Federal Housing Finance Agency

Conservator's Report on the Enterprises' Financial Performance

Fourth Quarter 2012

Contents

The purpose of this report is to provide an overview of key aspects of the financial condition of Fannie Mae and Freddie Mac (the Enterprises) during conservatorship. The data in this report is derived primarily from the Enterprises' SEC filings and other publicly available sources. In some cases, FHFA adjusted the classification of certain data to provide comparability between the Enterprises. In other cases, the Enterprises' reporting methodologies changed over time. Therefore, the data in this report may not exactly match published figures.

Executive Summary

Mortgage Markets and the Enterprises' Market Presence

Mortgage originations in 2012 rose for the first time in two years spurred by refinance volume. Refinance activity remained robust as mortgage rates reached new record lows and Home Affordable Refinance Program (HARP) volume remained high driven by enhancements targeting deeply underwater borrowers. Seventy-two percent of all mortgage originations in 2012 were due to refinance volume. Fannie Mae and Freddie Mac accounted for $1.3 trillion or 77 percent of mortgage-backed securities (MBS) issuance in 2012.

Fannie Mae and Freddie Mac continued to provide substantial support for the multifamily market in 2012. The Enterprises purchased or guaranteed $62.5 billion of multifamily origination volume in 2012 representing an estimated 44 percent of the market. Enterprise new business volume increased 40 percent from 2011 levels.

Credit Quality of New Single-Family Business

The quality of new business remained high during the year, as evidenced by average FICO credit scores above 755. The Enterprises continue to experience an increase in new business with loan-to-value (LTV) ratios greater than 90 percent, which is directly related to increased activity under HARP. Purchases of non-traditional and higher-risk mortgages continued to be very low.

Financial Results

Fannie Mae and Freddie Mac reported record earnings in 2012 influenced by signs of recovery in the housing market. This year marks the first time since 2006 that both Enterprises reported positive net income. Fannie Mae and Freddie Mac reported net income in 2012 of $17.2 billion and $11.0 billion, respectively, ending the year with net worth of $7.2 billion and $8.8 billion, respectively.

Single-Family Credit Guarantee Segment Results

In 2012, both Enterprises reported significantly lower provisions for credit losses. Improvement in national home prices (including sales prices of real estate owned (REO) properties), together with a shrinking delinquent loan count, reduced the need for further increases in loan loss reserves resulting in lower provisions for credit losses. Fannie Mae generated income from the Single-Family Guarantee Segment in 2012.

Investments and Capital Markets Segment Results

The Investments and Capital Markets segment was a positive contributor to capital in 2012. Both Enterprises continued to benefit from low funding costs driven by the low interest rate environment, contributing to this segment generating $27 billion in total comprehensive income for the year.

Loss Mitigation Activity

Since conservatorship, the Enterprises have completed approximately 2.7 million foreclosure prevention actions. More than 2.2 million of these actions have helped troubled homeowners save their homes including over 1.3 million permanent loan modifications.

Projections of Financial Performance

Cumulative Treasury draws remained unchanged at $187.5 billion. Both Enterprises ended the quarter with positive net worth, and as a result, neither Enterprise required a Treasury draw in the second half of the year.

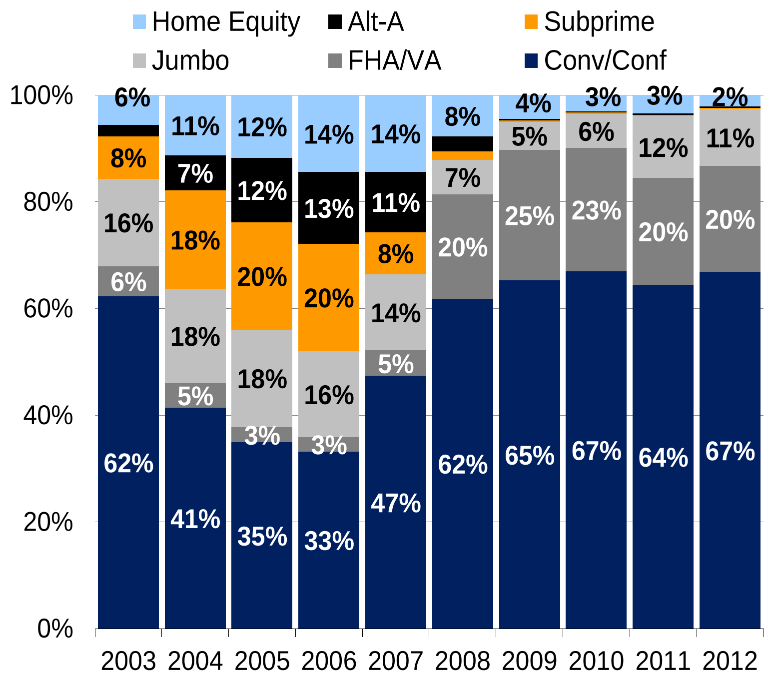
The projected combined Treasury draws for the second half of 2012 ranged from $3 billion to $17 billion. The primary driver of the difference between actual and projected performance was lower than projected provisions for credit losses and lower than projected mark-to-market losses. Lower provisions for credit losses were mainly driven by improved portfolio quality reflected in lower delinquencies and improvements in national home prices.

1 Mortgage Markets and the Enterprises' Market Presence

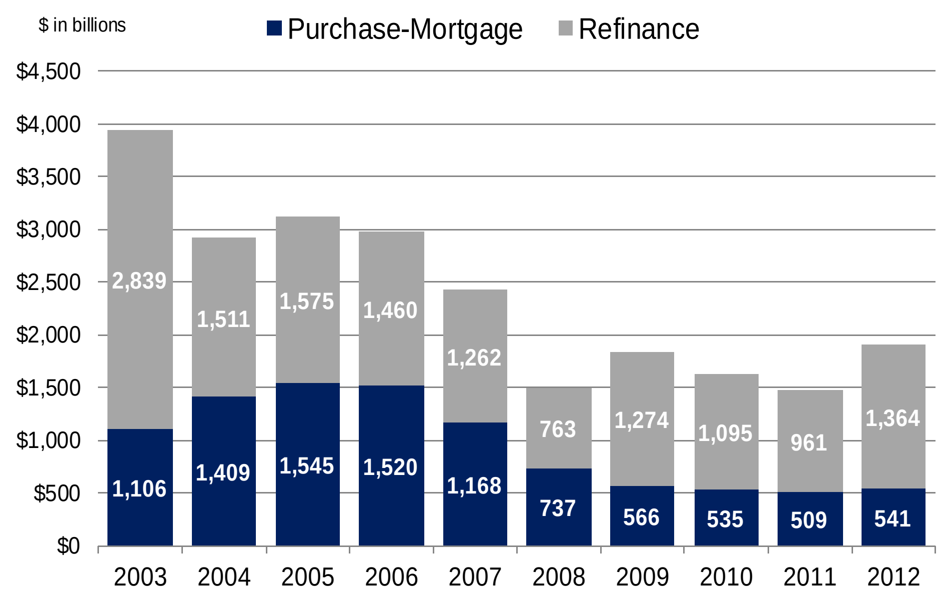
1.1 Primary Mortgage Market Trends—Mortgage Originations

- Mortgage originations in 2012 rose for the first time in two years spurred by strong refinance volume. Refinance volume increased to 72 percent of all mortgage originations, propelled by record low mortgage rates, coupled with high Home Affordable Refinance Program (HARP) volume driven by enhancements targeting deeply underwater borrowers.

Figure 1.1 Mortgage Originations by Product Type *($ in billions)*



Source:
Inside Mortgage Finance.

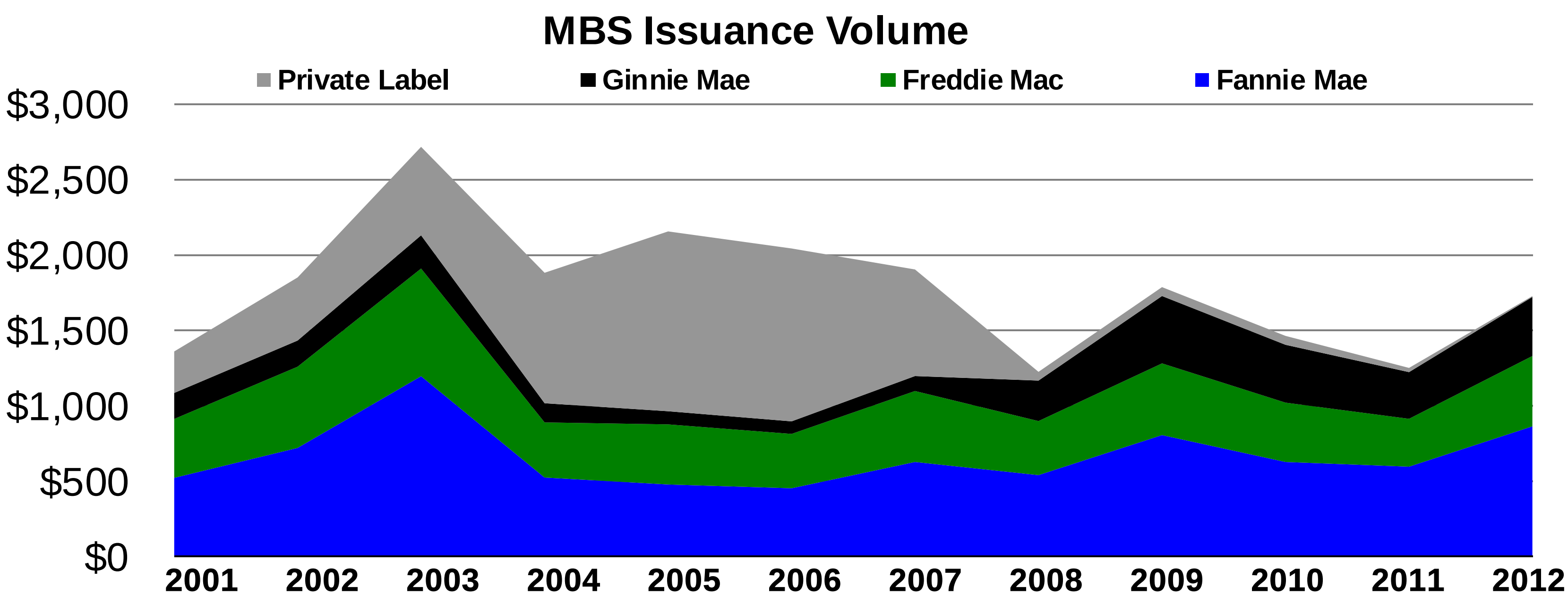


Source:
Inside Mortgage Finance.

1.2 Secondary Mortgage Market Trends—Mortgage-Backed Securities Issued

- Fannie Mae and Freddie Mac continued to provide critical support for the secondary mortgage market in 2012. The Enterprises accounted for $1.3 trillion or 77 percent of mortgage-backed securities (MBS) issuances in 2012, the highest reported annual market share since 2000. The Enterprises and Ginnie Mae continue to account for essentially all issuances of mortgage-backed securities.

Figure 1.2 Enterprises' Market Share – MBS Issuance Volume *($ in billions)*



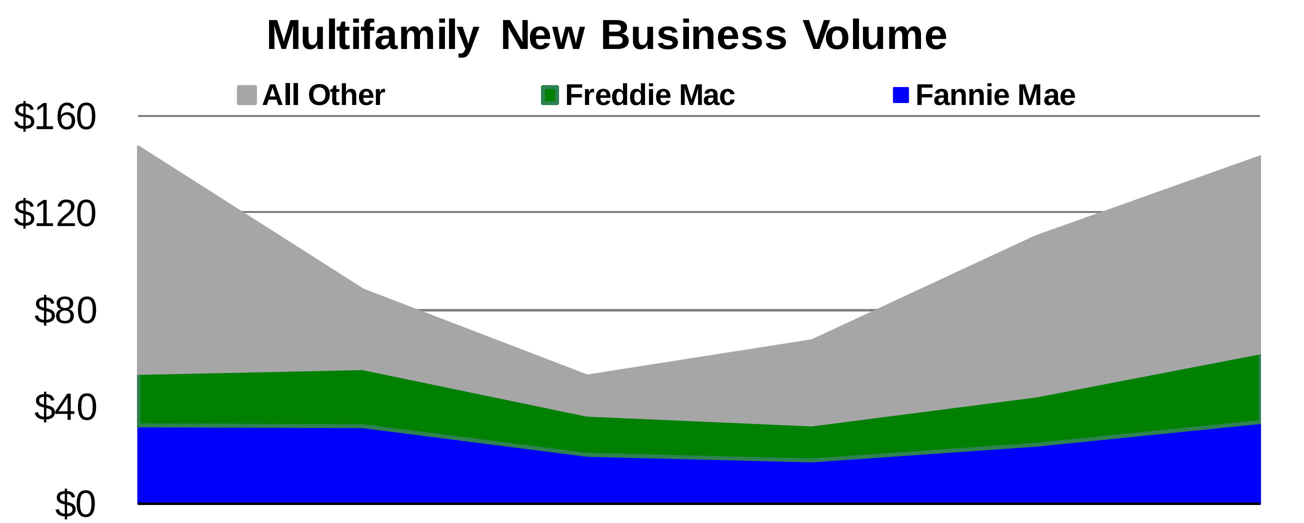
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Enterprises	67%	68%	70%	47%	41%	40%	58%	73%	72%	70%	73%	77%
Ginnie Mae	13%	9%	8%	7%	4%	4%	5%	22%	25%	26%	25%	23%
Total Agency	80%	77%	78%	54%	45%	44%	63%	95%	97%	96%	98%	100%

Sources:
Inside Mortgage Finance, Inside MBS & ABS, Enterprises' Monthly Volume Summaries.
Issuance figures exclude MBS issued backed by assets previously held in the Enterprises' portfolios.

1.3 Secondary Mortgage Market Trends—Multifamily Market Presence

- Fannie Mae and Freddie Mac continued to provide substantial support for the multifamily market in 2012. The Enterprises purchased or guaranteed $62.5 billion of multifamily origination volume in 2012 representing an estimated 44 percent of the market. Enterprise new business volume increased 40 percent from 2011 levels.

Figure 1.3 Enterprises' Market Share – Multifamily New Business Volume* *($ in billions)*



	2007	2008	2009	2010	2011	2012E
Fannie Mae	22%	36%	38%	27%	22%	24%
Freddie Mac	15%	27%	32%	22%	18%	20%
Enterprises	37%	64%	70%	49%	41%	44%

* New business volume is defined as purchases or guarantees of multifamily loan originations.

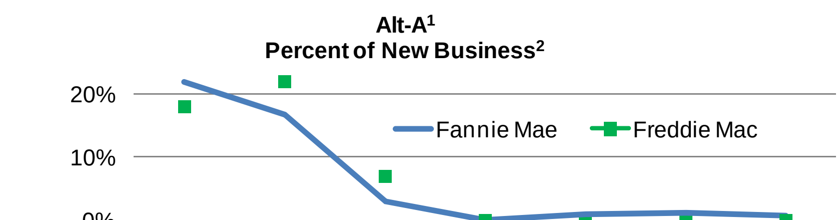
Sources:
Mortgage Bankers Association, Enterprises' Annual Reports
All Other includes banking institutions, life insurance companies, mortgage companies, and other government agencies.

2 Credit Quality of New Single-Family Business

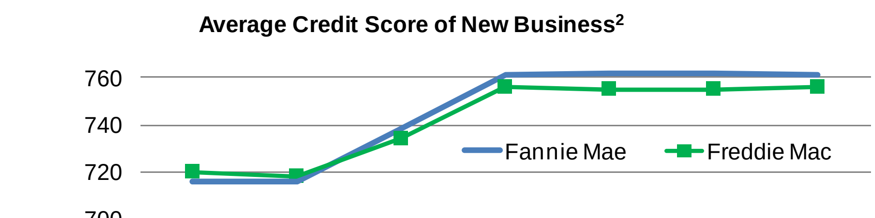
2.1 Credit Characteristics of the Enterprises' New Single-Family Business

- In 2012, the credit quality of new Single-Family business remained high. Purchases of non-traditional and higher-risk mortgages continued to be very low, and the average FICO credit score at both Enterprises was above 755. However, the average LTV ratio for new business increased due to the Enterprises' refinance programs, including HARP, targeting deeply underwater borrowers.

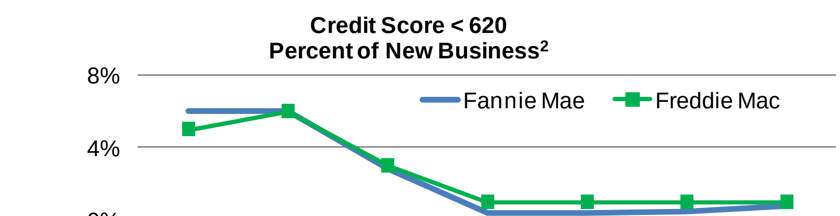
Figure 2.1 Characteristics of Single-Family Mortgage Acquisitions



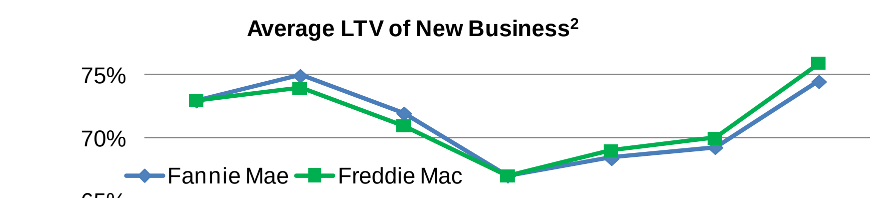
	2006	2007	2008	2009	2010	2011	2012
Fannie Mae	22%	17%	3%	0%	1%	1%	1%
Freddie Mac	18%	22%	7%	0%	0%	0%	0%



	2006	2007	2008	2009	2010	2011	2012
Fannie Mae	716	716	738	761	762	762	761
Freddie Mac	720	718	734	756	755	755	756



	2006	2007	2008	2009	2010	2011	2012
Fannie Mae	6%	6%	3%	0%	0%	0%	1%
Freddie Mac	5%	6%	3%	1%	1%	1%	1%



	2006	2007	2008	2009	2010	2011	2012
Fannie Mae	73%	75%	72%	67%	68%	69%	75%
Freddie Mac	73%	74%	71%	67%	69%	70%	76%

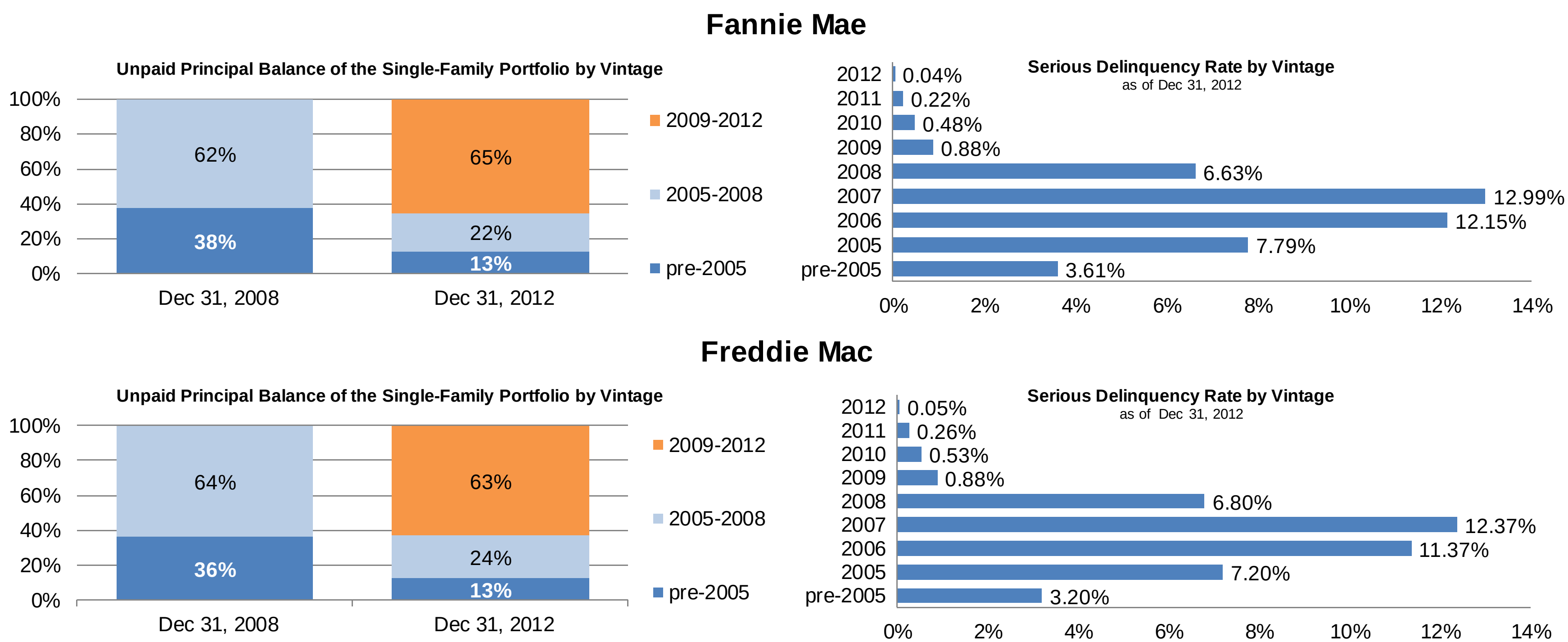
Sources:
Enterprises' Forms 10-K and 10-Q, credit supplements to SEC disclosures, and management reports.

See reference notes found on pages 18 and 19.

2.2 Credit Performance by Vintage

- The post-conservatorship business now accounts for approximately 65 percent of the total single-family portfolio at both Enterprises. Serious delinquency rates for these newer vintages remain very low. While serious delinquency rates remain very high for loans originated between 2005 and 2008, these loans now account for approximately 25 percent of the single-family portfolio.

Figure 2.2 Single-Family Unpaid Principal Balances and Serious Delinquency Rates



Sources:
Enterprises' Forms 10-K and 10-Q, credit supplements to SEC disclosures, and management reports.

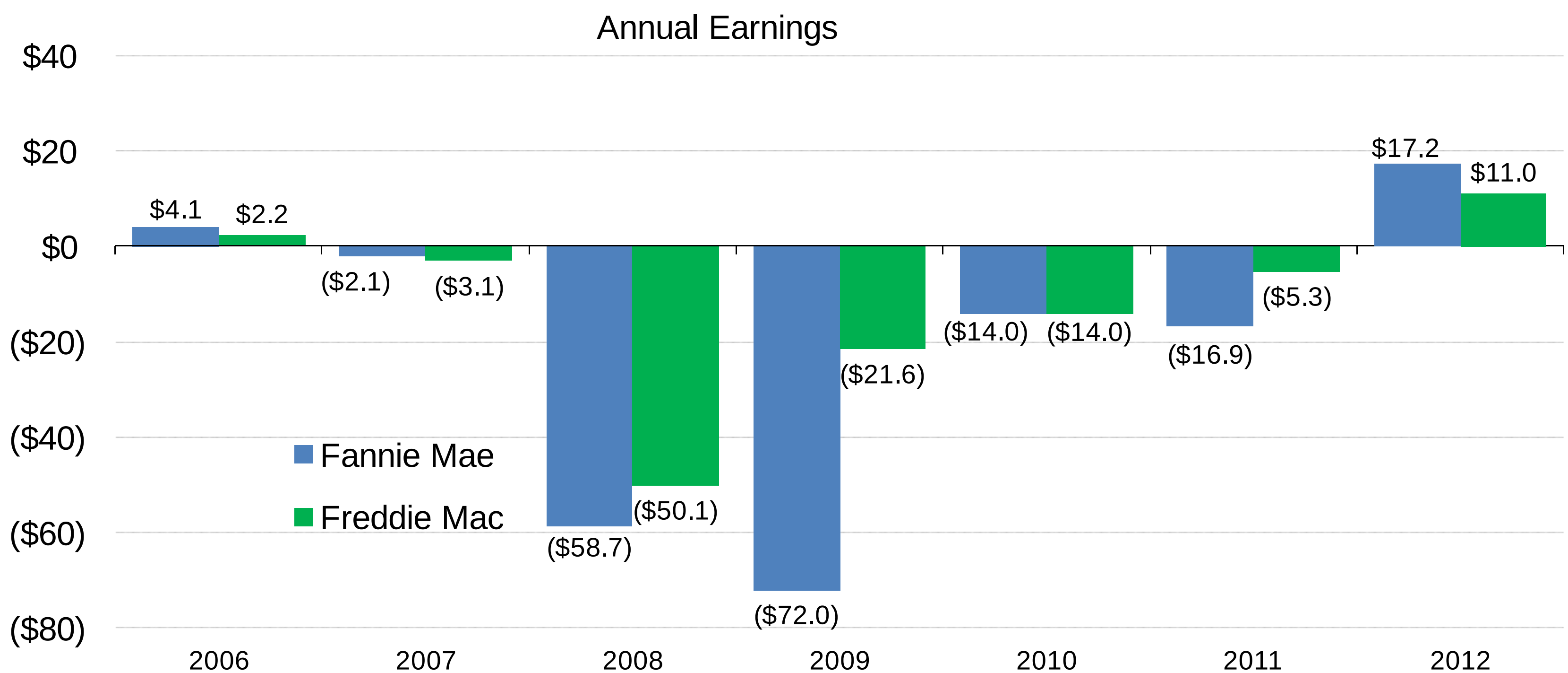
Serious Delinquency - All loans in the process of foreclosure plus loans that are three or more payments delinquent (including loans in the process of bankruptcy).

3. Capital

3.1 Earnings: January 1, 2008 – December 31, 2012

- Fannie Mae and Freddie Mac reported record earnings in 2012. The Enterprises' financial performance in 2012 was influenced by signs of recovery in the housing market. For the first time in several years, housing prices increased over the past year. According to the FHFA index, national home prices grew 5.5 percent between the fourth quarters of 2011 and 2012 driven by tight supply and rebounding demand. Improving house prices and fewer seriously delinquent loans reduced the Enterprises' credit exposure, which substantially lowered credit-related expenses and contributed significantly to the Enterprises reporting positive net income.

Figure 3.1 Earnings: January 1, 2006 – December 31, 2012 *($ in billions)*



Source:
Enterprises' Forms 10-K.

3.2 Capital Changes: January 1, 2008 – December 31, 2012

- At the end of 2007, the Enterprises had $71 billion of combined capital. From the end of 2007 through the fourth quarter of 2012, the Enterprises' combined charges against capital have totaled $250 billion, requiring Treasury support of $187.5 billion through draws under the Senior Preferred Stock Purchase Agreements. However, in 2012 the Enterprises generated capital of $16 billion, which reduced the cumulative capital deficit from the prior year. The Single-Family Credit Guarantee segment has been the largest contributor to charges against capital, accounting for $209 billion, or 84 percent of the cumulative change in capital since 2007. Senior preferred dividends on Treasury draws accounted for $55 billion, or 22 percent of the cumulative change in capital.

Figure 3.2 Capital Changes: January 1, 2008 – December 31, 2012 *($ in billions)*

	Fannie Mae				Freddie Mac				Combined
	2008-2010	2011	2012	2008 - 2012	2008-2010	2011	2012	2008 - 2012	2008 - 2012
Beginning Capital[3]	$44	$0	$0	$44	$27	$0	$0	$27	$71
Equity Issuance[4]	7	0	0	7	0	0	0	0	7
Available Capital	$51	$0	$0	$51	$27	$0	$0	$27	$78
Capital Change									
Single-Family Comprehensive Income (Loss)[5]	($117)	($24)	$6	($135)	($64)	($10)	($0)	($74)	($209)
Multifamily Comprehensive Income (Loss)[5,6]	(6)	1	2	(4)	12	2	4	18	14
Investments Comprehensive Income (Loss)[5,6]	(0)	10	16	25	(14)	6	11	4	29
Other	(8)	(3)	(5)	(15)	(15)	0	1	(14)	(29)
Senior Preferred dividends	(10)	(10)	(12)	(31)	(10)	(6)	(7)	(24)	(55)
Total Capital Change[7]	($141)	($26)	$7	($160)	($91)	($8)	$9	($89)	($250)
Capital surplus (deficit)	($90)	($26)	$7	($109)	($64)	($8)	$9	($63)	($171)
Treasury Senior Preferred draw[8]	$90.2	$25.9	$0.0	$116.1	$63.7	$7.6	$0.0	$71.3	$187.5

Sources:
Fannie Mae segment earnings per Fannie Mae SEC disclosures for the relevant time periods.
Freddie Mac's 2008 and 2009 comprehensive income (loss) by segment reflect revised methodology effective January 1, 2010.
See reference notes found on pages 18 and 19.
Totals may not sum due to rouding.

4. Single-Family Credit Guarantee Segment Results

4.1 Single-Family Credit Guarantee Segment Results

- The Enterprises reported significantly lower provisions for credit losses in 2012. Improvements in national home prices, together with fewer seriously delinquent loans reduced the need for further increases in loan loss reserves, which resulted in lower provisions for credit losses. In 2012, Fannie Mae generated income from the Single-Family Credit Guarantee segment.

Figure 4.1 Single-Family Credit Guarantee Segment Results *($ in billions)*

	Fannie Mae				Freddie Mac				Total
	2008 - 2010	2011	2012	2008 - 2012	2008 - 2010	2011	2012	2008 - 2012	2008 - 2012
Revenue[9]	$20	$6	$8	$34	$14	$5	$5	$24	$58
(Provision) benefit for credit losses[10]	(100)	(26)	1	(126)	(64)	(12)	(3)	(80)	(206)
Other expenses[11]	(34)	(3)	(3)	(40)	(13)	(3)	(2)	(18)	(58)
(Provision) benefit for taxes	(3)	0	(0)	(3)	(1)	(0)	0	(1)	(4)
Comprehensive Income (Loss)[12]	($118)	($24)	$6	($135)	($64)	($10)	($0)	($74)	($209)

Sources:
Fannie Mae segment earnings per Fannie Mae SEC disclosures for the relevant time periods. Effective in the first quarter 2010, Fannie Mae changed the presentation of segment financial information; prior periods were not revised. Freddie Mac segment comprehensive income (loss) for 2008 and 2009 reflect revised methodology effective January 1, 2010. Enterprise segment comprehensive income (loss) since 2010 is not comparable with prior periods due to the adoption of accounting standards for consolidations, effective January 1, 2010.
See reference notes found on pages 18 and 19.
Totals may not sum due to rounding.

4.2 Loan Loss Reserves

- Loan loss reserves decreased at both Enterprises during 2012, but remain high. Improvement in home prices and the continued decline in the number of seriously delinquent loans reduced the need to add substantially to loan loss reserves.

Figure 4.2 Loan Loss Reserves *($ in billions)*

	Fannie Mae				Freddie Mac			
Single-Family Loss Reserve	**2008 - 2010**	**2011**	**2012**	**2008 - 2012**	**2008 - 2010**	**2011**	**2012**	**2008 - 2012**
Beginning balance[13]	$3	$60	$72		$3	$39	$39	
Provision (benefit) for credit losses[14,15]	100	26	(1)	126	64	12	3	80
Charge-offs, net[15]	(39)	(18)	(15)	(71)	(22)	(12)	(11)	(46)
Other	(5)	3	3		(5)	(1)	(0)	
Ending balance[13]	$60	$72	$59		$39	$39	$31	
Credit Losses - Single-Family								
Charge-offs[15]	$39	$18	$15	$71	$22	$12	$11	$46
Other[16]	0	0	0	0	1	0	0	2
Foreclosed Property Expense	4	1	(0)	5	2	1	0	3
Total[15]	$43	$18	$14	$76	$26	$13	$12	$50

Sources:
SEC disclosures for the relevant time periods.
See reference notes found on pages 18 and 19.
Totals may not sum due to rounding.

Credit Losses

4.3 • Non-traditional and higher-risk mortgages concentrated in the 2006 and 2007 vintages, and mortgages originated in California, Florida, Arizona and Nevada continue to account for a disproportionate share of credit losses (charge-offs and foreclosed property expenses). However, the proportion of losses coming from non-traditional products continued to decline in 2012 as these vintages aged and account for a smaller proportion of the guarantee portfolio.

Figure 4.3 Credit Losses *(Percent of total credit losses)*

	Fannie Mae				Freddie Mac		
	% of UPB as of Dec 31, 2008[17]	2008	2012		% of UPB as of Dec 31, 2008[17]	2008	2012
by State				**by State**			
California	16%	25%	18%	California	14%	30%	24%
Florida	7%	11%	21%	Florida	7%	10%	17%
Arizona	3%	8%	6%	Arizona	3%	9%	7%
Nevada	1%	5%	5%	Nevada	1%	4%	6%
				Illinois	5%	2%	9%
by Product[18]				**by Product**[18]			
Alt-A	11%	46%	24%	Alt-A	10%	50%	23%
Interest-Only	8%	34%	22%	Interest-Only	9%	50%	23%
by Vintage				**by Vintage**			
2006	14%	35%	26%	2006	15%	41%	25%
2007	20%	28%	32%	2007	19%	25%	36%
2008	16%	1%	8%	2008	15%	0%	9%
2009	N/A	N/A	3%	2009	N/A	N/A	2%
2010	N/A	N/A	2%	2010	N/A	N/A	1%

Sources:
Enterprises' Forms 10-K and 10-Q, credit supplements to SEC disclosures, and management reports.
See reference notes found on pages 18 and 19.

5. Investments and Capital Markets Segment Results

5.1 Investments and Capital Markets Segment Results

- In 2012, the Investments and Capital Markets segment generated substantial capital primarily driven by low funding costs as a result of the interest rate environment, combined with gains on available-for-sale (AFS) securities. Prices of private label securities (classified as AFS) rose during the year as investors had a generally positive outlook for vintage non-agency MBS due to attractive yields and lower perceived risks.

Figure 5.1 Investments and Capital Markets Segment Results *($ in billions)*

	Fannie Mae				Freddie Mac				Combined
	2008 - 2010	2011	2012	2008 - 2012	2008 - 2010	2011	2012	2008 - 2012	2008 - 2012
Revenue[19]	$34	$13	$13	$60	$17	$7	$6	$31	$90
Derivatives gains (losses)	($25)	(7)	(4)	(35)	($10)	(4)	2	(12)	(47)
Trading gains (losses)	($0)	0	1	1	$4	(1)	(2)	2	2
Security impairments	($18)	(0)	(1)	(19)	($31)	(2)	(2)	(34)	(53)
Other[20]	$5	$3	$5	$13	$1	$2	$3	$6	19
(Provision) benefit for taxes[21]	(9)	0	(0)	(9)	(2)	0	1	(1)	(10)
Net income (loss)	**($12)**	**$9**	**$14**	**$11**	**($20)**	**$3**	**$8**	**($9)**	**$2**
Unrealized gains (losses) on AFS[22]	$9	1	2	11	$1	3	3	7	19
Accounting change for Impairments	3	-	-	3	5	-	-	5	8
Total Comprehensive Income (Loss)	**($0)**	**$10**	**$16**	**$25**	**($14)**	**$6**	**$11**	**$4**	**$29**

Sources:
Fannie Mae segment earnings per Fannie Mae SEC disclosures for the relevant time periods. Effective in the first quarter 2010, Fannie Mae changed the presentation of segment financial information; prior periods were not revised. Freddie Mac segment comprehensive income (loss) for 2008 and 2009 reflect revised methodology effective January 1, 2010. Enterprise segment comprehensive income (loss) since 2010 is not comparable with prior periods due to the adoption of accounting standards for consolidations effective January 1, 2010.
See reference notes found on pages 18 and 19.
Totals may not sum due to rounding.

5.2 Security Impairments

- Security impairments in 2012 were relatively flat compared to 2011 for both Enterprises. Freddie Mac's non-agency MBS portfolio is larger than Fannie Mae's, generally causing higher levels of security impairments. A substantial portion of both Enterprises' security impairments during 2012 was from 2006 and 2007 vintage subprime securities.

Figure 5.2 Security Impairments *($ in billions)*

Fannie Mae

	2008 - 2010	2011	2012	2008 - 2012
Alt-A/Option	$9.1	$0.6	$0.4	$10.0
Subprime	8.0	(0.3)	0.3	8.0
Other	0.5	0.0	0.0	0.6
Total[23]	$17.6	$0.3	$0.7	$18.6

Freddie Mac

	2008 - 2010	2011	2012	2008 - 2012
Alt-A	$6.4	$0.2	$0.2	$6.7
Subprime	11.9	1.3	1.3	14.5
CMBS	0.2	0.4	0.1	0.7
Option ARM	10.7	0.4	0.6	11.7
Other	2.6	0.1	0.0	2.7
Total[23]	$31.9	$2.3	$2.2	36.3

Sources:
Fannie Mae and Freddie Mac management reports.
See reference notes found on pages 18 and 19.
Totals may not sum due to rounding.

6. Loss Mitigation Activity

- The Enterprises have traditionally worked with delinquent borrowers to mitigate credit losses in situations where the borrower demonstrates the willingness and ability to cure the delinquency. Loss mitigation actions include home retention actions (loan modifications, repayment plans and forbearance plans), and home forfeiture actions (short sales and deeds-in-lieu).
  The Enterprises have completed approximately 2.7 million foreclosure prevention actions since the start of conservatorship in September 2008. More than 2.2 million of these actions have helped troubled homeowners save their homes including over 1.3 million permanent loan modifications.
  More information on the Enterprises' loss mitigation activities can be found in FHFA's Fourth Quarter 2012 Foreclosure Prevention Report.

Figure 6 Enterprises' Completed Foreclosure Prevention Actions

	Full Year 2009	Full Year 2010	Full Year 2011	Full Year 2012	Conservatorship to Date[24]
Home Retention Actions					
Repayment Plans	142,360	185,954	181,558	142,615	665,796
Forbearance Plans	25,227	63,024	34,423	22,812	147,602
Charge-offs-in-lieu	2,247	3,118	2,263	1,335	9,236
HomeSaver Advance *(Fannie)*	39,199	5,191	-	-	70,178
Loan Modifications	163,647	575,022	322,108	232,993	1,317,547
Total	**372,680**	**832,309**	**540,352**	**399,755**	**2,210,359**
Nonforeclosure - Home Forfeiture Actions					
Short Sales	55,447	107,953	115,237	125,232	410,061
Deeds-in-lieu	2,971	6,043	10,231	16,232	36,017
Total	**58,418**	**113,996**	**125,468**	**141,464**	**446,078**
Total Foreclosure Prevention Actions	**431,098**	**946,305**	**665,820**	**541,219**	**2,656,437**

7. Comparison of Actual Results to Projections of the Enterprises' Financial Performance

7.1 Comparison of Actual Results to Projections of the Enterprises' Financial Performance

- FHFA published updated projections of the Enterprises' financial performance in October 2012. The purpose and approach of these projections can be found in FHFA's Projections of the Enterprises' Financial Performance, October 2012.
  October 2012 projections are not expected outcomes, but rather modeled projections in response to "what if" exercises based on assumptions about Enterprise operations, financial market conditions, and house prices.
  Combined projected Treasury draws for the Enterprises for the second half of 2012 ranged from $3 billion to $17 billion. Neither Enterprise required a Treasury draw for the second half of 2012 as both Enterprises ended the year with positive net worth.
  The primary driver of the difference was lower than projected provision for credit losses and mark-to-market losses.

Figure 7.1 Actual versus Projected Treasury Draws through 4Q12 *($ in billions)*

Fannie Mae

	Cumulative Treasury Draw as of 6/30/12	Projected Draw for the second half of 2012	Projected Cumulative Draw as of 12/31/12
Scenario 1	$116.1	$2	$118
Scenario 2	$116.1	$6	$122
Scenario 3	$116.1	$12	$128
Actual Draw as of 12/31/12			**$116.1**

Freddie Mac

	Cumulative Treasury Draw as of 6/30/12	Projected Draw for the second half of 2012	Projected Cumulative Draw as of 12/31/12
Scenario 1	$71.3	$1	$73
Scenario 2	$71.3	$2	$74
Scenario 3	$71.3	$5	$76
Actual Draw as of 12/31/12			**$71.3**

Totals may not sum due to rounding.

Notes

1. Refer to sources for Alt-A definitions. Freddie Mac's 2010 figures include Alt-A purchases of $1.5 billion due to a long-term standby commitment termination and a subsequent PC issuance. There was no change to the Alt-A exposure on these mortgages as a result of these transactions. Fannie Mae newly originated Alt-A loans acquired since 2009 consist of the refinancing of existing loans.

2. New business is defined as issuance of MBS/PC plus purchases of whole loans and does not include purchases of mortgage-related securities.

3. Capital is defined as stockholders' equity. In 2011 and 2012, beginning capital includes requested Treasury draws pertaining to the fourth quarter of the prior year.

4. Fannie Mae's figure includes common and preferred stock issuance pre-conservatorship.

5. Segment comprehensive income (loss) represents net income (loss) plus total other comprehensive income (loss) by segment.

6. Freddie Mac includes net interest income on investments in multifamily loans, net interest income on commercial mortgage-backed securities, and non-interest rate risk-related unrealized gains (losses) on commercial mortgage-backed securities and held-for-sale loans in Multifamily Comprehensive Income (Loss), while Fannie Mae includes similar items in Investments comprehensive income. Investments comprehensive income includes the impact of accounting changes for security impairments.

7. Included in total capital change for both Enterprises are losses attributable to the writedown of low income housing tax credits (LIHTC) investments to zero in the fourth quarter of 2009. The writedown of these LIHTC losses for Fannie Mae and Freddie Mac were $5 billion and $3 billion, respectively, and are included in Other. The establishment of a deferred tax asset valuation allowance, which reduced capital by $21 billion for Fannie Mae and $14 billion for Freddie Mac in 2008, is also contributing to the total capital change (valuation allowance has been allocated across segments).

8. Amounts represent the total draws requested based on quarterly net deficits for the periods presented.

9. Consists of guarantee fee income, trust management income, net interest income, and other income. Guarantee fee revenue of $8.2 billion for Fannie Mae in 2012 was offset by net interest expense of $0.8 billion primarily related to interest income not recognized for non-accrual loans.

10. The provision for credit losses is the recognition of estimated incurred losses and increases the loan loss reserve. Fannie Mae's figures have been adjusted to exclude losses on credit-impaired loans acquired from MBS trusts.

11. Consists of investment gains (losses), fair value losses (Fannie Mae), administrative expenses, other expenses, losses on credit-impaired loans acquired from MBS/PC Trusts, and at Freddie Mac, segment adjustments.

12. Represents segment earnings (loss) and, for periods after 2008, total comprehensive income (loss), net of taxes, for the Single-Family Credit Guarantee segment.

13. Fannie Mae's loan loss reserve excludes amounts related to the allowance for accrued interest receivable and allowance for pre-foreclosure property taxes and insurance receivable. Freddie Mac's loan loss reserve excludes amounts related to the allowance for accrued interest receivable and forgone interest on loans placed on non-accrual status.

14. Freddie Mac's figures represent Segment Earnings provision for credit losses, which is generally higher than that recorded under GAAP, primarily due to recognized provision associated with forgone interest income on loans placed on non-accrual status, which is not recognized under GAAP.

15. Fannie Mae's provision for credit losses has been adjusted to exclude losses on credit-impaired loans acquired from MBS trusts. Additionally, the effect of losses from credit-impaired loans acquired from MBS trusts on charge-offs and foreclosed property expense has been reflected as an adjustment to total credit losses and charge-offs, net.

16. Freddie Mac's figures include charge-offs related to certain loans purchased under financial guarantees.

17. Represents each category's share of the respective Enterprise's single-family book of business, which is based on the unpaid principal balance of all single-family unsecuritized mortgages held by the Enterprises and those underlying Freddie Mac mortgage-related securities, or covered by the Enterprise's other guarantee commitments.

18. Product categories overlap.

19. Consists of guarantee fee expense, trust management income, net interest income, and other income.

20. Figures consist of debt extinguishment losses, debt foreign exchange gains (losses), debt fair-value losses, investment gains (losses), hedged mortgage assets gains, net, administrative expenses, other expenses, and at Freddie Mac, segment adjustments.

21. Includes extraordinary losses /noncontrolling interest.

22. Amount for 2008 includes consolidated changes in unrealized gains (losses) on available for sale securities, net of taxes. Effective April 2009, includes adjustments for other-than-temporary impairments, net of taxes, included in accumulated other comprehensive income due to a change in accounting standards for impairments. At Freddie Mac, amount also includes the change in unrealized gains (losses), net of taxes, related to cash flow hedge relationships.

23. The adoption of an accounting standard for impairments in April 2009 required the Enterprises to begin recognizing only the credit portion of impairments in their statements of income and comprehensive income. This accounting standard did not require the Enterprises to revise previously recorded amounts in their statements of income and comprehensive income but did result in an equity increase of $5 billion and $3 billion for Freddie Mac and Fannie Mae, respectively, which is not reflected in Figure 5.2. For the full year of 2008 and a portion of 2009, amounts include both credit and non-credit-related security impairments.

24. Since the first full quarter in conservatorship (4Q08).