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Freddie Mac Note 5 to Consolidate Financial Statements- Retained Portfolio and Cash and Investments Portfolio

Federal Home Loan Mortgage Corporation (Freddie Mac)

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NOTE 5: RETAINED PORTFOLIO AND CASH AND INVESTMENTS PORTFOLIO

Table 5.1 summarizes amortized cost, estimated fair values and corresponding gross unrealized gains and gross unrealized losses by major security type for available-for-sale mortgage-related securities held in the Retained portfolio and available-for-sale non-mortgage-related securities held in the Cash and investments portfolio at December 31, 2004 and 2003, respectively.

Table 5.1 — Available-For-Sale Securities

	December 31, 2004			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
	(dollars in millions)			
Retained portfolio				
Mortgage-related securities issued by:				
Freddie Mac	\$348,034	\$5,506	\$(1,438)	\$352,102
Fannie Mae	58,922	950	(353)	59,519
Ginnie Mae	1,677	86	(1)	1,762
Other	166,738	1,700	(380)	168,058
Obligations of states and political subdivisions	8,751	301	(32)	9,020
Total mortgage-related securities	<u>584,122</u>	<u>8,543</u>	<u>(2,204)</u>	<u>590,461</u>
Cash and investments portfolio				
Non-mortgage-related securities:				
Asset-backed securities	21,668	120	(55)	21,733
Obligations of states and political subdivisions	8,098	—	(1)	8,097
Total non-mortgage-related securities	<u>29,766</u>	<u>120</u>	<u>(56)</u>	<u>29,830</u>
Total available-for-sale securities	<u>\$613,888</u>	<u>\$8,663</u>	<u>\$(2,260)</u>	<u>\$620,291</u>
	December 31, 2003			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(dollars in millions)			
Retained portfolio				
Mortgage-related securities issued by:				
Freddie Mac	\$378,956	\$ 7,010	\$(1,540)	\$384,426
Fannie Mae	75,705	1,524	(385)	76,844
Ginnie Mae	2,785	134	(1)	2,918
Other	107,522	2,152	(265)	109,409
Obligations of states and political subdivisions	7,449	306	(26)	7,729
Total mortgage-related securities	<u>572,417</u>	<u>11,126</u>	<u>(2,217)</u>	<u>581,326</u>
Cash and investments portfolio				
Non-mortgage-related securities:				
Asset-backed securities	16,209	394	(7)	16,596
Corporate debt securities	4,698	230	(4)	4,924
Obligations of states and political subdivisions	9,494	—	—	9,494
Commercial paper	150	—	—	150
Preferred stock	64	—	—	64
Total non-mortgage-related securities	<u>30,615</u>	<u>624</u>	<u>(11)</u>	<u>31,228</u>
Total available-for-sale securities	<u>\$603,032</u>	<u>\$11,750</u>	<u>\$(2,228)</u>	<u>\$612,554</u>

In 2004, 2003 and 2002, Freddie Mac received proceeds of \$85,583 million, \$142,167 million and \$172,964 million, respectively, from the sale of securities from its available-for-sale portfolio. The proceeds received resulted in gross realized gains of \$800 million and gross realized losses of \$203 million in 2004, gross realized gains of \$1,903 million and gross realized losses of \$1,077 million in 2003 and gross realized gains of \$1,575 million and gross realized losses of \$257 million in 2002.

Management has determined that the \$2,260 million of gross unrealized losses on the company's available-for-sale mortgage-related and non-mortgage-related securities at December 31, 2004 are not other

Freddie Mac