$105,000
400,000	40,000	60,000	80,000	100,000	120,000
450,000	45,000	67,500	90,000	112,500	135,000
500,000	50,000	75,000	100,000	125,000	150,000
600,000	60,000	90,000	120,000	150,000	180,000
750,000	75,000	112,500	150,000	187,500	225,000
1,000,000	100,000	150,000	200,000	250,000	300,000
1,250,000	125,000	187,500	250,000	312,500	375,000
1,500,000	150,000	225,000	300,000	375,000	450,000
1,750,000	175,000	262,500	350,000	437,500	525,000
2,000,000	200,000	300,000	400,000	500,000	600,000
2,500,000	250,000	375,000	500,000	625,000	750,000
3,000,000	300,000	450,000	600,000	750,000	900,000

(1) Benefits payable as a straight life annuity are shown above based on the benefit formula under the Pension Plans for service after 1988. Benefits from the Pension Plans are subject to state and federal taxation. The tax-qualified pension plan benefits are not subject to Social Security or Medicare tax withholdings, but are subject to withholding for income taxes and deductions for retiree medical benefits if the employee is eligible and has elected the benefit.

- (2) The compensation covered by the Pension Plans is the participant's highest consecutive 36-month average compensation, or "covered pay". For our executive officers, covered pay is composed of base pay and corporate-wide annual bonus payments paid during the applicable 36-month period. For the named executive officers, the average compensation is based on the actual months of service and, as of December 31, 2005, none of the named executive officers had completed 36 months of eligible service. As of December 31, 2005, covered pay for Messrs. Syron, McQuade, Ms. Cook and Mr. Smialowski was \$2,822,533, \$1,323,750, \$1,305,882 and \$499,999, respectively. Mr. Baumann's covered pay as of December 31, 2005 was \$1,155,151; however, because his vesting service was less than five years on the date of his termination, he is not entitled to a benefit from the Pension Plans. Mr. Syron's and Mr. McQuade's employment agreements provide for certain benefits upon specific events of termination. For more information, see "Employment and Separation Agreements — *Richard F. Syron*" and "Employment and Separation Agreements — *Eugene M. McQuade*" below.
- (3) As of December 31, 2005, the years of credited service under the tax-qualified Pension Plan for Messrs. Syron, McQuade, Ms. Cook and Mr. Smialowski were 2 years, 1 year, 1 year and 1 year, respectively. Mr. Baumann had 3 years of credited service under the tax-qualified Pension Plan as of December 31, 2005; however, because his vesting service was less than five years on the date of his termination, he is not entitled to a benefit from the Pension Plans.

Employment and Separation Agreements

The employment and separation agreements described below for Messrs. Syron, McQuade, Baumann and Smialowski and Ms. Cook are available on Freddie Mac's Website at www.freddiemac.com/governance.

Richard F. Syron

Mr. Syron was appointed Chairman of the Board and Chief Executive Officer, effective December 31, 2003. The terms of his employment with us are governed by an employment agreement, which continues in effect until the earlier of December 31, 2008 or the occurrence of an event of termination. OFHEO has reviewed the terms of this agreement and has approved the termination benefits set forth in the agreement.

Mr. Syron received on December 31, 2003 an initial equity award of restricted stock units related to common stock with an aggregate fair market value on that date of \$8,800,000. The restricted stock units vest in three equal annual installments, beginning on the first anniversary of the grant date.

During the term of the agreement, Mr. Syron receives an annual minimum base salary of \$1,100,000, which amount may be increased in the discretion of the CHRC. In addition, he has the opportunity to earn an annual cash bonus targeted at 120% of his base salary, subject to a maximum of 200% of this target. Mr. Syron was guaranteed a minimum annual cash bonus for performance year 2004 of \$1,320,000; his actual cash bonus for 2004 was \$2,500,000 and his actual cash bonus for 2005 was \$2,200,000.

During each year of the term of the employment agreement starting in calendar year 2004, Mr. Syron also receives an annual equity award with an aggregate value on the grant date of \$8,800,000, of which at least 50% is in the form of restricted stock units and the rest is in the form of stock options. The CHRC may in its discretion award a higher percentage of restricted stock units. Under the agreement, the restricted stock units will vest on the fifth anniversary of the grant date, and the options will generally vest in four equal annual installments beginning on the first anniversary of the grant date; provided that the CHRC in its discretion may accelerate the vesting of the restricted stock units or options or provide for an accelerated vesting schedule. In the exercise of

this discretion, the CHRC adjusted the vesting schedule for Mr. Syron's annual equity award granted in August 2004 so that 25% of the award vested in each of August 2005 and April 2006 and 25% of the award will vest in each of April 2007 and 2008, so as to make the vesting of Mr. Syron's award consistent with the vesting schedule of the annual equity awards to other non-executive officers in 2004. Mr. Syron's annual equity award granted in May 2005 vested as to 25% of the award in May 2006 and will vest as to 25% of the award in each of May 2007, 2008 and 2009.

Upon a change in control (as that term is defined in the employment agreement), any equity award granted to Mr. Syron at least 12 months prior to the change in control will immediately vest. Vested restricted stock units will be paid out immediately and vested options will remain exercisable until the expiration date of the options. Any equity awards granted less than 12 months prior to the change in control will be cancelled in consideration of our payment to Mr. Syron of \$8,800,000 in cash for each cancelled equity award.

During the term of the employment agreement, we will maintain, at our cost, term life insurance on the life of Mr. Syron for the benefit of his beneficiaries with a face amount equal to \$10,000,000. If Mr. Syron remains employed by us through December 31, 2008, upon the later to occur of December 31, 2008 and his turning 65, we will deliver to Mr. Syron a fully paid-up permanent life insurance policy with a face amount equal to \$4,000,000.

Pursuant to the agreement, Mr. Syron is entitled to participate in all other compensation and employee benefit or perquisite programs generally available from time to time to our senior executives on the terms and conditions then prevailing under each such program.

In the event of termination of his employment prior to December 31, 2008 due to disability or death, we will pay Mr. Syron his base salary through the end of the month in which termination of employment occurs. We will pay any earned but unpaid bonus amounts from the most recently completed calendar year, plus a prorated percentage of Mr. Syron's target bonus for the calendar year in which employment termination occurs. Also, all restricted stock units awarded to Mr. Syron will immediately vest and be paid out and all options granted will become immediately exercisable. These options will remain exercisable: (i) in the event termination occurs as a result of death, until the earlier to occur of (a) the third anniversary of the employment termination or (b) the expiration date of the options; and (ii) in the event termination occurs as a result of disability, until the scheduled expiration date applicable to the options. In the event of termination due to disability, we will provide long-term disability benefits equal to 70% of Mr. Syron's base salary during the period beginning on the first day of the month that immediately follows the month in which the termination occurred through the earlier of December 31, 2008 or the date he no longer has a disability.

Subject to Mr. Syron's execution of a general release and waiver, in the event that Mr. Syron terminates his employment prior to December 31, 2008 for good reason or is terminated by us without cause (as those terms are defined in the employment agreement), we will pay Mr. Syron a lump sum cash payment equal to the base salary that would have been paid to him for the period beginning on the termination date and ending on December 31, 2008. We will pay any earned but unpaid bonus amounts from the most recently completed fiscal year. Also, we will pay Mr. Syron a lump sum cash payment equal to the sum of the target annual bonuses that would have been paid to him in respect of each calendar year that ends during the period beginning on the termination date and ending on December 31, 2008.

All restricted stock units awarded to Mr. Syron at least 12 months prior to the termination date will immediately vest and be paid out, and all options granted to Mr. Syron at least 12 months prior to the termination date will become immediately exercisable. All such options will remain exercisable until the earlier to occur of (i) three years following such termination, or (ii) the expiration date of the options. All equity awards granted less than 12 months prior to the termination date will be cancelled in consideration of our payment to Mr. Syron of \$8,800,000 in cash for each cancelled equity award.

In addition, if he is not entitled to the Restoration Benefit under the SERP solely because he is not yet vested under our tax-qualified pension plan, then we will pay Mr. Syron the benefit that would have been payable to him under the SERP as of the date of the termination without regard to the vesting requirement, and he will be entitled to the Make Up Contribution in accordance with the terms of the SERP. We will provide Mr. Syron and his family continued health and other similar welfare benefits coverage through December 31, 2008.

In the event that Mr. Syron's employment is terminated by us for cause prior to December 31, 2008, we will pay Mr. Syron any earned but unpaid base salary through the date of termination and any earned but unpaid bonus amounts from the most recently completed calendar year. All unvested equity awards will be immediately cancelled.

In the event that Mr. Syron terminates his employment following December 31, 2008 due to retirement and not for cause, all restricted stock units awarded to Mr. Syron will vest immediately but will be paid out at such time as the units would have vested and been paid out to him had his employment with us not been terminated. All options granted to Mr. Syron will become immediately exercisable and will remain outstanding until the expiration date of the options.

Mr. Syron is subject to non-competition and non-solicitation of employees restrictions following any termination of his employment for periods of two years and one year, respectively, following the termination.

Eugene M. McQuade

We entered into an employment agreement with Mr. McQuade, which provides for his employment as President and Chief Operating Officer effective September 1, 2004. The agreement has an initial term of three years and is subject to automatic extension for successive one-year periods unless either party gives notice that such extension shall not occur. OFHEO has reviewed the terms of this agreement and has approved the termination benefits it provides.

Mr. McQuade's agreement is similar to Mr. Syron's, with the following items of note:

- An annual base salary of \$900,000, which amount may be increased in the discretion of the CHRC;
- A sign-on bonus of \$2,000,000 (however, if Mr. McQuade resigns for other than good reason or is terminated for cause (as those terms are defined in the employment agreement) during the initial three-year term of his agreement, he is required to repay us a pro-rata amount of the sign-on bonus);
- The opportunity to earn an annual cash bonus targeted at 100% of his base salary, subject to a maximum bonus of 200% of his base salary, with a guaranteed minimum

annual bonus in 2004 of \$400,000. Mr. McQuade's actual cash bonus for the 2004 performance year was \$565,000 and for the 2005 performance year was \$1,500,000;

- An initial equity award of 92,650 restricted stock units, vesting in three equal annual installments beginning on the first anniversary of the grant date, unless the CHRC determines otherwise (as described below);
- During each year of the term of the employment agreement beginning in calendar year 2005, an annual equity award with an aggregate value on the grant date of \$6,000,000, of which at least 50% will be in the form of restricted stock units and the rest will be in the form of stock options. The CHRC may in its discretion award a higher percentage of restricted stock units. The restricted stock units will vest on the fourth anniversary of the grant date, and the options will vest in four equal annual installments beginning on the first anniversary of the grant date, unless the CHRC determines otherwise (as described below);
- Participation in (i) all other incentive and other compensation programs generally available to senior executives, (ii) executive and employee benefit plans or programs at a level commensurate with his position and duties with us, and (iii) all special benefit or perquisite programs generally available from time to time to our Chief Executive Officer, all on the terms and conditions then prevailing under each such program; and
- At our cost, term life insurance on the life of Mr. McQuade for the benefit of his beneficiaries with a face amount of \$7,000,000, which will be converted to a fully paid-up permanent life insurance policy with a face amount of \$2,800,000 on the later to occur of the termination of his employment with us or his turning 60, if Mr. McQuade remains employed by us through both the scheduled termination date of the employment agreement and his turning 60.

The CHRC, in accordance with the terms of our stock compensation plan, will determine the exercise price of the stock options granted pursuant to the employment agreement. The vesting of Mr. McQuade's initial and annual equity-based compensation is subject to his continued employment with us. The CHRC in its discretion may accelerate the vesting of the restricted stock units or stock options or provide for an accelerated vesting schedule.

Upon a change in control (as that term is defined in the employment agreement), the same provisions apply as set forth in Mr. Syron's agreement except that the payment to Mr. McQuade will be \$6,000,000 in cash for each cancelled equity award.

Mr. McQuade may terminate his employment agreement for good reason if, among other things, any one or more of the reasons set forth in his employment agreement occur without his prior written consent, including:

- A reduction in his then-current base salary or target or maximum annual bonus opportunity;
- A material diminution or change in his duties or responsibilities;
- A change in the reporting structure so that he reports to any person or entity other than the CEO or the Board;

- Someone other than Mr. McQuade is appointed to succeed Mr. Syron as CEO, except for the appointment of an interim CEO for a period not to exceed six months;
- Mr. McQuade is not appointed to succeed Mr. Syron as CEO by September 1, 2007; or
- We elect not to renew the term of the agreement at any time prior to December 31, 2014.

Subject to Mr. McQuade's execution of a general release and waiver, in the event his employment is terminated by him for good reason or by us without cause (as those terms are defined in the employment agreement):

- We will pay Mr. McQuade any accrued and unpaid base salary as well as any earned but unpaid bonus amounts from our most recently completed calendar year;
- We will pay Mr. McQuade a lump sum cash payment equal to the base salary and target bonuses that would have been paid to him for the longer of (i) one year and (ii) the remaining term of his employment agreement (the "Severance Period");
- We will provide Mr. McQuade and his beneficiaries with continued coverage during the Severance Period under our medical, dental and other similar benefit plans in which they participated prior to the termination of his employment;
- We will provide Mr. McQuade with the same SERP benefit as is to be provided to Mr. Syron under similar circumstances;
- All restricted stock units awarded to Mr. McQuade at least 12 months prior to the date of termination of his employment will immediately vest and be paid out;
- All options granted to Mr. McQuade at least 12 months prior to the termination date will become immediately exercisable until the earlier to occur of (i) three years following the termination or (ii) the scheduled expiration date applicable to the options; and
- Any annual equity awards made less than 12 months prior to the termination will be cancelled in consideration of our payment to Mr. McQuade of \$6,000,000 in cash for each cancelled equity award.

However, if Mr. McQuade resigns because he is not appointed to succeed Mr. Syron as CEO by September 1, 2007 or he otherwise resigns for good reason during 2007 because Mr. Syron ceases to be CEO and someone other than Mr. McQuade is appointed as his successor (other than an interim CEO as described above), then awards issued to Mr. McQuade in 2007 will not be subject to the accelerated vesting provisions described in the fifth, sixth and seventh bullets immediately above. In addition, if the termination is due to our decision not to renew the employment agreement, Mr. McQuade will be entitled to an additional year's service credit with respect to his unvested equity awards in lieu of the accelerated vesting provisions described immediately above.

In the event of termination of Mr. McQuade's employment prior to the scheduled termination date due to disability or death, we will provide Mr. McQuade with benefits similar to those provided to Mr. Syron under the same circumstances.

Executive Compensation

Patricia L. Cook

Ms. Cook joined us as our Executive Vice President — Investments on August 2, 2004 and became Executive Vice President — Investments and Capital Markets on February 1, 2005. Under the terms of a letter agreement dated July 8, 2004, as amended by a letter agreement dated July 9, 2004 and action taken by the CHRC on May 6, 2005, Ms. Cook receives an annualized base salary of \$600,000 and the opportunity to earn an annual cash bonus targeted at 167% of her bonus eligible earnings (currently defined as base salary), subject to a maximum of 200% of this target, absent approval by the CHRC of a greater amount. Ms. Cook's actual cash bonus for the 2005 performance year was \$2,750,000. Ms. Cook also has the opportunity to earn an annual long-term incentive compensation grant that has no maximum award restriction.

Under the terms of the amended agreement, Ms. Cook received a sign-on bonus in the amount of \$2,000,000 in August 2004 and a guaranteed cash bonus for 2004 of \$1,000,000. On August 2, 2004, Ms. Cook also received an initial award of restricted stock units with an aggregate fair market value on that date of \$750,000, which restrictions lapse in three equal installments beginning on the first anniversary of the grant date; and a guaranteed initial long-term incentive grant of \$1,500,000, of which two-thirds was in the form of restricted stock units and one-third was in the form of stock options. The long-term incentive awards vest in four equal installments beginning on the first anniversary of the grant date. If Ms. Cook's employment with Freddie Mac terminates for any reason (other than disability or death) prior to the lapse of restrictions on her restricted stock unit grant, she forfeits all the units.

The agreement also provides that if we terminate Ms. Cook prior to the second anniversary of her employment date other than for gross misconduct (as that term is defined in our officer severance policy) or any other willful or malicious misconduct on her part that is substantially injurious to us, she will receive a lump sum cash severance payment equal to \$3,800,000, minus \$133,333.33 per month for each whole month worked beginning on her employment date and ending the day prior to the second anniversary of her employment date. In the event that we terminate Ms. Cook on or after the second anniversary of her employment date but prior to her sixty-second birthday for any reason other than gross misconduct or any other willful or malicious misconduct on her part that is substantially injurious to Freddie Mac, she will receive a lump sum cash severance payment in the amount of \$600,000. The termination benefits of the agreement have been approved by OFHEO.

Martin F. Baumann

We hired Mr. Baumann in April 2003 as Executive Vice President — Finance. In June 2003, he was appointed Chief Financial Officer. Mr. Baumann resigned from these positions effective March 21, 2006. We entered into a separation agreement with Mr. Baumann effective March 21, 2006, which supercedes his letter agreements and retention agreements with us prior to that date. The separation agreement provides for the following:

- Mr. Baumann's continued service to Freddie Mac as Executive Vice President – Special Advisor to the President and Chief Operating Officer until May 31, 2006, at his then-current base salary of \$540,000 together with a bonus of \$750,000 for his service in 2005.
- Mr. Baumann's availability to advise and consult with the company on an as-needed basis until December 31, 2008.

- Severance in the amount of \$540,000 payable over one year in semi-monthly installments commencing six months after May 31, 2006.
- With respect to a November 1, 2005 retention award, a cash payment of \$1,000,000 and settlement on December 31, 2007 of restricted stock units that had a value on the grant date of \$1,000,000.
- Forfeiture of all stock options unvested as of May 31, 2006 and 25% of the restricted stock units granted in 2005 as part of the annual equity award.
- With respect to restricted stock units granted in 2003 and 2004 and 75% of the restricted stock units granted in 2005, continued settlement through December 31, 2008 in accordance with their terms.
- Forfeiture of any remaining payments and the prompt return to Freddie Mac of certain compensation provided under the separation agreement in the event that Mr. Baumann materially breaches specified provisions of its terms.

The termination benefits of the agreement have been approved by OFHEO.

Joseph A. Smialowski

Mr. Smialowski joined us as our Executive Vice President — Operations and Technology on December 1, 2004. Under the terms of a letter agreement dated November 1, 2004, Mr. Smialowski receives an annualized base salary of \$500,000 and the opportunity to earn short-term and long-term performance-based incentives.

Under the terms of the agreement, Mr. Smialowski received a one-time sign-on cash bonus in the amount of \$400,000 in December 2004 and a guaranteed minimum cash bonus for the 2005 performance year of 125% of bonus-eligible earnings, subject to a maximum of 200% of the target incentive, absent approval by the CHRC of a greater amount. Mr. Smialowski's actual cash bonus for the 2005 performance year was \$1,300,000. If Mr. Smialowski resigns or we terminate his employment for a Loss of Confidence under our officer severance policy or for violating any standard of conduct, attendance or behavior embodied in our standards of conduct under our progressive discipline policy before the second anniversary of his employment date, he is required to repay the full amount of his sign-on cash bonus. The agreement also provided for Mr. Smialowski to receive a one-time sign-on award of restricted stock units with an aggregate value on the grant date of \$750,000, which award vests at the rate of 33% on the first anniversary of the grant date, 33% on the second anniversary of the grant date, and 34% on the third anniversary of the grant date. This award was granted on December 13, 2004. The agreement also provided for an initial long-term incentive award with an aggregate value on the grant date of \$1,500,000, of which half was in the form of restricted stock units and half was in the form of stock options; this award was granted on May 6, 2005. The long-term incentive award vests in four equal annual installments beginning on the first anniversary of the grant date. If Mr. Smialowski's employment with us terminates for any reason (other than disability or death) prior to the lapse of restrictions on his restricted stock unit grants, he forfeits all of the units.