



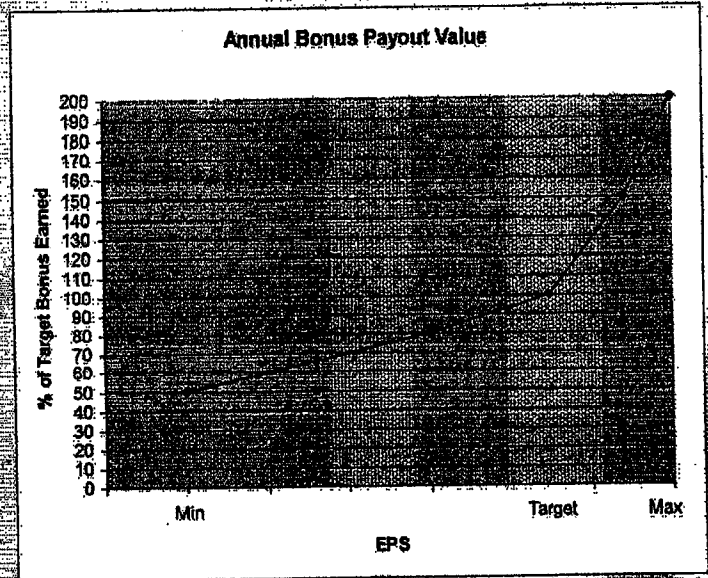
Countrywide Financial Corporation

Revised Pay Proposal for Angelo Mozilo

September 19, 2006

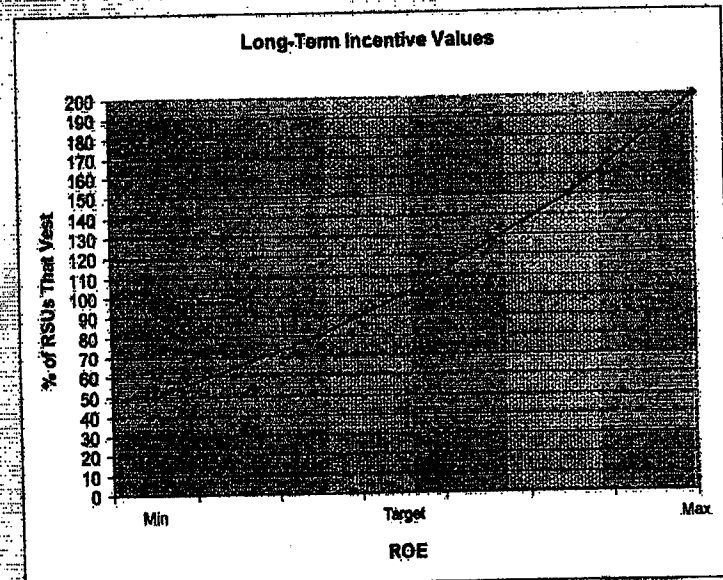
# Annual Bonus

- Use EPS as primary financial metric
- Target payout (100%) based on Countrywide's financial plans for coming year -- \$3M target value
- Rapid earn-out escalation above target
- Maximum payout at 200% of target -- \$6M payout
- Gradual downward slope below target
- Threshold performance level that merits 50% of targeted payout -- \$1.5M payout
- Performance below threshold generates no payout



## Long-Term Incentive (RSUs)

- ROE as primary financial metric
- Target payout (100%) based on Countrywide's financial plans for coming performance cycle -- \$10M targeted value
- Smooth earn-out escalation above target
- Maximum payout at 200% of target -- \$20M value
- Gradual downward slope below target
- Threshold performance level that merits 50% of targeted payout -- \$5M value
- Performance below threshold generates no earn-out



## Background

A preliminary pay proposal was delivered to Angelo Mozilo in the week of September 4, 2006

- Proposal reflected new alignment of pay package with 50<sup>th</sup>-75<sup>th</sup> percentile pay practices among peer companies
- Incentive components included upside and downside, tied both to objective financial metrics and subjective variables
- Angelo's general reaction was negative, particularly in terms of:
  - Degree of subjective discretion
  - Extent of incentive payment downside
- Compensation Committee revisited key items of concern, and agreed upon selected revisions to initial proposal
- This presentation incorporates the Compensation Committee's design changes

# Primary Changes Since First Proposal

## Annual bonus

- Increase target to \$3,000,000 (from \$2,500,000)
- Maximum payment correspondingly rises to \$6,000,000
- Select financial performance metrics based on:
  - Countrywide's financial plans for coming year, and
  - Reference to commonly used measures within industry.
  - Currently focusing on EPS
- Clarify that subjective discretion applies only to 10% of award value, and that these goals will be objectively measurable
- Targeted payout at achievement of company's financial plan for year
- Rapid incentive opportunity increase for results above target
- Reduce severity of downward payout slope below target

## Long-Term Incentives

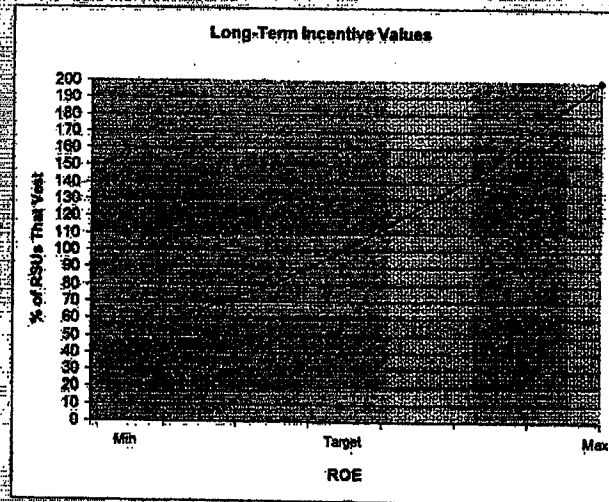
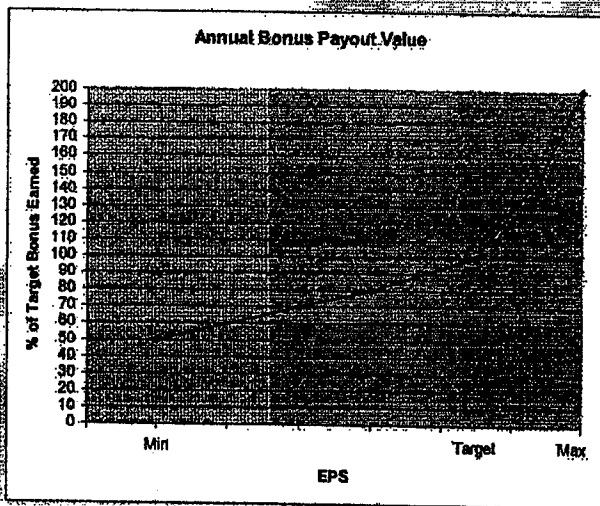
- Performance-based restricted stock units
  - Select financial performance metrics based on:
    - Countrywide's financial plans for years covered by award; and
    - Reference to commonly used measures within industry.
    - Currently focusing on three-year average ROE
  - Eliminate all subjectivity from performance metrics
  - Targeted payout at achievement of company's financial plan for performance cycle
  - Reduce severity of downward payout slope below target
  - Full payout of outstanding cycles upon death or disability; pro-rata upon retirement
- Perks: Confirm elimination of country club dues
  - Term: Through 12/16/09 with a mutual option to extend an additional year through 12/16/10

## Overview of Resulting Proposal

	Original Proposal	Updated Proposal
Countrywide Benchmarking	50 <sup>th</sup> -75 <sup>th</sup> pay practices for each pay component, as well as aggregate compensation. Peer group comprised of large, diversified financial organizations, with particular reference to Wells Fargo, Washington Mutual, Sunovion, and AMEX	Unchanged: 50 <sup>th</sup> -75 <sup>th</sup> percentile practices among defined peer group
Base Pay	\$1,250,000	Unchanged -- \$1,250,000
Annual Bonus	<ul style="list-style-type: none"> <li>•Target of \$2,500,000</li> <li>•Objective financial metrics and subjective determinants</li> <li>•Maximum of 200% (\$5,000,000)</li> <li>•Minimum payment of \$0</li> </ul>	<ul style="list-style-type: none"> <li>•Target raised to \$3,000,000</li> <li>•Clarify that objective financial metrics represent 90% of total variable -- subjective determinants clarified as 10% of opportunity                             <ul style="list-style-type: none"> <li>-Metrics selected among those typical within industry, based primarily on Countrywide's financial plans</li> <li>-Steep upward payout slope</li> <li>-Downside performance slope made more gradual</li> </ul> </li> <li>•Maximum still 200%, raising possible payment to \$5,000,000</li> <li>•Minimum payment still \$0</li> </ul>
Long-Term Incentive	<ul style="list-style-type: none"> <li>•Performance-based restricted stock units, with grant-date value of \$10,000,000</li> <li>•Objective financial metrics and subjective determinants</li> <li>•Maximum of 200% (\$20,000,000)</li> <li>•Minimum payment of \$0</li> </ul>	<ul style="list-style-type: none"> <li>•Vehicle and grant-date value remain the same -- performance-based restricted stock units, with grant-date value of \$10,000,000</li> <li>•Objective financial metrics only -- subjective measures eliminated                             <ul style="list-style-type: none"> <li>-Metrics selected among those typical within industry, based on primarily Countrywide's financial plans</li> <li>-Downside performance slope made more gradual</li> </ul> </li> <li>•Maximum stays at 200% (\$20,000,000)</li> <li>•Minimum payment of \$0</li> </ul>
Perks	Retain all existing perks, other than annual country club dues	Unchanged -- eliminate only country club dues

# Resulting Total Pay Scenario

	2006 Target	Suggested Target Value	Potential Maximum	Potential Minimum	Difference from Prior Suggested Approach
Executive Cash Pay	\$ 2,900,000	\$ 1,250,000	N/A	N/A	No difference
Bonus	\$ 19,557,000	\$ 3,000,000	\$ 6,000,000	\$0, but tougher to fall to minimum	Limit subjective discretion to 10% of value; soften downside
LT (RSUs)	\$ 15,400,000	\$ 10,000,000	\$ 20,000,000	\$0, but tougher to fall to minimum	Eliminate subjective discretion; soften downside
Perks	<i>Maintain existing perks; eliminate country club fee reimbursement</i>				



Example performance-payout relationships for annual bonus and long-term incentives are more thoroughly described in Appendix B

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# Appendix A: Peer Company Performance Metrics

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## Performance Metrics Used by Peers

Among the 16 peer companies, the following performance criteria are used by the indicated number of companies

### – Annual bonus

- EPS: 14
- ROE: 6
- Net income: 5
- Expense control: 4
- Profits: 3
- Subjective criteria: 10

### Long-Term Incentives

- ROE: 9
- EPS: 6
- Total shareholder return: 5
- Subjective criteria: 6

# Peer Company Performance Metrics

	Annual Incentive		Long-Term Incentives			
	Formula	Notes	Options	Restricted Shares	PS's, PU's	Notes
	Comp, EPS, net income (funds incentive pool)	Camp Ctee has the discretion to reduce award below the formula earnings, based on subjective factors. Factors applied to the CEO include leadership, strategy, control, and development of talent. In 2005, Camp Ctee determined that max bonus would be paid under formula. If negative, subjective discretion to reduce award paid out.				
WaMu	Non-interest expense, EPS, customer service, regulatory compliance	CEO pay and target bonus. Historical 50% award to the CEO. CEO's qualitative and quantitative goals include: revenue, loan at risk, plus asset liability growth, assets, loan volume and development of executive team and talent.	Pure	Unspecified performance metrics for 102(m) officers	PU's and performance-based RS	Long-term incentive values targeted relative to 75th percentile when performance targets are hit.
Wachovia	EPS, earnings, net income (using the 182(m) pool)	Subjectivity is applied. Also relative performance vs peers.	Pure	ROE (20%)		ROE measured by "tangible" equity. Also look at following factors: revenue growth, customer loyalty, employee engagement, corporate governance, operating costs, successful merger integration.
American Express	TSR, earnings growth, revenue growth, ROE, cost savings, customer satisfaction, growth in customers, competitive improvements, employee satisfaction, retention of key employees, diversity, leadership, innovation, communication	Includes subjective discretion to reduce award value.	Pure	TSR, EPS, ROE	TSR, EPS, ROE	All annual long-term performance awards can be decreased at the discretion of the Comp Ctee.

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# Peer Company Performance Metrics

	Annual Incentive			Long-Term Incentives		
	Bonus	Notes	Options	Restricted Shares	PS's, FV's	Notes
	Net revenues, pre-tax income, net income, EPS	Bonus paid in restricted shares with 5-year vesting	Target price determines timing of vesting		ROE, stock price	Subjective factors include: leadership, strategic vision, strength leadership team, growth, profitability
Bank of America	Profits, EPS	CEO was decreased in 2005 to zero, at discretion of Comp Cttee. Max bonus is 200% of base	Pure		Relative TSR	
Wells Fargo	Revenues, economic profit added, EPS, ROE	Consideration of relative performance. Max bonus is 500% of target	Pure	EPS, economic profit added, ROE	EPS, economic profit added, ROE	
BB&T	EPS, ROE	Target is 100% of base pay	Pure		ROE	
Golden West	Relative performance of total assets, net interest income, ROE, ROA, and operating performance, as a percent of total assets		None in 2005			
Bank of New York	Net income, revenue growth, operating leverage, EPS	Discretion to reduce payouts. In 2005, negative discretion applied to reduce formula payout of \$2.9M to \$3M.	In 2005, number of options granted reduced by 50% due to poor relative TSR performance	None in 2005	ROE, relative ROE	In 2005, Comp Cttee applied negative discretion to reduce formula LTI payout by 35% (reduction of \$2.1M) due to TSR performance. (relative TSR plays a large role in discretionary adjustments)
Capital One	Relative EPS growth, earnings, governance, investment returns	CEO has relinquished base pay and bonus in exchange for option awards for past several years	Most options have performance accelerated vesting		No awards in 2005, but past metrics have emphasized relative EPS	EPS, ROE, account growth, asset growth. Target for CEO's bonus is 75th percentile
US Bank	EPS, asset quality, individual (subjective) performance	Target is 300% of base pay (but base pay is set at 45th percentile) total direct compensation targeted at 50th percentile. Discretion applied by Comp Cttee, using written evaluations by Board	Pure			Long-term incentives targeted at 75th percentile practices. Consider EPS and ROE in general evaluation

# Peer Company Performance Metrics

	Annual Incentive			Long-Term Incentives		
	Bonus	Notes	Options	Restricted Shares	PS's, PUs	Notes
	Net income, revenue growth, operating leverage, EPS	Comp Ctee can apply negative discretion to eliminate entire formula payout. Max bonus = 150% of target.	Pure		EPS, net income	Comp Ctee can apply negative discretion to eliminate entire formula payout. All pay components targeted at 50th percentile.
	EPS growth, loan origination growth, fee income growth, operating expense control, cost of funds for new debt issuances	Bonus pool limited by net income. Max = 400% of base pay (but base pay is lower in peer group). Individual performance (personal) weighted more heavily than company performance.	Time-accelerated vesting		Net income	
PNC	EPS, relative FOC	Subjectivity can be applied to formula payout to reduce earned award. Several subjective factors including leadership, communication, corporate governance, risk management, strategy, employee satisfaction, customer satisfaction.		Time vesting only		Subjective factors can be applied to reduce earned awards. Factors are same as listed under Annual Incentive notes.
National City	EPS, EPS growth, AOE (financials measured both absolute and relative terms)	Subjective factors can be applied to increase or reduce formula payout.	Pure	Time vesting only		TSR is applied to review all awards.

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## Appendix B: Sample Performance-Payout Relationships

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