

FREDDIE MAC
CONSOLIDATED STATEMENTS OF INCOME

| Line: | Year Ended December 31, | | |
|-------|--|-----------------|------------------|
| | 2004 | 2003 | 2002 |
| | (dollars in millions, except share-related amounts) | | |
| | <i>Interest income</i> | | |
| 1 | \$ 4,007 | \$ 4,251 | \$ 4,290 |
| 2 | 28,460 | 29,051 | 30,039 |
| 3 | 3,136 | 3,796 | 4,147 |
| 4 | <u>35,603</u> | <u>37,098</u> | <u>38,476</u> |
| | <i>Interest expense</i> | | |
| 5 | (2,908) | (2,785) | (4,303) |
| 6 | (22,950) | (22,083) | (21,337) |
| 7 | <u>(25,858)</u> | <u>(24,868)</u> | <u>(25,640)</u> |
| 8 | (708) | (1,641) | (1,236) |
| 9 | <u>(26,566)</u> | <u>(26,509)</u> | <u>(26,876)</u> |
| 10 | 100 | (1,091) | (2,075) |
| 11 | <u>9,137</u> | <u>9,498</u> | <u>9,525</u> |
| | <i>Non-interest income (loss)</i> | | |
| 12 | 1,382 | 1,653 | 1,527 |
| 13 | (1,135) | (1,461) | (2,176) |
| 14 | 732 | 925 | 592 |
| 15 | (4,475) | 39 | 5,302 |
| 16 | 743 | 644 | 187 |
| 17 | (348) | (1,114) | 1,799 |
| 18 | (327) | (1,775) | (674) |
| 19 | 159 | 352 | 276 |
| 20 | 230 | 493 | 321 |
| 21 | <u>(3,039)</u> | <u>(244)</u> | <u>7,154</u> |
| | <i>Non-interest expense</i> | | |
| 22 | (758) | (624) | (593) |
| 23 | (588) | (311) | (155) |
| 24 | (60) | (52) | (42) |
| 25 | (144) | (194) | (184) |
| 26 | <u>(1,550)</u> | <u>(1,181)</u> | <u>(974)</u> |
| 27 | (143) | 5 | (122) |
| 28 | 3 | (7) | (4) |
| 29 | (281) | (200) | (160) |
| 30 | (129) | (157) | (184) |
| 31 | (271) | (696) | (432) |
| 32 | <u>(2,371)</u> | <u>(2,236)</u> | <u>(1,876)</u> |
| 33 | 3,727 | 7,018 | 14,803 |
| 34 | (900) | (2,202) | (4,713) |
| 35 | <u>\$ 2,827</u> | <u>\$ 4,816</u> | <u>\$ 10,090</u> |
| 36 | (210) | (216) | (239) |
| 37 | <u>\$ 2,617</u> | <u>\$ 4,600</u> | <u>\$ 9,851</u> |
| 38 | \$ 3.80 | \$ 6.69 | \$ 14.22 |
| 39 | \$ 3.78 | \$ 6.68 | \$ 14.17 |
| | Weighted average common shares outstanding (thousands) | | |
| 40 | 689,282 | 687,094 | 692,727 |
| 41 | 691,521 | 688,675 | 695,116 |
| 42 | <u>\$ 1.20</u> | <u>\$ 1.04</u> | <u>\$ 0.88</u> |

FREDDIE MAC
CONSOLIDATED BALANCE SHEETS

| Line: | December 31, 2004 | December 31, 2003 | |
|---|--|----------------------|------------|
| | (dollars in millions) | | |
| Assets | | | |
| <i>Retained portfolio</i> | | | |
| Mortgage loans: | | | |
| 1 | Held for investment, at amortized cost | \$ 58,852 | \$ 57,804 |
| 2 | Reserve for losses on mortgage loans held for investment | (114) | (174) |
| 3 | Held for sale, at lower of cost or market value | 2,582 | 2,530 |
| 4 | Mortgage loans, net of reserve | 61,320 | 60,160 |
| Mortgage-related securities: | | | |
| 5 | Available for sale, at fair value (includes \$194 and \$282 pledged as collateral that may be repledged) | 590,461 | 581,326 |
| 6 | Trading, at fair value (includes \$0 and \$32 pledged as collateral that may be repledged) | 11,842 | 18,200 |
| 7 | Participation Certificate residuals, at fair value | 845 | 671 |
| 8 | Total mortgage-related securities | 603,148 | 600,197 |
| 9 | <i>Retained portfolio</i> | 664,468 | 660,357 |
| <i>Cash and investments</i> | | | |
| 10 | Cash and cash equivalents | 35,253 | 23,142 |
| Investments: | | | |
| Mortgage-related securities: | | | |
| 11 | Trading, at fair value (includes \$0 and \$6 pledged as collateral that may be repledged) | - | 32,817 |
| 12 | Participation Certificate residuals, at fair value | - | (5) |
| Non-mortgage-related securities: | | | |
| 13 | Available for sale, at fair value | 29,830 | 31,228 |
| 14 | Trading, at fair value (includes \$0 and \$23 pledged as collateral that may be repledged) | - | 1,314 |
| 15 | Total non-mortgage-related securities | 29,830 | 32,542 |
| 16 | Total mortgage-related and non-mortgage-related securities | 29,830 | 65,354 |
| 17 | Securities purchased under agreements to resell and Federal funds sold | 32,197 | 20,582 |
| 18 | <i>Cash and investments</i> | 97,280 | 109,078 |
| 19 | Accounts and other receivables, net | 7,286 | 8,067 |
| 20 | Derivative assets, at fair value | 15,257 | 16,180 |
| 21 | Guarantee asset for Participation Certificates, at fair value | 4,516 | 3,686 |
| 22 | Real estate owned, net | 741 | 795 |
| 23 | Other assets | 5,626 | 5,286 |
| 24 | <i>Total assets</i> | \$ 795,174 | \$ 803,449 |
| Liabilities and stockholders' equity | | | |
| <i>Debt securities, net</i> | | | |
| Senior debt: | | | |
| 25 | Due within one year | \$ 282,303 | \$ 295,262 |
| 26 | Due after one year | 443,772 | 438,738 |
| 27 | Subordinated debt, due after one year | 5,622 | 5,613 |
| 28 | <i>Total debt securities, net</i> | 731,697 | 739,613 |
| 29 | Due to Participation Certificate investors | 13,654 | 13,205 |
| 30 | Accrued interest payable | 7,329 | 7,345 |
| 31 | Guarantee obligation for Participation Certificates | 4,065 | 2,904 |
| 32 | Derivative liabilities, at fair value | 226 | 357 |
| 33 | Reserve for guarantee losses on Participation Certificates | 150 | 125 |
| 34 | Other liabilities | 5,238 | 6,484 |
| 35 | <i>Total liabilities</i> | 762,359 | 770,033 |
| 36 | Commitments and contingencies | | |
| 37 | <i>Minority interests in consolidated subsidiaries</i> | 1,509 | 1,929 |
| <i>Stockholders' equity</i> | | | |
| 38 | Preferred stock, at redemption value | 4,609 | 4,609 |
| 39 | Common stock, \$0.21 par value, 726,000,000 shares authorized, 725,882,280 shares issued and 690,606,185 shares and 688,573,911 shares outstanding, respectively | 152 | 152 |
| 40 | Additional paid-in capital | 873 | 814 |
| 41 | Retained earnings | 30,618 | 28,837 |
| Accumulated other comprehensive income (loss), (AOCI) net of taxes, related to: | | | |
| 42 | Available-for-sale securities | 4,339 | 6,349 |
| 43 | Cash flow hedge relationships | (7,924) | (7,837) |
| 44 | Minimum pension liability | (8) | (10) |
| 45 | Total accumulated other comprehensive income (loss), net of taxes | (3,593) | (1,498) |
| 46 | Treasury stock, at cost, 35,276,095 shares and 37,308,369 shares, respectively | (1,353) | (1,427) |
| 47 | <i>Total stockholders' equity</i> | 31,306 | 31,487 |
| 48 | <i>Total liabilities and stockholders' equity</i> | \$ 795,174 | \$ 803,449 |

FREDDIE MAC
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

| Line: | | Year Ended December 31, | | | | | |
|---|--|----------------------------------|-----------|--------|-----------|--------|-----------|
| | | 2004 | | 2003 | | 2002 | |
| | | Shares | Amount | Shares | Amount | Shares | Amount |
| | | (dollars and shares in millions) | | | | | |
| <i>Preferred stock, at redemption value</i> | | | | | | | |
| 1 | Balance, beginning of year | 92 | \$ 4,609 | 92 | \$ 4,609 | 92 | \$ 4,596 |
| 2 | Preferred stock issuances | - | - | - | - | 6 | 300 |
| 3 | Preferred stock redemptions | - | - | - | - | (6) | (287) |
| 4 | <i>Preferred stock, end of year</i> | 92 | 4,609 | 92 | 4,609 | 92 | 4,609 |
| <i>Common stock, par value</i> | | | | | | | |
| 5 | Balance, beginning of year | 726 | 152 | 726 | 152 | 726 | 152 |
| 6 | <i>Common stock, end of year</i> | 726 | 152 | 726 | 152 | 726 | 152 |
| <i>Additional paid-in capital</i> | | | | | | | |
| 7 | Balance, beginning of year | | 814 | | 744 | | 671 |
| 8 | Stock-based compensation, before tax effect of \$20, \$23 and \$23 | | 56 | | 64 | | 65 |
| 9 | Income tax benefit from employee stock option exercises | | 20 | | 16 | | 16 |
| 10 | Preferred stock issuance costs | | - | | - | | (2) |
| 11 | Common stock issuances | | (17) | | (10) | | (6) |
| 12 | <i>Additional paid-in capital, end of year</i> | | 873 | | 814 | | 744 |
| <i>Retained earnings</i> | | | | | | | |
| 13 | Balance, beginning of year | | 28,837 | | 24,955 | | 15,710 |
| 14 | Net income | | 2,827 | | 4,816 | | 10,090 |
| 15 | Preferred stock dividends declared | | (210) | | (216) | | (234) |
| 16 | Common stock dividends declared | | (836) | | (718) | | (611) |
| 17 | <i>Retained earnings, end of year</i> | | 30,618 | | 28,837 | | 24,955 |
| <i>AOCI, net of taxes</i> | | | | | | | |
| 18 | Balance, beginning of year | | (1,498) | | 2,340 | | (557) |
| 19 | Changes in unrealized gains (losses) related to available-for-sale securities, net of reclassification adjustments | | (2,010) | | (5,868) | | 8,017 |
| 20 | Changes in unrealized gains (losses) related to cash flow hedge relationships, net of reclassification adjustments | | (87) | | 2,040 | | (5,120) |
| 21 | Change in minimum pension liability | | 2 | | (10) | | - |
| 22 | <i>AOCI, net of taxes, end of year</i> | | (3,593) | | (1,498) | | 2,340 |
| <i>Treasury stock, at cost</i> | | | | | | | |
| 23 | Balance, beginning of year | 37 | (1,427) | 39 | (1,470) | 31 | (948) |
| 24 | Common stock issuances | (2) | 74 | (2) | 43 | (1) | 33 |
| 25 | Common stock repurchases | - | - | - | - | 9 | (555) |
| 26 | <i>Treasury stock, end of year</i> | 35 | (1,353) | 37 | (1,427) | 39 | (1,470) |
| 27 | <i>Total stockholders' equity</i> | | \$ 31,306 | | \$ 31,487 | | \$ 31,330 |
| <i>Comprehensive income</i> | | | | | | | |
| 28 | Net income | | \$ 2,827 | | \$ 4,816 | | \$ 10,090 |
| 29 | Changes in AOCI, net of taxes, net of reclassification adjustments | | (2,095) | | (3,838) | | 2,897 |
| 30 | <i>Total comprehensive income</i> | | \$ 732 | | \$ 978 | | \$ 12,987 |