TOWERS PERRIN
HR SERVICES

Countrywide Financial

Competitive Compensation Arrangement for the Chairman of the Board & CEO

October 24, 2006 v2

Countrywide Financial: Competitive Compensation Arrangement for the Chairman of the Board & CEO

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Countrywide Financial: Competitive Compensation Arrangement for the Chairman of the Board & CEO

Background

- Throughout 2006, Angelo Mozilo, Countrywide Financial Corporation's (Countrywide's) Chairman and CEO, began a transition to a non-Executive Chairman role; the Company's President and COO (Stanford Kurland) was expected to assume the role of CEO
  - During the summer, Mr. Kurland's employment with Countrywide was terminated and Mr. Mozilo was asked to remain in his role as Chairman and CEO for another three years
  - This continuity in leadership is especially critical as the Company's primary mortgage business changes and evolves rapidly
- To ensure Mr. Mozilo's ongoing role, the Compensation Committee of the Board of Directors engaged a third-party compensation consultant (ExeQuity) to assist in the design of a new employment contract that will have a duration of three years, with an option for a fourth year
  - On September 4, 2006 the Compensation Committee proposed an employment contract with compensation terms that represented a significant reduction from the CEO's current package, including decreases in base salary, annual bonus and equity compensation
  - Additionally, the proposal was based on a peer group of companies that was substantively different than the group traditionally used by Countrywide
- The original proposal, and a subsequent modification not deemed to be acceptable by Mr. Mozilo. As a result, Towers Perrin was engaged by Countrywide to assist in reviewing the revised proposal and, as relevant, suggesting alternative approaches for the various pay elements

Background (cont'd)

- We believe a number of historical and current factors must be considered
  - Despite exceptional financial performance in recent years, Mr. Mozilo's compensation package has been under scrutiny from the media both for its overall value and design
  - Sensitive to the focus on his compensation arrangement, the CEO has expressed a willingness to make modifications going forward, including reductions in pay
  - In parallel, Mr. Mozilo wants to ensure that any new compensation arrangement is consistent with the Company's compensation philosophy of providing pay levels commensurate sustained exceptional performance
- Additionally, a number of guiding principles must inform the overall review and recommendations for the CEO's revised pay package. The program should be:
  - Consistent with market competitive compensation practices
  - Sensitive to shareholder scrutiny of the overall value of the compensation arrangement
  - Aligned with shareholder interests
  - Provide a strong pay-for-performance emphasis, consistent with the Company's articulated compensation philosophy – pay rises to top quartile market levels only upon exceptional company performance (both absolute and relative)
- This report summarizes our review, observations and potential recommendations, including:
  - Benchmark peer organizations based on industry, size, and financial performance
  - Competitive market compensation levels
  - Preliminary alternatives for the structure and form of compensation to be included in Mr. Mozilo's new employment agreement

[Autodate]

Countrywide Financial: Competitive Compensation Arrangement for the Chairman of the Board & CEO

Executive Summary

- Our recommended program is designed to balance shareholder interests, market competitiveness, and the Company's incentive and retention objectives
- Based on our review of the ExeQuity proposal, market research and experience with similar situations, we recommend the following changes:

Peer Group *(see pages 7 – 11)*	[redacted]
Compensation Elements *(see pages 12 – 20)*	[redacted]
Sign-on Equity Grant *(see pages 21 – 22)*	[redacted]

[redacted]

[Autodate]

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Executive Summary (cont'd)

Total Direct Compensation

[redacted]

[1] Total Direct Compensation = Base salary + annual bonus + expected value of equity compensation

[2] Annualized over three years

[Autodate]

Countrywide Financial: Competitive Compensation Arrangement for the Chairman of the Board & CEO

Overview of ExeQuity Proposal

- The table below summarizes the CEO's total direct compensation[1] for the most recently-completed fiscal year (2005) and the current proposal from ExeQuity
- Under the ExeQuity proposal, pay levels would be reduced across all compensation elements, with structural changes to the annual bonus and equity programs (as described below)

Compensation Element	Countrywide 2005	ExeQuity Proposal		Key Aspects of the ExeQuity Proposal
		Target	Maximum	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[1] Sum of base salary, annual cash bonus award, and the expected value of equity compensation (stock options/SARs, restricted stock, and long-term performance plans)
[2] Based on Towers Perrin's stock option/SAR valuation methodology (estimated value of 2005 options $14,093,200)

[Autodate]

Countrywide Financial: Competitive Compensation Arrangement for the Chairman of the Board & CEO

Peer Group Considerations — Review of Peer Group

- Consistent with any executive compensation assessment, review and consideration for the CEO's prospective employment agreement should be based on comparator group levels and practices
- It is our understanding that the historical peer group used for Countrywide's executive compensation assessment and decisions (for all executives, not just the CEO) has included a range of diversified financial services organizations
  - In addition to mortgage and retail banks, Countrywide has also looked to pay levels and practices among investment banks and others involved in similar capital market transactions
  - The Company has traditionally considered these organizations among it competitors for executive talent
- Similarly, Towers Perrin considers a number of factors when determining appropriate compensation peers

Company Performance	[redacted]
Market for Talent	[redacted]
Size	[redacted]
Business/Product Mix	[redacted]

[redacted]

[Autodate]

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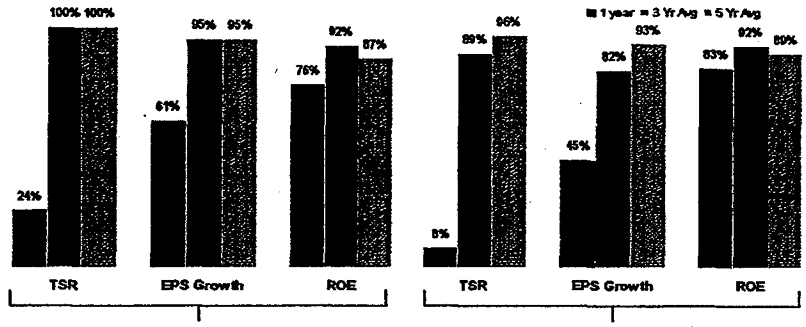
Peer Group Considerations —
Review of Peer Group (cont'd)

Company Performance

- Countrywide's historical performance has far exceeded the peer group used by ExeQuity in developing its compensation proposal, as well as the broader S&P Financial Services Index
  - As the graph below shows, Countrywide's performance has been within – or at the top of – the fourth quartile of performance among those companies identified by ExeQuity during the previous three and five year periods

Countrywide Performance vs. Comparators – %ile Rank



[1] Excludes REITs

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Peer Group Considerations — Review of Peer Group (cont'd)

Market for Talent

- Given Countrywide's overall growth, exceptional historical performance, and its business diversity, it competes for executive talent with a relatively broad range of organizations
  - In addition to other mortgage and retail companies, Countrywide competes with a broader range of financial services organizations
  - Specifically, this range of companies can include investment banks or other diversified financial services companies
- Based on these factors, we recommend the peer group changes below
  - These changes will orient the peer group used to establish the CEO's new pay package to Countrywide's performance and talent profile

Remove from ExeQuity Peer Group...

[redacted]

Add to complete Towers Perrin Peer Group...

[redacted]

[1] Detailed scope and performance summaries for each company can be found in Appendix II

[redacted]

[Autodate]

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Peer Group Considerations — Review of Peer Group (cont'd)

Company	Execuity Peer Group	Towers Perrin Peer Group
[redacted]	[redacted]	[redacted]

Peer Group Scope Measures (MRFYE)	Execuity Peer Group (MRFYE $M)		Towers Perrin Peer Group (MRFYE $M)	
	Revenue	Assets	Revenue	Assets
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Detailed scope and performance information for each peer can be found in Appendix II

[redacted]

[Autodate]

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Peer Group Considerations — Target Total Direct Compensation Positioning

- It is our understanding that the recent total direct compensation proposal was designed to position annual compensation between the 50th and 75th percentiles of the peer group
- In light of Countrywide's historical performance, we believe this annual pay positioning is appropriate, but we recommend targeting the peer group's 65th percentile
  - This positioning, with the opportunity to reach the 90th percentile upon exceptional performance, supports the Company's philosophy – as articulated in the most recent proxy

    "...It is important to retain the best possible executives in the diversified financial services industry...We target total compensation opportunities for the top three executive officers—assuming strong performance—at the highest quartile..."

CEO Total Direct Compensation

	ExeQuity Peer Group	Towers Perrin Peer Group
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

[1] Based on Towers Perrin's stock option/SAR valuation methodology (estimated value of 2005 options $14,093,200)

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Review of Proposed Compensation Structure — Summary

- The following pages provide detailed information about Towers Perrin's review and recommended changes to the recently proposed compensation structure
- The table on the next page provides a summary of Towers Perrin's preliminary revisions
- Conceptually, our recommendation includes:

Base Salary	[illegible]
Annual Bonus	[illegible]
Annual Equity Awards	[illegible]
One-Time Equity Award	[illegible]

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Review of Proposed Compensation Structure — Summary

Comparison of ExeQuity's CEO Compensation Proposal & Towers Perrin's Recommendations

Compensation Element	Countrywide 2005	ExeQuity Proposal		Towers Perrin Proposal	
		Target	Maximum	Target	Maximum
[redacted]					

[1] Subject to performance contingencies; see page 23
[2] Recommended annual incentive plan is formula-based. "Target" award represents payment at approximately peer group 50th %ile ROE performance
[3] Based on Towers Perrin's stock option/SAR valuation methodology (estimated value of 2005 options $14,093,200)

[Autodate]

Countrywide Financial: Competitive Compensation Arrangement for the Chairman of the Board & CEO

Review of Proposed Compensation Structure — A. Base Salary

	Countrywide Current (as of March 2006)	ExeQuity Proposal	Towers Perrin Proposal
[illegible]	[illegible]	[illegible]	[illegible]

- Towers Perrin recommends decreasing the CEO's base salary, but by a smaller magnitude than the ExeQuity proposal
- Since 2001, among Fortune 500 CEOs only 30 companies reduced base salaries – all related to challenging business conditions
  - 18[1] (60%) of these cases are linked to broad-based cost reduction programs – decreases of 15% to 20%[2])
  - 12 (40%) of these cases are related to poor financial performance (e.g., bankruptcy), impacting either the company specifically or the overall industry (i.e., automobile manufacturers, airlines, etc.) – decreases of 10% - 15%
  - Details of example CEO salary reductions are provided in Appendix III
- Towers Perrin's suggestion is beyond observable reductions, even in these exceptional cases
  - A 30% reduction (or $1,000,000) will send a strong message to shareholders regarding the Company's intentions with the new employment agreement (greater than precedents)

[1] Includes two (Oracle and Google) where founders received equity in lieu of cash (recognizing cost considerations, market conditions, etc.)
[2] Competitive base salary information can be found in Appendix I

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Review of Proposed Compensation Structure — B. Annual Bonus

Annual Bonus	Countrywide Current (2006)	ExeQuity Proposal	Towers Perrin Proposal
[redacted]			

- The annual incentive plan represents a primary opportunity to introduce near-term leverage into the CEO's total compensation package
- While the annual incentive plan for Countrywide's CEO is currently formula-based, it:
  - Reflects only earnings (EPS) performance, without any sensitivity to overall returns
  - Delivers almost $20 million for EPS performance that is flat with the preceding years
  - Does not cap payments at some maximum level (creating an open-ended cash liability)
- The current proposal eliminates the formulaic approach, and instead, establishes "target" and "maximum" bonus levels based on associated performance
  - The plan design requires the Compensation Committee to annually establish threshold, target and maximum performance levels associated with threshold, target and maximum bonus award opportunities

[1] Recommended annual incentive plan is formula-based. "Target" represents payment at approximately peer group 50th %ile ROE performance

[redacted]

[Autodate]

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Review of Proposed Compensation Structure — B. Annual Bonus (cont'd)

- To avoid challenges associated with determining annual performance objectives for the plan and to facilitate the CEO's line-of-sight on results and perceived fairness, we recommend that Countrywide maintain a formula-based annual bonus approach
- Specifically, we recommend that:
  - The plan is based on a percent of net income[1] to be paid to the CEO based on ROE
  - The net income "share rate" will vary with actual ROE performance (higher ROE yields a higher "share rate" to determine the CEO's annual bonus)
    - — ROE incorporates both earnings and return considerations into the incentive program
  - No bonus is paid if an ROE threshold of 10% is not earned
- "Target" annual incentive payouts ($5 million) would be paid at 15% ROE, below Countrywide's historical performance but approximating the peer group's historical and prospective 50th percentile[2] (based on analysts expectations)
  - Annual payouts would be capped at $15 million – achieved at approximately 24% ROE (historical and prospective 90th percentile ROE performance among the peers)
- Among Fortune 500 companies, eleven (in their most recent proxies) disclosed unique annual incentive plan design specific to their CEO
  - Under these incentive plans, award levels are generally defined as a percent of profits (i.e., earnings, pre-tax income, etc.)
  - Appendix IV includes a list of companies that use a formulaic plan design

[1] May be designed to account for taxes and incentive compensation deductions. Final plan provisions should account for treatment of extraordinary items, significant business transactions and allow for Committee's negative discretion

[2] Appendix VI provides historical ROE performance for the revised peer group and expected performance through 2011 (from ValueLine)

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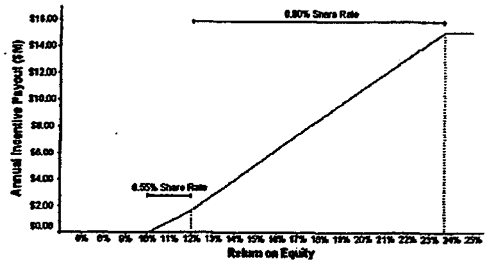
Review of Proposed Compensation Structure — B. Annual Bonus (cont'd)

Annual Incentive Payout Range $0 - $15,000,000 (maximum)

ROE Range[1]	Net Income Share Rate
[redacted]	[redacted]

Note: In the event of a transaction impacting earnings and/or equity levels (i.e. a share repurchase, acquisition, etc.), both ROE and net income levels will be normalized (based on how the transaction is funded) to negate any impact on payouts under the incentive plan.

Annual Incentive Payout ($M) at Different Annual ROE Results[2]



Illustrative Example[2]

	Potential Payouts	Implied Net Income[3]	
ROE	$Million	$Billion	% Change From 2005
[redacted]	[redacted]	[redacted]	[redacted]

[1] Towers Perrin's analyses suggest Countrywide's cost of equity = 8.5%.
[2] Based on total equity of $14.287 billion (as of most recent quarter-end).

[Autodate]

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Review of Proposed Compensation Structure — B. Annual Bonus (cont'd)

- We also suggest that any annual incentive payouts earned over $10 million are paid as non-forfeitable RSUs, payable in shares post-retirement
  - Payment in stock for some portion of the upside potential limits Countrywide's cash liability associated with the CEO's bonus payment
  - Competitive bonuses at the 90th percentile[1] are approximately $11 million; a $10 million cash limit mirrors opportunity at the top of the market among the (revised) peer group while maintaining significant leverage in the new program

Annual Incentive Earning	Form of Payout
[illegible]	[illegible]

Illustrative Example

Annual Incentive Award = $12,500,000

Cash Payout = $10,000,000

RSU Award = $2,500,000 ÷ Closing stock price on award grant date

= $2,500,000 ÷ $35.00[3]

= 71,429 RSUs

[illegible]

[1] Competitive annual bonus information can be found in Appendix I
[2] The annual incentive plan currently limits individual distributions in a single year to $8M. For the proposed design to comply with the plan and payouts to qualify for the performance-based compensation deduction, Countrywide will need to amend the annual incentive plan to increase the single year limit from $8M to $10M (or begin using RSUs at $8 million payout)
[3] Illustrative stock price

Review of Proposed Compensation Structure — C. Long-Term Incentives

Equity Award	Countrywide Current (2005)	ExeQuity Proposal	Towers Perrin Proposal
[illegible]	[illegible]	[illegible]	[illegible]

- The current proposal makes two changes to the CEO's equity compensation program
  - Eliminates SARs and associated emphasis on prospective stock price appreciation
  - Establishes a range of payout and associated performance (similar to the proposal's annual bonus design)
- Additionally, the recent proposal suggests that performance used to determine the final payout from the program should be based on three years of performance
  - It is our understanding that the intended timeframe for the revised CEO employment agreement is three years

[1] Based on Towers Perrin's stock option/SAR valuation methodology

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Review of Proposed Compensation Structure — C. Long-Term Incentives (cont'd)

- Towers Perrin believes the CEO's overall pay package should maintain some emphasis on prospective stock price performance – supported by SARs (or, as appropriate, stock options)
- However, we also believe that the program should provide some income certainty and ongoing engagement in times of volatile stock price and generally uncertain market conditions – supported by RSUs
  - Given the employment agreement's intended timeframe, any performance measurement used to determine the RSU should measure annual performance (not a multi-year period)

Award Vehicle	[illegible]
Performance Contingencies	[illegible]

[Autodate]

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Review of Proposed Compensation Structure — D. Sign-On Equity Award

- In recognition of Countrywide's outstanding performance during the CEO's extended tenure, we recommend a one-time RSU award with a grant date value of $15,000,000 (awarded at time the new contract is executed)
  - The award is also intended to recognize the unique circumstances under which the CEO is being asked to continue in his role, rather than proceed with his transition to Chairman
- A number of Fortune 500 organizations have provided front-loaded sign-on equity awards to their (incumbent) CEOs upon a contract renewal
  - While CEO tenure has ranged from 5 – 10 years at the time of the renewal, award values have ranged from approximately $5 million - $25 million (with a few notable exceptions at the high end, especially if awards are predominantly stock options)

Typical Contract Renewal Equity Award Provisions[1]

Vehicle	[illegible]
Vesting	[illegible]

[1] Appendix V provides additional detail regarding examples of contract renewal equity awards

[Autodate]

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Review of Proposed Compensation Structure — D. Sign-On Equity Award (cont'd)

- We recommend that the RSU award cliff vest at the end of the CEO employment agreement if two criteria are achieved:

Service Requirement	[redacted]
Performance Contingency	[redacted]

- We believe that the performance contingency ensures that the full amount of this special recognition award is only earned if the Company sustains its historically strong performance
  - However, Countrywide should consider that because it is a market-based measure, if the performance is not achieved the Company must still recognize an income expense
  - Additionally, new proxy disclosure rules will require that the award be reported in the Summary Compensation Table (and included in annual total compensation) in the year it is originally granted (e.g., 2006 or 2007, depending on award timing)

Year	S&P Financial Index Annualized Total Shareholder Return	Countrywide Return
[redacted]	[redacted]	[redacted]

[1] Annualized through 12/31/05

[Autodate]

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Review of Proposed Compensation Structure — E. Benefits and Perquisites

- With one exception, Towers Perrin does not recommend any material modifications to the benefits and perquisites provided to Countrywide's COB and CEO
  - Following competitive practice, for business-related events where a spouse's attendance is either required or furthers the mission of Countrywide, the cost of spousal travel will be borne by Countrywide
- Other benefits, as provided for in the current employment agreement, generally represent typical practices
  - However, Countrywide should consider whether to revise the current change-in-control (CIC) cash severance payment to reflect a "double-trigger" event
    - — Cash benefits are not paid unless CEO is terminated without cause or voluntarily terminates for good reason (though good reason would presumably apply if Countrywide is acquired and the CEO does not retain his position)

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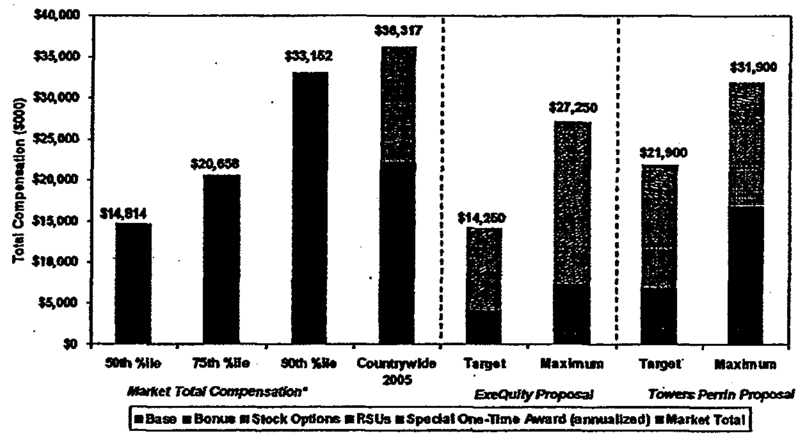
Review of Proposed Compensation Structure — Total Direct Compensation Implications

- The chart below shows Towers Perrin's proposed compensation package relative to both competitive market compensation practices and compensation earned by the CEO in 2005



*Revised peer group.

[Autodate]

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Appendices

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Appendix I —
Competitive Market Compensation Data

2005 Compensation Data

Peer Company Data / Towers Perrin Peer Group

Company	CEO	Base Salary	Annual Bonus	Total Cash Comp.	LTI Value	Total Direct Comp.
American Express	K.I. Chenault	$1,092	$6,000	$7,092	$15,578	$22,671
Bank of America	Kenneth D. Lewis	$1,500	$5,650	$7,150	$11,496	$18,648
Bank of New York	Thomas A. Renyi	$1,000	$3,000	$4,000	$3,975	$7,975
BB&T	John A. Allison IV					
Capital One	Richard D. Fairbank	$0	$0	$0	$14,814	$14,814
Fifth Third Bank	George A. Schaefer, Jr					
Goldman Sachs	Henry M. Paulson, Jr	$600	$0	$600	$32,826	$33,426
KeyCorp	Henry L. Meyer III	$850	$3,600	$4,450	$2,646	$7,096
Lehman Brothers	R. S. Fuld, Jr	$750	$13,750	$14,500	$20,640	$35,140
Merrill Lynch	E. Stanley O'Neal	$700	$14,100	$14,800	$17,940	$32,740
National City	D. A. Daberko	$1,000	$1,400	$2,400	$3,696	$6,096
PNC	James E. Rohr	$950	$2,625	$3,575	$5,406	$8,981
SLM	Thomas J. Fitzpatrick	$683	$2,625	$3,308	$14,502	$17,810
Sun Trust	L. Phillip Humann					
US Bank	Jerry A. Grundhofer	$1,100	$5,000	$6,100	$6,236	$12,336
Wachovia	G. Kennedy Thompson	$1,090	$5,000	$6,090	$4,997	$11,087
Washington Mutual	Kerry K. Killinger	$1,000	$3,555	$4,555	$13,181	$17,736
Wells Fargo	Richard M. Kovacevich	$995	$7,000	$7,995	$4,206	$12,201
Summary Statistics						
	50th %ile	$995	$3,555	$4,555	$11,496	$14,814
	75th %ile	$1,045	$5,825	$7,121	$15,196	$20,659
	90th %ile	$1,097	$11,050	$11,898	$19,560	$33,152

Compensation Committee Peer Group

Company	Base Salary	Annual Bonus	Total Cash Comp.	LTI Value	Total Direct Comp.
American Express	$1,092	$6,000	$7,092	$15,578	$22,671
Bank of America					
Bank of New York	$1,000	$3,000	$4,000	$3,975	$7,975
BB&T	$900	$981	$1,881	$1,652	$3,533
Capital One	$0	$0	$0	$14,814	$14,814
Fifth Third Bank	$990	$0	$990	$1,636	$2,626
Goldman Sachs					
KeyCorp	$850	$3,600	$4,450	$2,646	$7,096
Lehman Brothers	$750	$13,750	$14,500	$20,640	$35,140
Merrill Lynch					
National City	$1,000	$1,400	$2,400	$3,696	$6,096
PNC	$950	$2,625	$3,575	$5,406	$8,981
SLM	$683	$2,625	$3,308	$14,502	$17,810
Sun Trust	$998	$1,302	$2,299	$2,133	$4,432
US Bank	$1,100	$5,000	$6,100	$6,236	$12,336
Wachovia	$1,090	$5,000	$6,090	$4,997	$11,087
Washington Mutual	$1,000	$3,555	$4,555	$13,181	$17,736
Wells Fargo	$995	$7,000	$7,995	$4,206	$12,201
Summary Statistics					
50th %ile	$995	$3,000	$4,000	$4,997	$11,087
75th %ile	$1,000	$5,000	$6,095	$13,842	$16,275
90th %ile	$1,091	$6,600	$7,634	$15,272	$20,726

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Appendix II —
ExeQuity Peer Group Financial Characteristics

					Performance Summary - Compensation Committee Peer Group										
					Total Shareholder Return				EPS Growth				ROE		
Company	Market Cap. (9/15/05)	MRFYE Revenue ($MM)	MRFYE Asset ($MM)	MRFYE Full-Time Employees	1 Year	3 Year (CAGR)	5 Year (CAGR)	10 Year (CAGR)	1 Year	3 Year (CAGR)	5 Year (CAGR)	10 Year (CAGR)	1 Year	3 Year (Avg.)	5 Year (Avg.)
American Express	$65,360	$24,267	$113,960	65,000	10%	11%	11%	16%	19%	23%	9%	11%	31%	24%	17%
Bank of New York	$25,781	$8,312	$102,074	23,451	13%	8%	-1%	12%	9%	8%	1%	6%	15%	15%	16%
BB&T	$23,360	$7,832	$109,170	27,700	10%	5%	7%	14%	13%	3%	15%	13%	19%	13%	11%
Capital One	$29,122	$12,865	$88,701	21,000	-11%	11%	6%	22%	8%	21%	26%	27%	19%	17%	20%
Fifth Third Bank	$21,536	$7,495	$105,225	21,681	-1%	-10%	-6%	12%	-22%	-8%	10%	11%	16%	18%	15%
KeyCorp	$15,808	$5,895	$93,126	19,485	15%	15%	13%	11%	9%	27%	2%	4%	15%	14%	17%
Lehman Brothers	$37,373	$32,420	$410,063	22,919	22%	26%	19%	29%	37%	43%	12%	25%	29%	17%	12%
National City	$21,873	$11,836	$142,387	34,270	-1%	7%	7%	11%	6%	16%	12%	10%	18%	20%	16%
PNC	$21,491	$7,937	$91,954	25,348	30%	10%	5%	12%	8%	29%	1%	14%	15%	15%	16%
SLM	$21,426	$6,582	$89,339	11,000	-1%	5%	15%	23%	9%	33%	29%	16%	42%	54%	18%
Sun Trust	$27,351	$10,834	$179,713	33,406	12%	11%	5%	10%	3%	4%	6%	8%	12%	12%	16%
US Bank	$60,302	$16,702	$209,465	48,604	16%	16%	10%	17%	12%	21%	14%	17%	22%	21%	13%
Wachovia	$87,578	$35,908	$520,755	93,980	14%	13%	13%	9%	6%	17%	65%	5%	14%	13%	46%
Washington Mutual	$41,896	$21,957	$343,573	60,798	6%	7%	6%	14%	26%	1%	11%	11%	13%	16%	14%
Wells Fargo	$120,867	$46,327	$481,741	153,500	20%	15%	12%	17%	16%	20%	12%	13%	19%	18%	20%

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Countrywide Financial: Competitive Compensation Arrangement for the Chairman of the Board & CEO

Appendix II —
Towers Perrin Peer Group Financial Characteristics

					Performance Summary - Towers Perrin Peer Group										
					Total Shareholder Return				EPS Growth				ROE		
Company	Market Cap. (1/16/06)	MRFYE Revenue ($MM)	MRFYE Asset ($MM)	MRFYE Full-Time Employees	1 Year	3 Year (CAGR)	5 Year (CAGR)	10 Year (CAGR)	1 Year	3 Year (CAGR)	5 Year (CAGR)	10 Year (CAGR)	1 Year	3 Year (Avg.)	5 Year (Avg.)
American Express	$65,360	$24,267	$113,960	65,000	10%	11%	11%	16%	19%	23%	9%	11%	31%	26%	17%
Bank of America	$232,953	$83,980	$1,291,803	176,638	25%	14%	16%	13%	13%	10%	12%	9%	16%	18%	17%
Bank of New York	$26,781	$8,312	$102,074	23,451	13%	0%	-1%	12%	9%	0%	1%	6%	16%	15%	16%
Capital One	$23,122	$12,096	$88,701	21,000	-11%	11%	6%	22%	8%	21%	28%	27%	13%	17%	20%
Goldman Sachs	$79,147	$43,391	$706,804	22,425	35%	20%	14%	NA	26%	40%	13%	NR	14%	13%	NA
KeyCorp	$15,808	$6,595	$93,126	18,445	15%	15%	13%	11%	9%	27%	2%	4%	15%	14%	17%
Lehman Brothers	$37,378	$32,420	$410,063	22,919	22%	26%	19%	29%	37%	43%	12%	25%	20%	17%	12%
Merrill Lynch	$69,841	$47,783	$681,016	54,600	30%	12%	9%	19%	8%	20%	3%	13%	15%	9%	NA
National City	$21,873	$11,836	$142,397	34,270	-1%	7%	7%	11%	5%	16%	12%	10%	16%	20%	15%
PNC	$21,491	$7,937	$91,954	25,348	30%	10%	5%	12%	8%	25%	1%	15%	15%	16%	16%
SLM	$21,424	$8,502	$89,339	11,000	-1%	5%	15%	23%	9%	33%	29%	16%	42%	54%	19%
US Bank	$59,302	$16,702	$209,465	40,694	10%	10%	10%	17%	12%	21%	14%	17%	22%	21%	13%
Wachovia	$97,578	$35,908	$520,755	93,980	14%	13%	13%	9%	6%	17%	65%	5%	14%	13%	46%
Washington Mutual*	$41,896	$21,567	$343,573	60,790	6%	7%	6%	14%	24%	1%	11%	11%	13%	14%	14%
Wells Fargo	$128,587	$40,527	$481,741	153,500	20%	15%	12%	17%	18%	20%	12%	13%	19%	18%	20%

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Appendix III —
Examples of Fortune 500 CEO Salary Reductions

Actions Taken to Reduce CEO Salary at Fortune 500 Companies				
Company	CEO	Year	Reason	Comments
American Express	Kenneth I. Chenault	2002	Cost Reduction Program	In support of cost reduction objectives, the compensation committee approved a one-year 5% reduction in the salary payments otherwise payable during 2002 to each executive officer. Chenault's salary was reduced from $1 million to $950,000.
Delta Air Lines	Leo F. Mullin	2003	Cost Reduction Program	In early 2003, the board accepted management's recommendation to reduce the salaries of all officers for an indefinite period to demonstrate management's commitment to Delta's cost reduction program. Accordingly, effective March 1, 2003, Mullin's salary was reduced 10%, and the salaries of all other officers were reduced 8%. Effective April 1, 2003, Mullin voluntarily reduced his salary by an additional 15% from the level that existed prior to his 10% salary reduction.
Applied Materials	James C. Morgan	2001	Market Conditions	Due to deteriorating business conditions in fiscal 2001, Morgan recommended to the compensation committee that his salary as well as the salary of all other officers not be increased as the committee approved. Additionally, Morgan later recommended that salaries be reduced by 10% in February of 2001; in May 2001, he recommended that the already reduced salaries be cut by an additional 5.56%. The committee accepted these recommendations and salaries were reduced accordingly. Salary levels were restored to former levels in February 2002.
Cummins	Theodore M. Solso	2001	Market Conditions	In 2001, the Company was not profitable, reflecting the Company's depressed major product markets. Therefore, the Committee exercised its discretion to reduce Short-Term Bonus payments: the CEO and the other officers comprising the Company's Policy Committee received no annual bonus. Also, reflecting the business conditions, the base salary of the CEO was reduced 10% during November and December. Other officers took comparable reductions in 2001. The Committee commends Management for taking the initiative to recommend all of the above special actions.
Oracle Systems	Lawrence J. Ellison	2000 to 2003	Salary forgone in exchange for additional long-term incentives	The CEO's compensation plan for fiscal year 2000 and the three subsequent fiscal years consists of no salary (Ellison had received a salary of $1 million) and no bonus. Instead, on June 4, 1999, he was granted an option to purchase 10,000,000 shares at the fair market value at the time of grant. The option vests in equal installments over a period of 4 years and expires 10 years from the date of grant. The CEO will not receive another option grant during fiscal years 2001, 2002 and 2003. The changes to the CEO's compensation plan more closely align his compensation with the Company's stock performance. Ellison was paid an annual salary of $800,000 starting on September 1, 2003.
Gap	Millard S. Drexler	2001	Voluntary reduction	Drexler's base salary for fiscal year 2001 was initially set at $2.3 million, remaining unchanged from the prior fiscal year. In September 2001, the compensation committee reviewed and accepted Drexler's voluntary reduction in base salary to $2.07 million, representing a decrease of 10% from the prior year.

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Appendix IV —
Formula Bonus Plans Among Fortune 500

CEO Annual Bonus Formulas at Fortune 500 Companies		
Company	**CEO**	**Bonus Design**
KB Home	Bruce Karatz	CEO is entitled to annual incentive compensation ranging from 1% to 2% of pretax, pre-incentive income depending on the specified return on equity of the Company for the year: (1) ROE 6.5% to 10%, annual incentive equal to 1% of the pretax, pre-incentive income ("PPI") (2) ROE 10% to 15%, annual incentive equal to 1.25% of the PPI of the Company plus .05% of PPI for each additional whole percentage of ROE in excess of 10% (3) ROE 15% to 20%, annual incentive equal to 1.50% of PPI plus .10% of PPI for each additional whole percentage of ROE in excess of 15% (4) ROE greater than 20%, annual incentive equal to 2% of the PPI of the Company. A $5,000,000 limit is placed on the amount of his bonus that may be paid in cash, with any excess paid in restricted stock.
Ryland Group	Richard Dreier	CEO's employment contract makes him eligible for an annual cash bonus equal to 2% the Company's adjusted pretax income.
Smithfield Foods	Joseph Luter	The bonus formula provides an annual incentive based on profits (i.e., net income before deduction for income taxes and incentive payments due to key employees): (1) 2% of profits between $100 million and $400 million (2) 3% of profits exceeding $400 million.
Toll Brothers	Robert Toll	Cash Bonus Plan pays the sum of: (1) 1.5% income before income taxes in excess of 10% and up to 20% of shareholders' equity (end of prior fiscal year) (2) 2.25% income before income taxes in excess of 20% and up to 30% of shareholders' equity (end of prior fiscal year) (3) 3.0% income before income taxes in excess of 30% of shareholders' equity (end of prior fiscal year). The formula is capped at 2.9% of Company's income before income taxes. The final bonus award will be paid 60% in cash and 40% in shares.
Vishay Intertechnology	Felix Zandman	Annual bonus is based on a formula of 3.0% of Adjusted Net Income, capped at three times base salary.

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Appendix V —
Contract Renewal Equity Awards Among Fortune 500

Company	CEO	Tenure as CEO	Restricted Stock Value	Restricted Stock value as % of total award	Stock Option Value	Stock Options value as % of total award	Total Signing value	Vesting Methodology	In Lieu of prospective annual equity?
American Standard	Frederic M. Poses	2 years	$ -	0%	$ 33,937,670	100%	$ 33,937,670	Time based. 5 year period.	Yes
Cablevision Systems	James Dolan	8 years	$ 5,195,000	63%	$ 3,032,978	37%	$ 8,227,978	Time based. 4 year period.	No, but at reduced rate in following years.
Delta Air Lines	Leo Mullin	5 years	$ 2,025,000	39%	$ 3,226,980	61%	$ 5,251,980	Time based. 5 year period.	No
Foot Locker	Matthew Serra	2 years	$ 2,424,000	100%	$ -	0%	$ 2,424,000	Time based. 3 year period.	No
Ryland Group	R. Chad Dreier	9 years	$ 12,149,500	100%	$ -	0%	$ 12,149,500	Performance based - ROE. 3 year period.	No
ServiceMaster	Jonathan Ward	3 years	$ 4,722,896	100%	$ -	0%	$ 4,722,896	Time based. Up to 8 year period.	No
SLM	Albert Lord	5 years.	$ 9,580,000	24%	$ 31,083,200	76%	$ 40,663,200	Both performance based - stock price & time based. 8 year period.	Yes.
Terex	Ronald M. DeFeo	10 years	$ 9,307,000	100%	$ -	0%	$ 9,307,000	Performance based - ROIC. 4 year period.	Not stated. Based on size of grant in relation to previous grants, it does not appear to be in lieu of prospective annual equity.

Notes:
The table provides details of incentive awards granted to individuals currently serving as CEO upon signing a new or amended employment agreement; awards are in addition to regular annual compensation.
Year of award coincides with the year that the employment contract was renewed or amended.
Restricted stock value is face value of award at grant date, determined by multiplying the number of shares times the stock price at grant.
Stock option value is as reported by the company or calculated using a Black-Scholes methodology, adjusted for the risk of forfeiture.
Total signing value is the sum of the cash award, restricted stock value, and stock option value.

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Appendix VI —
Historical & Expected ROE Performance – Revised Peer Group

Revised Peer Group Historical Return on Average Equity (ROAE)					Prospective ROE Analyst Expectations		
Performance Level	2003	2004	2005	2003-2005 Average	2006	2007	2009 - 2011
25th %ile	13.8%	14.3%	15.1%	14.4%	14.8%	14.5%	14.3%
Median	16.0%	16.9%	15.9%	16.3%	16.0%	16.0%	15.0%
75th %ile	19.4%	19.9%	20.8%	20.1%	22.0%	21.5%	17.3%
90th %ile	22.6%	21.9%	27.3%	23.9%	27.5%	26.5%	21.7%
Countrywide	29.4%	21.3%	19.7%	23.5%	17.5%	16.5%	13.5%

Notes:
Negative values for ROAE were omitted from the calculations above
All data provided by Standard & Poor's Research Insight

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