Countrywide Credit Industries, Inc.

2001 Annual Report

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Financial Highlights

	Fiscal Year Ended February 28 (29),		
Dollar amounts in millions, except per-share data	2001	2000	1999
Revenues	$ 2,056	$ 1,871	$ 1,804
Net earnings	$ 374	$ 410	$ 385
Total assets	$ 22,954	$ 15,822	$ 15,648
Common shareholders' equity	$ 3,559	$ 2,888	$ 2,519
Earnings per share — diluted[(1) (2)]	$ 3.14	$ 3.52	$ 3.29
Common shareholders' equity per share (at year-end)	$ 30.23	$ 25.45	$ 22.37

(1) Based on weighted average diluted common shares outstanding.

(2) Earnings per share for Fiscal Year 2000 include a $25.0 million tax benefit primarily related to a corporate reorganization. Excluding the non-recurring tax benefit, diluted earnings per share would have been $3.31.

Company Profile

Founded in 1969, Countrywide Credit Industries, Inc. is a member of the S&P 500 and the Forbes 500. The company provides consumer and business-to-business financial services in domestic and international markets. Consumer businesses include residential mortgages, loan closing services, consumer insurance and other financial products. Business-to-business activities encompass capital markets, processing and technology, and insurance products. The company is headquartered in Calabasas, California and has more than 12,000 employees. Principal subsidiaries of the company include:

- Countrywide Home Loans, Inc., which originates, purchases, securitizes, sells and services home loans
- Full Spectrum Lending, Inc., a sub-prime residential lender
- LandSafe, Inc., a provider of loan closing services
- Countrywide Insurance Services, Inc., a full service insurance agency
- Countrywide Capital Markets, a mortgage-related investment banker
- Balboa Life and Casualty, a national provider of property, liability and life insurance
- Countrywide owns 50 percent of Global Home Loans, Limited, a European mortgage banking joint venture

For more information, please visit Countrywide's website at www.countrywide.com.

Table of Contents

Certain of the information included in this Annual Report may contain forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from historical results or those anticipated due to a number of factors such as the direction and level of interest rates, competitive and general economic conditions in each of our business sectors, expense and loss levels in our mortgage, insurance and other business sectors, general economic conditions in the United States and abroad and in the domestic and international areas in which we do business, regulatory and legislative environments in which the company operates, changes in accounting and financial reporting standards, decisions by the company to change its business mix, and other risks detailed in documents filed by the company with the Securities and Exchange Commission from time to time. Words like "believe," "expect," "should," "may," "could," "anticipated," "promising" and other expressions which indicate future events and trends identify forward-looking statements. The company undertakes no obligation to publicly update or revise any forward-looking statements.

Letter to Shareholders

Angelo R. Mozilo Stanford L. Kurland

In last year's Annual Report, we focused on Countrywide's strategic transformation. Once a singularly focused mortgage bank, we have made significant strides in implementing our strategy of becoming a diversified financial services provider to both retail and institutional customers, domestically and internationally. This year's Annual Report will describe how Countrywide achieved this transformation by leveraging the unmatched expertise and robust work ethic of our dedicated employees and seasoned management team.

Countrywide's Transformation Strategy Founded in 1969, Countrywide Credit Industries, Inc., built itself into an industry leader through an unwavering focus on its core business of mortgage banking and a relentless dedication to furthering the American dream of homeownership. This highly focused strategy enabled the company to emerge as one of the nation's home finance leaders during the mid-1990's.

Over the last five years, however, Countrywide has sought to create additional value for its shareholders by broadening its mission to include new businesses and markets. Today, the company is a diversified financial services powerhouse in the U.S. with a foothold to operate in international markets as well. Countrywide's array of businesses includes a range of consumer and institutional products and services. Consumer businesses include mortgage banking, consumer insurance and other retail financial services. Our B2B activities include processing and technology, capital markets and insurance. The powerful combination of our core business strength and our innovative diversification strategy has propelled Countrywide into the S&P 500 and Forbes 500.

Countrywide's success would not have been possible without the outstanding efforts of our employees, who we believe are the smartest, best-trained and hardest-working people in our industry. In this year's Annual Report, we are pleased to introduce you to our four new Senior Managing Directors, who embody Countrywide's creativity and work ethic. These four — Kevin Bartlett, Tom Boone, Carlos Garcia and Dave Sambol — have overseen the implementation of our strategic transformation. We invite you to learn more about the company, its strategies and its future as described in the following pages by these key individuals.

Countrywide's Senior Management Team The last few years have brought increasing complexity to our business. Although our infrastructure has been strong enough to manage this complexity, nevertheless it became clear that high-level organizational changes were needed to prepare us for the rapid growth and continued diversification which we expect in the coming years. Therefore, we made the decision to realign our top-level management structure into four newly developed Senior Managing Director roles. Each Senior Managing Director has responsibilities for carrying out elements of both our core business and diversification strategies.

Kevin Bartlett is Senior Managing Director and Chief of Secondary Markets for Countrywide. As such, he is responsible for the securitization and sale of the mortgages we originate. He oversees our mortgage-backed securities trading desk as well as all mortgage pricing and hedging activities. Among his other accomplishments, he was responsible for brokering the unique strategic alliance between Countrywide and Fannie Mae in 1999. Kevin joined the company in 1986 after a six-year career in public accounting. In his previous role at Countrywide, he served as Managing Director, Secondary Markets.

Tom Boone is Senior Managing Director and Chief of Global Processing. He now oversees domestic loan servicing and sub-servicing, international processing and consulting, and other transaction processing. He has been integral to the formation of

Countrywide's European mortgage banking joint venture, Global Home Loans, Ltd., and serves on its Board of Directors. Previously, Tom was Managing Director of Loan Administration. He came to Countrywide in 1984 from Chase Manhattan Bank.

Carlos Garcia is the Senior Managing Director of Finance and Chief Financial Officer for Countrywide, and Chief Operating Officer for its subsidiary Countrywide Home Loans, Inc. He is responsible for all corporate operations including finance, administration, human resources and technology. In addition, he oversees Countrywide's insurance and banking subsidiaries. Previously he served as Chief Financial Officer of Countrywide Home Loans, Inc. Carlos joined the company in 1984. Prior to joining Countrywide, Carlos worked in public accounting.

David Sambol is Senior Managing Director and Chief of Production. He oversees all segments of our loan origination network, including our retail branches, telemarketing, and Internet production; our mortgage broker operations; our correspondent lending division; and our subprime lending operations. In addition, he is in charge of our investment banking subsidiary, Countrywide Capital Markets. Dave came to Countrywide in 1985 and has served in various capacities. Most recently, he was Managing Director of Capital Markets. He has an accounting background.

Fiscal Year 2001 Performance During the latter part of the fiscal year ended February 28, 2001 ("Fiscal 2001"), a softening of the U.S. economy resulted in a falling interest rate environment, which spurred refinance activity throughout the mortgage industry. Countrywide capitalized on this opportunity, producing $69 billion in mortgages, the second-highest annual total in company history. At the end of Fiscal 2001, our mortgage-servicing portfolio stood at $294 billion, representing nearly 3 million borrowers.

Net earnings for Fiscal 2001 were $374 million as compared to $410 million for the prior fiscal year ("Fiscal 2000"). Diluted earnings per share were $3.14 as compared to $3.52 in Fiscal 2000. The decline in earnings this year from last year's record-setting levels was primarily a result of a slow market for loan originators in the early part of Fiscal 2001. In addition, Fiscal 2000 earnings included a non-recurring tax benefit of $25 million or $0.22 per diluted share. Earnings from non-core operations (which include insurance, capital markets, loan closing services and international operations) accounted for 27 percent of earnings in Fiscal 2001, compared to 13 percent in Fiscal 2000.

Among our consumer businesses, the consumer mortgage origination sector accounted for 32 percent of consolidated earnings in Fiscal 2001, compared to 35 percent in Fiscal 2000. The mortgage-related investments sector contributed 28 percent of earnings, compared to 39 percent in Fiscal 2000. B2C insurance provided 1 percent of earnings, the same as the previous fiscal year.

Among our institutional businesses, the processing and technology sector accounted for 11 percent of Countrywide's earnings in Fiscal 2001, compared to 6 percent in Fiscal 2000. Capital Markets contributed 16 percent of earnings this year, compared to 14 percent in Fiscal 2000. B2B insurance provided 12 percent of earnings, versus 5 percent last year.

Market Outlook As we begin Fiscal 2002, the key driver of the mortgage market continues to be the low interest rate environment. Should this environment be sustained, the mortgage industry can expect to see a total origination market which approaches or even exceeds record volume. As of April 2001, the Mortgage Bankers Association of America, Fannie Mae and Freddie Mac have projected the total market for calendar year 2001 to approach or break the previous record of $1.5 trillion set in 1998.

Countrywide's mortgage origination business should benefit from these conditions, and our previous record for annual origination volume, $93 billion in Fiscal 1999, could be within reach. On the servicing side, the risk of portfolio erosion would be mitigated by the massive surge in loan originations, as the company has seen historically. In the fourth quarter of Fiscal 2001, for example, originations exceeded prepayments by $10.3 billion.

Over the near term, this environment creates opportunities for accelerated growth. Over the longer term, our well-developed strategy of diversification and globalization provides the potential for enhanced stability and further upside in our income stream.

The Future As Countrywide's strategic transformation takes us into diverse businesses and new markets around the globe, Countrywide will face new challenges. We are confident that the employees of Countrywide, under the direction of our Senior Managing Director team, will rise to these challenges and take the company to new heights, while creating value for our shareholders. On behalf of all the people at Countrywide, we thank you for your continued interest and support.

Angelo R. Mozilo
Chairman, CEO & President

Stanford L. Kurland
Executive Managing Director & COO

Countrywide at a Glance

CONSUMER MORTGAGE ORIGINATIONS

Consumer Loans

Consumer Markets Division

- Lends directly to consumers. Borrowers who are buying or refinancing a home make contact through a branch office, over the telephone or through the Internet.
- Funded $19.0 billion in loans in Fiscal 2001.

Wholesale Lending Division

- Lends to consumers through a network of nearly 15,000 mortgage brokers.
- Funded $19.9 billion in loans in Fiscal 2001.

Full Spectrum Lending, Inc.

- Lends directly to sub-prime consumers through a nationwide network of 41 branches.
- Funded $1.6 billion in loans in Fiscal 2001.

Note: e-Commerce, which includes telemarketing and Internet fundings, is a growing and important component of our consumer lending businesses. Consumer e-commerce loan fundings represented 44 percent of total consumer loan fundings in Fiscal 2001.

Loan Closing Services

Through LandSafe, Inc., Countrywide offers an array of loan closing services for residential mortgage loan transactions, including property appraisals, credit reporting services, flood zone determinations, pre-purchase home inspections, title searches and escrow and closing documentation.

- Completed more than 2.6 million appraisal, credit reporting, flood zone determination and title orders in Fiscal 2001.

CONSUMER INSURANCE

Countrywide offers retail property and casualty insurance, as well as life and disability insurance products, directly to consumers through Countrywide Insurance Services, Inc.

- $226.6 million in annualized premiums at February 28, 2001.
- Over 514,000 policies in force at February 28, 2001.

MORTGAGE-RELATED INVESTMENTS

In connection with Countrywide's mortgage banking activities, the company retains certain mortgage-related assets, which include capitalized mortgage servicing rights and residual interests. In addition, the company also manages a servicing hedge which is designed to protect these investments against prepayment risk.

CAPITAL MARKETS

Correspondent Lending

- Countrywide purchases closed loans from mortgage bankers, commercial banks, and other financial institutions.
- Funded $28.4 billion in Fiscal 2001.
- Countrywide Warehouse Lending provides warehouse lines of credit to mortgage originators to finance their origination or acquisition of residential mortgage loans.

Countrywide Capital Markets (CCM)

Countrywide Securities Corporation

- Specializes in trading and underwriting of fixed income products, with an emphasis on mortgages and mortgage-related products, agency and corporate debt, and certificates of deposit.
- Total trading volume for Fiscal 2001 was $742 billion.

Countrywide Servicing Exchange

- Brokers bulk servicing for third parties and arranges mortgage servicing purchases for Countrywide Home Loans (CHL).

Countrywide Asset Management Corporation

- Specializes in the purchase, acquisition, servicing, management and disposition of residential mortgage assets, including mortgage servicing rights.

PROCESSING AND TECHNOLOGY

Services total domestic loan portfolio of $293.6 billion

- $285 billion portfolio for CHL at February 28, 2001.
- $8.6 billion portfolio for sub-servicing for other lenders at February 28, 2001.

50 percent ownership of Global Home Loans, Limited (GHL)

- GHL services over 750,000 loans for our joint venture partner, Woolwich, plc.
- GHL processes over 10,000 loans per month for Woolwich, plc.

B2B INSURANCE

Countrywide serves the insurance needs of institutional clients, business partners, and their customers through Balboa Life and Casualty ("Balboa"), a national property, liability, and life insurance carrier, and DirectNet Insurance, which offers a wide array of insurance products through its website, call centers, and direct-mail efforts.

- Balboa's net written premiums for the twelve month period ending February 28, 2001 were $244 million. Countrywide acquired Balboa on November 30, 1999.

Q&A *Countrywide's Transformation and Senior Management Team*

In 1969, Angelo Mozilo co-founded Countrywide Credit Industries, Inc. Today, he serves as Chairman, Chief Executive Officer and President of the company, which has grown from a small lender into a diversified financial services provider and a member of the S&P 500 and Forbes 500. In 1979, Angelo hired Stan Kurland to serve as Countrywide's controller. Stan is now Executive Managing Director and Chief Operating Officer for Countrywide, and also serves as CEO and President of Countrywide Home Loans, Inc. Together, Angelo and Stan provide the leadership and vision for the company.

Since the mid 1990's, Countrywide's pace of diversification and growth has accelerated dramatically. In addition, the company now operates in markets outside the U.S. As a result, the task of running Countrywide's operations has become much more challenging. In 2000, Angelo and Stan made a decision to realign the company's management infrastructure, handing off portions of the day-to-day operational control to four newly-promoted Senior Managing Directors. This new structure will provide enhanced operational strength and flexibility as the company continues to become larger and more complex.

Angelo R. Mozilo
Stanford L. Kurland

“Our company is in the midst of a dramatic and far-reaching transformation. Evidence of this strategic shift is everywhere.”

What progress is being made in the effort to transform Countrywide?

ANGELO

Our company is in the midst of a dramatic and far-reaching transformation. Evidence of this strategic shift is everywhere. At the corporate level, for example, nearly one half of our earnings are now derived from business lines which didn’t exist at Countrywide ten years ago. The change is also illustrated by the company’s decisive entries into the B2B insurance and banking markets, as well as our dramatic growth in capital markets (as a niche investment banker focused on mortgage products) and our globalization initiative in the European mortgage market. Change is taking place at all levels within the company. Our aim is not just to withstand change, but to embrace it. Historically, our ability to do so has been one of our greatest competitive advantages.

Why did the company promote four new Senior Managing Directors last year?

STAN

To meet the demands of the growing marketplace, not to mention the increasing complexity of our own operations, we realized that we must realign our senior management structure into four functional areas of expertise. Each one of the newly created senior managing directors is accountable for different elements of our core businesses, as well as major parts of our diversification strategies. We feel strongly that this realignment will enhance our ability to manage complexity and change. However, our transformation is far from complete. Our objectives are to maintain a dominant position in our core mortgage banking business, to become a strong player in the insurance, banking and capital markets industries, and to develop a leadership position in the European mortgage markets. In support of these goals, we now have a strong, deep team in place, consisting of these four key individuals who will help keep us focused on our mission and assist Angelo and me in leading the company forward.

Kevin Bartlett

Senior Managing Director and Chief of Secondary Markets

Kevin Bartlett is Senior Managing Director and Chief of Secondary Markets for Countrywide. In this role, he oversees pricing and administration of all loan products, securitization and sale of loans, hedging, quality control and relationships with government-sponsored entities including Fannie Mae, Freddie Mac and Ginnie Mae ("the GSEs"). Among his accomplishments, he was responsible for brokering Countrywide's unique strategic alliance with Fannie Mae in 1999.

What is the role of Secondary Markets operations at Countrywide?

KEVIN

Countrywide is not a portfolio lender, so all of our loan production must be sold. The majority of the company's loan production is securitized and sold in sizes that range from $1 million to over $1 billion. Our role is to make sure we get the best possible execution, meaning the highest price while minimizing risk. We develop products that can be sold into the secondary market, then we provide underwriting guidelines and prices to Countrywide's production personnel. Once the loans are in the pipeline, we hedge them against changes in the interest rate environment until they're settled with investors. Since Countrywide is a very large producer of mortgage loans, we run one of the largest mortgage trading positions in the nation.

Who are some of the key people in your operations?

KEVIN

Dave Walker, Executive Vice President, Credit Risk Management, is responsible for developing products and underwriting guidelines, as well as loan quality control. In addition, he oversees much of the securitization process for products of lesser credit grade. David Spector, Executive Vice President, Loan Sales, runs our trading desk and related operations. Nick Krsnich, Executive Vice President, Secondary Marketing Trading, “Since Countrywide is a very large producer of mortgage loans, we run one of the largest mortgage trading positions in the nation.”

handles the financial pricing and execution strategy. Jeff Speakes, Managing Director of Risk Management, and Mike Smith, Executive Vice President, Portfolio Risk Management, focus on hedging our servicing asset. Jeff, Mike, David Spector and Nick oversee a diverse risk management team which is responsible for protecting our pipeline of loans in process, our inventory of mortgages and mortgage-backed securities, and our portfolio of mortgage servicing rights. This team performs quantitative analysis of our exposure to interest rate risk and develops proprietary, cost effective strategies for mitigating this risk.

Could you tell us about Countrywide’s relationships with the GSEs?

KEVIN

Fannie Mae, Freddie Mac, Ginnie Mae and, most recently, the Federal Home Loan Banks (FHL Banks), are important business partners for us. They offer a method of mortgage securitization which usually provides the best execution for the majority of the loans we originate. We have an especially strong relationship with Fannie Mae, resulting from the strategic alliance we signed with them in 1999. This historic agreement provided us with a number of benefits, including new securitization structures to enhance our capital efficiency; new products and processes to create greater efficiency and lower cost; and opportunities to accelerate the growth of some of our ancillary businesses. While the volume we do with each of the GSEs and the FHL Banks can vary over time, we share their commitment to and passion for making home financing more affordable and accessible to all Americans.

Can you describe Countrywide's domestic servicing operations and their importance?

TOM Countrywide is one of the largest mortgage loan servicers in the U.S., with a portfolio of $294 billion at the end of Fiscal 2001, which represents nearly 3 million borrowers. Servicing is one of our core business lines, generating over $1.2 billion in revenues in Fiscal 2001, but it has strategic importance beyond that. Servicing is the part of our business which has the most contact with our customers. It also presents opportunities to realize economies of scale. Furthermore, it performs well in high interest rate environments, serving as a natural counterbalance to the cycles of loan production, our other core business line.

What's the secret to Countrywide's success in the servicing business?

TOM We believe we have the most efficient mortgage servicing operation in existence. Richard DeLeo, Managing Director of Domestic Loan Administration, heads up a management team which is focused on continuous process improvement in all functions. We have a heavy focus on automation and technology. For example, we've migrated much of our customer service to the Internet or to automated telephonic prompting.

Tom Boone is Senior Managing Director and Chief of Global Processing for Countrywide. He oversees domestic loan servicing and subservicing, international processing and servicing operations, international consulting, and other transaction processing businesses. One of Tom's most notable accomplishments was his integral role in the establishment of Global Home Loans, Ltd., the European mortgage banking joint venture Countrywide formed in 1999 with UK-based Woolwich plc.

Tom Boone
Senior Managing Director
and Chief of Global Processing

How did Countrywide enter the international arena?

TOM The starting point was Europe. We believe Countrywide has the world's foremost operating expertise and technology relative to mortgage processing and servicing, but we were seeking a partner with a strong market presence. We found that partner in Woolwich plc, one of the largest lenders in the UK, and we established a joint venture called Global Home Loans (GHL). We provide GHL with technology and operational expertise, and Woolwich signed a contract to outsource all their loan processing and servicing to the joint venture. Recently, Woolwich was acquired by Barclays plc, a large UK-based international bank, and we view this as an opportunity to increase our share in that market. Meanwhile, we continue to look for other European opportunities, using GHL as a platform. We also have an international consulting operation which provides fee income and helps us identify opportunities in markets outside of Europe and the U.S. Current or recent consulting assignments have taken place in Japan, Korea, Singapore, Mexico and Colombia.

Who are some of the key people in your international operations?

TOM Michael Keating, Executive Vice President of Global Markets, manages various aspects of our European operations, including our technology development efforts and our relationships with existing and potential European business partners. Kevin Meyers, from our domestic servicing operations, will soon be joining GHL as its new Chief Executive Officer. Michael Lea is President of Countrywide International Consulting Services.

"We believe we have the most efficient mortgage servicing operation in existence... We have a heavy focus on automation and technology."

Carlos Garcia

Senior Managing Director of Finance and Chief Financial Officer

Carlos Garcia is Senior Managing Director of Finance and Chief Financial Officer for Countrywide and Chief Operating Officer of its principal subsidiary, Countrywide Home Loans, Inc. He oversees all major support and administrative areas of the company, including finance, human resources, administration and technology. In addition, he oversees our insurance operations, which represent one of our largest non-core business lines, and our banking subsidiary, which is one of our newest businesses.

Countrywide is growing rapidly in the insurance sector. Can you describe these operations?

CARLOS

For many years, our captive insurance agency, Countrywide Insurance Services (CIS), has marketed property, casualty and life insurance to our mortgage customers. This entity is now one of the largest of its kind, with over 500,000 customers. Two years ago, we acquired Balboa Life and Casualty, which is an insurance carrier focusing on meeting the needs of financial institutions. There's been a strong synergy between the two companies, with CIS's powerful retail sales force and Balboa's capability to design product and market coverage to institutional clients. We also have been successful in generating income in the private mortgage insurance arena, with a captive reinsurance subsidiary called Second Charter. Marshall Gates, Managing Director, oversees all of our insurance operations.

Countrywide recently made headlines by moving closer to obtaining a bank charter. What are your plans in this business?

CARLOS

In April 2001, we cleared two regulatory hurdles, obtaining approval from the OCC to acquire a small company called Treasury Bank, and gaining Federal Reserve Board approval to operate as a bank and financial holding company. The strategic intent is to further diversify our consumer offerings by marketing traditional bank products to our 3 million mortgage customers and 500,000 insurance customers. This will enable us to better serve their needs, and it will enhance our potential to retain these customers. In addition, we

“Two years ago, we acquired Balboa Life and Casualty, which is an insurance carrier focusing on meeting the needs of financial institutions.”

will seek to bring in-house certain functions which historically Countrywide outsourced to banks. Clay Simmons, President and Chief Operating Officer of Countrywide Financial Holding Company, Inc., heads up the effort to build our banking operations.

In addition to overseeing these non-core businesses, you are the Chief Operating Officer for Countrywide Home Loans. How do you manage these additional duties?

CARLOS

Countrywide is fortunate to have outstanding managers in its support areas. Keith McLaughlin serves as Managing Director and Chief Financial Officer of CHL, overseeing all finance, accounting and treasury functions. Anne McCallion, Managing Director and Chief Administrative Officer of CHL, oversees human resources, facilities, procurement and other administrative areas. Richard Jones, Managing Director and Chief Technology Officer, leads our central IT function, and links our divisional development efforts to the corporate strategy. Rich Lewis, Managing Director of Profitability Enhancement Initiatives, recently returned after a term in Europe as Chief Executive Officer of Global Home Loans. Paul Decoff, Executive Vice President, Corporate Operations Officer, leads a team that provides consulting services and analytical tools to enhance the productivity of all areas of the company. Lisa Novacek, Executive Vice President of New Business Development, supports new initiatives and directs the integration of new acquisitions.

Loan origination is Countrywide's highest-profile business. Could you describe your operations in this area?

DAVE

Countrywide is one of the largest mortgage lenders in the U.S. In Fiscal 2001, we originated $69 billion in home loans, the second-highest annual total in company history. We source these loans through various channels. Our retail arm is the Consumer Markets Division, which encompasses some 400 local branches, plus state-of-the-art call centers and the industry's leading Internet presence. The Wholesale Lending Division serves nearly 15,000 mortgage brokers nationwide. Both of these divisions report to Greg Lumsden, Managing Director of Originations, and Greg also oversees Full Spectrum Lending, Inc., our retail sub-prime subsidiary. On the institutional side, our Correspondent Lending Division, under the direction of Doug Jones, Executive Vice President, purchases closed loans from a network of 1,900 financial institutions. Doug also manages Countrywide Warehouse Lending, which provides inventory financing to several of our mortgage banking clients.

What are the keys to Countrywide's success in this arena?

DAVE

On the retail side, we have a powerful retail brand, backed by a nationwide branch network and one of the industry's best-known websites. In all channels, we provide a compelling value proposition highlighted by a broad product line, outstanding service and competitive

Dave Sambol is Senior Managing Director and Chief of Production. In this role, he oversees Countrywide's consumer and institutional loan production, which includes retail, mortgage broker and correspondent channels, as well as related loan closing services. In addition, he leads Countrywide Capital Markets, Inc., one of the company's most successful non-core businesses, which provides mortgage-related investment banking services to institutional clients.

Dave Sambol

Senior Managing Director and Chief of Production

pricing, all of which are made possible in part because of our emphasis on automation and technology. Years ago, for example, Countrywide was the first lender to launch an artificial intelligence underwriting program (CLUES). Our comprehensive product line contains virtually every loan program available in the U.S., including conventional, government, conforming, jumbo, fixed, adjustable, sub-prime and home equity loans. We have also expanded into loan closing services through our subsidiary LandSafe, Inc., under the direction of Marshall Gates, Managing Director, which provides title, appraisal, credit reporting, pre-purchase home inspections, escrow and closing documentation, and flood determination services. This increases the profitability of each loan we originate, and also allows us to better control the quality of service we provide to our customers.

What is Countrywide Capital Markets (CCM), and what is its significance to the company?

DAVE

CCM is a fixed income investment banking firm engaged in sales, trading and underwriting of mortgage and other debt securities, as well as related research and advisory activities. CCM consists of three subsidiaries directed by Ranjit Kripalani, President: Countrywide Securities Corporation, an NASD regulated broker-dealer; Countrywide Servicing Exchange, one of the nation's largest brokerage firms specializing in mortgage servicing rights transactions; and Countrywide Asset Management Corporation, a manager of distressed mortgage related assets. Through its offices in Los Angeles, New York, Fort Lauderdale, and London, CCM primarily serves institutional fixed income investors and other financial institutions. The creation and growth of CCM has represented one of Countrywide's most successful diversification efforts, accounting for 8 percent of Countrywide's total income in Fiscal 2001.

> "In Fiscal 2001, we originated $69 billion in home loans, the second-highest annual total in company history."

"It's the quality of these people that gives us confidence we can meet the challenging objectives we've set for Countrywide."

Final Thoughts: Angelo Mozilo and Stan Kurland

What is the key message that readers should take away from this Annual Report?

STAN

They should understand the quality of our people. We've focused on our four newly promoted Senior Managing Directors, who are among the most accomplished and experienced people in the financial services industry. Kevin Bartlett, Tom Boone, Carlos Garcia and Dave Sambol collectively have over 60 years of experience with Countrywide, and they've been responsible for building new businesses and forming strategic alliances which set us apart from our competition. We've also described some of the Senior Managing Directors' key direct reports, including Managing Directors and Executive Vice Presidents who are recognized experts in their respective disciplines or functions.

There are other senior managers who are important to Countrywide's success who report directly to me or Angelo who have not yet been mentioned. These include four Managing Directors: Andy Bielanski, Managing Director of Marketing, who oversees all branding, direct marketing and public relations activities; Sandy Samuels, Managing Director and General Counsel, who manages all legal matters; Sidney Lenz, one of our longest-tenured employees, with extensive industry experience as Managing Director of Industry Affairs; and Eric Sieracki, Managing Director of Corporate Finance, who directs our Investor Relations, Strategic Planning and enterprise corporate finance functions.

As strong as this senior management team is, these individuals represent just the tip of the iceberg. Working with them are some 12,000 men and women who work hard every day to make Countrywide one of the top financial services firms in the nation, as well as the small but growing number of expatriates who are taking our expertise into foreign markets.

What's in store for Countrywide over the next few years?

ANGELO

Within five years, our strategic objective is to achieve at least 10 percent market share in our core domestic businesses – mortgage origination and servicing. In our non-core businesses, which include insurance, capital markets, loan closing services and banking, our goal is to achieve even more rapid growth than that of our core businesses, which would result in a shift in the composition of earnings toward a more diverse mix. On the international scene, we plan to continue expanding our already considerable presence in the UK market, and to use GHL as a platform to penetrate the mortgage markets in continental Europe. Five years from now, we also expect to be capitalizing on opportunities in non-European markets, including countries in Asia and Latin America.

These are lofty goals. But we believe the company has the best operational team in the business, across all levels of the organization. It's the quality of these people that gives us confidence we can meet the challenging objectives we've set for Countrywide. ■

Financial Table of Contents

Selected Consolidated Financial Data

(Dollar amounts in thousands, except per share data)	Year ended February 28 (29), 2001	2000	1999	1998	1997
Statement of Earnings Data[1]:					
Revenues:					
Loan origination fees	$ 398,544	$ 406,458	$ 623,531	$ 301,389	$ 193,079
Gain on sale of loans	611,092	557,743	699,433	417,427	247,450
Loan production revenue	1,009,636	964,201	1,322,964	718,816	440,529
Interest earned	1,341,402	998,646	1,029,066	584,076	457,005
Interest charges	(1,348,242)	(922,225)	(977,326)	(564,640)	(418,682)
Net interest income	(6,840)	76,421	51,740	19,436	38,323
Loan servicing revenues	1,201,177	996,861	842,583	734,982	614,355
Amortization and impairment/recovery of mortgage servicing rights, net of servicing hedge	(617,153)	(445,138)	(600,766)	(328,845)	(226,686)
Net loan administration income	584,024	551,723	241,817	406,137	387,669
Net premiums earned	274,039	75,786	12,504	5,643	1,995
Commissions, fees and other income	195,462	198,318	175,363	132,574	89,351
Gain on sale of subsidiary	—	4,424	—	57,381	—
Total revenues	2,056,321	1,870,873	1,804,388	1,339,987	957,867
Expenses:					
Salaries and related expenses	769,287	689,768	669,686	424,321	286,884
Occupancy and other office expenses	275,074	270,015	264,575	179,308	126,261
Marketing expenses	71,557	72,930	64,510	42,320	34,255
Insurance net losses	106,827	23,420	—	—	—
Other operating expenses	247,541	183,542	173,812	128,492	88,569
Total expenses	1,470,286	1,239,675	1,172,583	774,441	535,969
Earnings before income taxes	586,035	631,198	631,805	565,546	421,898
Provision for income taxes	211,882	220,955	246,404	220,563	164,540
Net earnings	$ 374,153	$ 410,243	$ 385,401	$ 344,983	$ 257,358
Per Share Data[2]:					
Basic[3]	$ 3.26	$ 3.63	$ 3.46	$ 3.21	$ 2.50
Diluted[3]	$ 3.14	$ 3.52	$ 3.29	$ 3.09	$ 2.44
Cash dividends per share	$ 0.40	$ 0.40	$ 0.32	$ 0.32	$ 0.32
Weighted average shares outstanding:					
Basic	114,932,000	113,083,000	111,414,000	107,491,000	103,112,000
Diluted	119,035,000	116,688,000	117,045,000	111,526,000	105,677,000
Selected Balance Sheet Data at End of Period[1]:					
Total assets	$ 22,955,907	$ 15,822,328	$ 15,648,256	$ 12,183,211	$ 7,689,090
Short-term debt	$ 7,300,030	$ 2,529,302	$ 3,982,435	$ 3,279,489	$ 2,345,663
Long-term debt	$ 7,643,991	$ 7,253,323	$ 5,953,324	$ 4,195,732	$ 2,367,661
Common shareholders' equity	$ 3,559,264	$ 2,887,879	$ 2,518,885	$ 2,087,943	$ 1,611,531
Operating Data (dollar amounts in millions):					
Loan servicing portfolio[4]	$ 293,600	$ 250,192	$ 215,489	$ 182,889	$ 158,585
Volume of loans originated	$ 68,923	$ 66,740	$ 92,881	$ 48,772	$ 37,811

[1] Certain amounts in the Consolidated Financial Statements have been reclassified to conform to current year presentation.
[2] Adjusted to reflect subsequent stock dividends and splits.
[3] Earnings per share for Fiscal 1998 include a $57.4 million gain on sale of subsidiary. Excluding the non-recurring gain on sale of subsidiary, basic and diluted earnings per share would have been $2.88 and $2.78, respectively.
[4] Includes warehoused loans and loans under subservicing agreements.

Management's Discussion and Analysis

of Financial Condition and Results of Operations

General

The Company's businesses fall into six general categories: consumer mortgage originations, mortgage-related investments, B2C insurance, processing and technology, capital markets and B2B insurance. See "Business – Mortgage Originations Segment," "Business – Mortgage-Related Investments Segment," "Business – B2C Insurance Segment," "Business – Processing and Technology Segment," "Business – Capital Markets Segment" and "Business – B2B Insurance Segment." The Company intends to continue its efforts to expand its operations in each of these areas. A strong production capability and a growing servicing portfolio are the primary means used by the Company to reduce the sensitivity of its earnings to changes in interest rates because the effect of interest rate changes on loan production income is countercyclical to their effect on servicing income. The operations of the B2C Insurance Segment includes acting as an agent in the sale of insurance, including homeowners, fire, flood, earthquake, life and disability and creditor-placed auto and homeowner insurance. The operations of the Capital Markets Segment include trading MBS and other mortgage-related assets as well as brokering service contracts and bulk purchases and sales of whole loans. In addition, the Capital Markets Segment also purchases closed loans from mortgage bankers, commercial banks and other financial institutions through the Correspondent Division. The operations of the B2B Insurance Segment includes underwriting insurance, including homeowners, fire, flood, earthquake, life and disability and creditor-placed auto and homeowner insurance.

The Company's results of operations historically have been influenced primarily by the level of demand for mortgage loans, which is affected by such external factors as the level and direction of interest rates, and the strength of the overall economy and the economy in each of the Company's lending markets.

The fiscal year ended February 28, 1999 ("Fiscal 1999") was a then record year for the Company in terms of revenues and net earnings. Loan production increased to $92.9 billion, an all-time Company record, up from $48.8 billion in the prior fiscal year. The Company attributed the increase in production to: (i) an increase in the overall mortgage market driven largely by refinances; (ii) the generally strong economy and home purchase market; and (iii) an increase in the Company's market share, driven largely by the expansion of its Home Finance Network and Consumer Markets Division and Wholesale branch networks, including new retail sub-prime branches. For calendar 1998, the Company ranked second in the amount of single-family mortgage originations nationwide. During calendar 1998, the Company's market share increased to approximately 6.1%, up from approximately 5.1% in calendar 1997. During Fiscal 1999, the Company's loan servicing portfolio grew to $215.5 billion, up from $182.9 billion at the end of Fiscal 1998. This growth resulted from the Company's loan production during the year and bulk servicing acquisitions amounting to $4.6 billion. This growth in the loan servicing portfolio was partially offset by prepayments, partial prepayments and scheduled amortization of $53.2 billion and the transfer out of $6.5 billion of subservicing. The prepayment rate in the servicing portfolio was 28%, up from the prior year due to increased refinance activity driven by the lower mortgage interest rate environment in Fiscal 1999.

The fiscal year ended February 29, 2000 ("Fiscal 2000") was again a record year for the Company in terms of revenues and net earnings. Loan production decreased to $66.7 billion, down from $92.9 billion in the prior fiscal year. The Company attributed the decrease in production primarily to a decrease in the overall mortgage market driven largely by a decrease in refinance activity, combined with a slight decrease in the Company's market share. For calendar 1999 the Company ranked third in the amount of single-family mortgage originations nationwide. During calendar 1999 the Company's market share decreased to approximately 5.8% down from approximately 6.1% in calendar 1998. During Fiscal 2000, the Company's loan servicing portfolio grew to $250.2 billion, up from $215.5 billion at the end of Fiscal 1999. This growth resulted from the Company's loan production during the year and bulk servicing acquisitions amounting to $2 billion. This growth in the loan servicing portfolio was partially offset by prepayments, partial prepayments and scheduled amortization of $28.5 billion. The prepayment rate in the servicing portfolio was 13%, down from 28% the prior year due to the higher mortgage interest rate environment in Fiscal 2000.

The fiscal year ended February 28, 2001 ("Fiscal 2001") was another strong year for the Company in terms of revenues and net earnings. Loan production increased slightly to $68.9 billion, up from $66.7 billion in the prior fiscal year. The Company attributed the increase in production to an increase in the Company's market share. For calendar 2000, the Company ranked third in the amount of single-family mortgage originations nationwide. During calendar 2000 the Company's market share increased to approximately 5.9% up from approximately 5.8% in calendar 1999. During Fiscal 2001, the Company's loan servicing portfolio grew to $293.6 billion, up from $250.2 billion at the end of Fiscal 2000. This growth resulted from the Company's loan production during the year and bulk servicing acquisitions amounting to $8.7 billion. This growth in the loan servicing portfolio was partially offset by prepayments, partial prepayments and scheduled amortization of $28.7 billion. The prepayment rate in the servicing portfolio was 11%, down from 13% the prior year.

Management's Discussion and Analysis

of Financial Condition and Results of Operations

Fiscal 2001 Compared with Fiscal 2000

Operating Segment Results

The Company's pre-tax earnings by segment is summarized below.

(Dollar amounts in thousands)	Pre-Tax Earnings Fiscal 2001	Pre-Tax Earnings Fiscal 2000
Consumer Businesses:		
Consumer Mortgage Originations	$ 190,411	$ 218,121
Mortgage-Related Investments	166,944	250,296
B2C Insurance	4,158	6,041
Total Consumer Businesses	361,513	474,458
Institutional Businesses:		
Processing and Technology	62,540	35,924
Capital Markets	94,373	87,028
B2B Insurance	69,874	31,759
Total Institutional Businesses	226,787	154,711
Other	(2,265)	2,029
Pre-Tax Earnings	$ 586,035	$ 631,198

Consumer Mortgage Originations Segment

The Consumer Mortgage Originations Segment activities include loan origination through the Company's retail branch network (Consumer Markets Division and Full Spectrum Lending, Inc.) and the Wholesale Division, the warehousing and sales of such loans and loan closing services.

Total Consumer Mortgage Originations Segment loan production by Division is summarized below.

(Dollar amounts in millions)	Loan Production Fiscal 2001	Loan Production Fiscal 2000
Consumer Mortgage Originations:		
Consumer Markets Division	$ 18,976	$ 19,967
Wholesale Division	19,940	19,116
Full Spectrum Lending, Inc.	1,605	1,417
Total	$ 40,521	$ 40,500

The decline in pre-tax earnings of $27.7 million in Fiscal 2001 as compared to Fiscal 2000 was primarily attributable to reduced margins and increased price competition throughout Fiscal 2001. The lower net earnings rate on the inventory was due to an increase in short-term rates during Fiscal 2001 combined with a decrease in long-term rates. The declines were partially offset by improved margins on home equity and sub-prime loan production and increased profits from loan closing services.

Mortgage-Related Investments Segment

Mortgage-Related Investment Segment activities include investments in assets retained in the mortgage securitization process, including MSRs, residual interests in asset-backed securities and other mortgage-related assets.

The decrease in pre-tax earnings of $83.4 million in Fiscal 2001 as compared to Fiscal 2000 was primarily due to increased amortization and impairment of the MSRs net of servicing hedge expense, increased interest expense related to financing the mortgage-related investments and higher servicing expenses driven by the growth in the servicing portfolio, including the subservicing fee paid to the Processing and Technology Segment. These factors offset an increase in revenues generated from a larger servicing portfolio and improved performance of the residual investments. The growth in the Company's servicing portfolio since Fiscal 2000 was the result of loan production volume and the acquisition of bulk servicing rights. This was partially offset by prepayments, partial prepayments and scheduled amortization.

During Fiscal 2001, the Company recorded gains of $208.3 million in accumulated other comprehensive income related to the available-for-sale securities included in its Servicing Hedge.

During Fiscal 2001, the annual prepayment rate of the Company's servicing portfolio was 11%, compared to 13% for Fiscal 2000. In general, the prepayment rate is affected by the level of refinance activity, which in turn is driven primarily by the relative level of mortgage interest rates. The weighted average interest rate of the mortgage loans in the Company's servicing portfolio as of February 28, 2001 was 7.8% compared to 7.5% as of February 29, 2000.

B2C Insurance Segment

B2C Insurance Segment activities include the operations of CIS, an insurance agency that provides homeowners, life, disability and automobile as well as other forms of insurance, primarily to the Company's mortgage customers. The decrease in pre-tax earnings of $1.9 million in Fiscal 2001 as compared to Fiscal 2000 was primarily due to a decline in new policies sold.

Processing and Technology Segment

Processing and Technology Segment activities include internal sub-servicing of the Company's portfolio, as well as mortgage subservicing and sub-processing for other domestic and foreign financial institutions. The increase in pre-tax earnings of $26.6 million in Fiscal 2001 as compared to Fiscal 2000 was primarily due to growth in the servicing portfolio and subprocessing for foreign financial institutions. As of February 28, 2001 Global Home Loans subserviced approximately $40 billion of mortgage loans for the Company's joint venture partner, Woolwich, plc.

Capital Markets Segment

Capital Markets Segment activities include primarily the operations CSC, a registered broker-dealer specializing in mortgage-related securities, and the Correspondent Division, through which the Company purchases closed loans from mortgage bankers, commercial banks and other financial institutions. The increase in pre-tax earnings of $7.3 million in Fiscal 2001 as compared to Fiscal 2000 was primarily due to increased profitability of CSC driven by higher trading volumes.

B2B Insurance Segment

B2B Insurance Segment includes the activities of Balboa, an insurance carrier that offers property and casualty insurance (specializing in creditor placed insurance), and life and disability insurance together with the activities of Second Charter Reinsurance Company, a mortgage reinsurance company. The increase in pre-tax earnings of $38.1 million in Fiscal 2001 as compared to Fiscal 2000 was due to the acquisition of Balboa (on November 30, 1999) and increased mortgage reinsurance premium volume.

Other

In Fiscal 2000, the Company sold Countrywide Financial Services, Inc. which resulted in a $4.4 million pre-tax gain.

Consolidated Earnings Performance

Revenues for Fiscal 2001 increased to $2.1 billion, up from $1.9 billion for Fiscal 2000. The increase in revenues for Fiscal 2001 compared to Fiscal 2000 was primarily due to the acquisition of Balboa on November 30, 1999. Revenues for Fiscal 2001, excluding Balboa, decreased 1% compared to Fiscal 2000. The decline in revenues, excluding Balboa, for Fiscal 2001 compared to Fiscal 2000 was primarily due to a reduction in production margins, an increase in net servicing hedge expense and increased interest expense related to financing the mortgage-related investments. The decline was partially offset by increased revenues from the Processing and Technology, Capital Markets and B2B Insurance Segments. Net earnings decreased 9% to $374.2 million for Fiscal 2001, down from $410.2 million for Fiscal 2000. The decrease in net earnings for Fiscal 2001 was primarily due to a reduction in revenues and a nonrecurring tax benefit of $25 million that related primarily to a corporate reorganization during Fiscal 2000.

The total volume of loans produced by the Company increased 3% to $68.9 billion for Fiscal 2001, up from $66.7 billion for Fiscal 2000. The increase in loan production was driven largely by an increase in market share.

Total loan production by purpose and by interest rate type is summarized below.

	Loan Production	
(Dollar amounts in millions)	Fiscal 2001	Fiscal 2000
Purchase	$ 49,696	$ 43,594
Refinance	19,227	23,146
Total	$ 68,923	$ 66,740
Fixed Rate	$ 59,349	$ 57,178
Adjustable Rate	9,574	9,562
Total	$ 68,923	$ 66,740

Total loan production by Segment is summarized below.

	Loan Production	
(Dollar amounts in millions)	Fiscal 2001	Fiscal 2000
Consumer Mortgage Originations	$ 40,521	$ 40,500
Correspondent Division	28,402	26,240
Total	$ 68,923	$ 66,740

The factors which affect the relative volume of production among the Company's Segments include the price competitiveness of each Segment's various product offerings, the level of mortgage lending activity in each Segment's market and the success of each Segment's sales and marketing efforts.

Non-traditional loan production (which is included in the Company's total volume of loans produced) is summarized below.

	Non-Traditional Loan Production	
(Dollar amounts in millions)	Fiscal 2001	Fiscal 2000
Sub-Prime	$ 5,360	$ 4,156
Home Equity	4,659	3,636
Total	$ 10,019	$ 7,792

Loan production revenues increased in Fiscal 2001 as compared to Fiscal 2000 due to increased trading activity in the Capital Markets Segment and improved margins on home equity and sub-prime loan production partially offset by reduced margins on prime credit quality, first lien mortgages. Sub-prime loans contributed $256.3 million to the gain on sale of loans in Fiscal 2001 and $185.7 million in Fiscal 2000. The sale of home equity loans contributed $122.5 million and $86.9 million to gain on sale of loans in Fiscal 2001 and Fiscal 2000, respectively. In general, loan production revenue is affected by numerous factors including the volume and mix of loans produced and sold, the level of competition in the market place and changes in interest rates.

Net interest expense (interest earned net of interest charges) of $6.8 million for Fiscal 2001 was down from net interest income of $76.4 million for Fiscal 2000. Net interest income (expense) is principally a function of: (i) net interest income earned from the Company's mortgage loan inventory ($92.5 million and $157.5 million for Fiscal 2001 and Fiscal 2000, respectively); (ii) interest expense related to the Company's mortgage-related investments ($392.3 million and $280.0 million for Fiscal 2001 and Fiscal 2000, respectively); (iii) interest income earned from the custodial balances associated with the Company's servicing portfolio ($232.2 million and $172.2 million for Fiscal 2001 and Fiscal 2000, respectively); and (iv) interest income earned from investments in the Capital Markets and B2B Insurance Segments ($55.3 million and $15.8 million for Fiscal 2001 and Fiscal 2000, respectively).

The decrease in net interest income from the Company's mortgage loan inventory was primarily attributable to lower inventory levels combined with a lower net earnings rate during Fiscal 2001, which resulted from an increase in short-term rates. The increase in interest expense related to mortgage-related investments resulted primarily from an increase in amounts financed coupled with an increase in short-term interest rates. The increase in net interest income earned from the custodial balances was primarily due to an increase in the earnings rate and an increase in the average custodial balances. The increase in net interest income from the investments in the Capital Markets and B2B Insurance Segments was primarily due to the acquisition of Balboa on November 30, 1999.

The Company recorded MSR amortization for Fiscal 2001 totaling $518.2 million compared to $459.3 million for Fiscal 2000. The Company recorded impairment of $896.1 million Fiscal 2001 compared to recovery of previous impairment of $278.3 million for Fiscal 2000. The primary factors affecting the amount of amortization and impairment or impairment recovery of MSRs recorded in an accounting period are the level of prepayments during the period and the change, if any, in estimated future prepayments. To mitigate the effect on earnings of MSR impairment that may result from increased current and projected future prepayment activity, the Company acquires financial instruments, including derivative contracts, that increase in aggregate value when interest rates decline (the "Servicing Hedge").

In Fiscal 2001, the Company recognized a net benefit of $797.1 million from its Servicing Hedge. The net benefit included unrealized net gains of $520.9 million and realized net gain of $276.2 million from the sale of various financial instruments that comprise the Servicing Hedge net of premium amortization. In addition, the Company recorded additional gains of $208.3 million in accumulated other comprehensive income related to the available-for-sale securities included in its Servicing Hedge. In Fiscal 2000, the Company recognized a net expense of $264.1 million from its Servicing Hedge. The net expense included unrealized net losses of $230.9 million and realized net loss of $33.2 million from the sale of various financial instruments that comprise the Servicing Hedge net of premium amortization. In addition, the Company recorded additional losses of $50.0 million in accumulated other comprehensive income related to the available-for-sale securities included in its Servicing Hedge.

The financial instruments that comprised the Servicing Hedge included interest rate floors, principal only securities ("P/O Securities"), options on interest rate swaps ("Swaptions"), options on MBS, options on interest rate futures, interest rate swaps, interest rate swaps with the Company's maximum payment capped ("Capped Swaps"), principal only swaps ("P/O Swaps") and interest rate caps.

The Servicing Hedge is designed to protect the value of the MSRs from the effects of increased prepayment activity that generally results from declining interest rates. To the extent that interest rates increase, the value of the MSRs increases while the value of the hedge instruments declines. With respect to the interest rate floors, options on interest rate futures and MBS, interest rate caps, and Swaptions, the Company is not exposed to loss beyond its initial outlay to acquire the hedge instruments plus any unrealized gains recognized to date. With respect to the interest rate swaps, Capped Swaps and P/O Swaps contracts entered into by the Company as of February 28, 2001, the Company estimates that its maximum exposure to loss over the remaining contractual terms is $1 million.

Salaries and related expenses are summarized below for Fiscal 2001 and Fiscal 2000.

	Fiscal 2001			
(Dollar amounts in thousands)	Consumer Businesses	Institutional Businesses	Corporate Administration	Total
Base Salaries	$ 248,416	$ 150,527	$ 106,691	$ 505,634
Incentive Bonus and Commissions	119,605	42,192	18,682	180,479
Payroll Taxes and Benefits	41,129	23,817	18,228	83,174
Total Salaries and Related Expenses	$ 409,150	$ 216,536	$ 143,601	$ 769,287
Average Number of Employees	6,069	3,942	1,693	11,704

(Dollar amounts in thousands)	Fiscal 2000 Consumer Businesses	Institutional Businesses	Corporate Administration	Total
Base Salaries	$ 266,120	$ 101,402	$ 101,514	$ 469,036
Incentive Bonus	98,759	26,533	20,659	145,951
Payroll Taxes and Benefits	41,231	15,345	18,205	74,781
Total Salaries and Related Expenses	$ 406,110	$ 143,280	$ 140,378	$ 689,768
Average Number of Employees	6,321	2,837	1,776	10,934

The amount of salaries increased during Fiscal 2001 as compared to Fiscal 2000 primarily due to an increase in staff in the institutional businesses due to a larger servicing portfolio and the acquisition of Balboa on November 30, 1999. Incentive bonuses and commissions earned during the Fiscal 2001 increased primarily due to an increase in production volume, the addition of commissioned sales personnel in the Consumer Mortgage Originations Segment and increased activity in the Capital Markets Segment.

Occupancy and other office expenses for Fiscal 2001 increased to $275.1 million from $270.0 million for Fiscal 2000. The increase was primarily due to the acquisition of Balboa and growth in the Processing and Technology Segment.

Marketing expenses for Fiscal 2001 decreased 2% to $71.6 million as compared to $72.9 million for Fiscal 2000.

Insurance net losses are attributable to insurance claims in the B2B Insurance Segment. Insurance losses were $106.8 million for Fiscal 2001. These losses will increase or decrease during a period depending primarily on the volume of claims caused by natural disasters. The increase in losses for Fiscal 2001 is due to the acquisition of Balboa on November 30, 1999.

Other operating expenses were $247.5 million for Fiscal 2001 as compared to $183.5 million for Fiscal 2000. The increase was primarily due to the acquisition of Balboa.

Fiscal 2000 Compared with Fiscal 1999

Operating Segment Results

The Company's pre-tax earnings by segment is summarized below.

(Dollar amounts in thousands)	Pre-Tax Earnings Fiscal 2000	Fiscal 1999
Consumer Businesses:		
Consumer Mortgage Originations	$ 218,121	$ 517,827
Mortgage-Related Investments	250,296	(26,319)
B2C Insurance	6,041	3,325
Total Consumer Businesses	474,458	494,833
Institutional Businesses:		
Processing and Technology	35,924	33,367
Capital Markets	87,028	90,140
B2B Insurance	31,759	13,084
Total Institutional Businesses	154,711	136,591
Other	2,029	381
Pre-Tax Earnings	$ 631,198	$ 631,805

Consumer Mortgage Originations Segment

The Consumer Mortgage Originations Segment activities include loan origination through the Company's retail branch network (Consumer Markets Division and Full Spectrum Lending, Inc.) and the Wholesale Division, the warehousing and sales of such loans and loan closing services.

Total consumer mortgage loan production by division is summarized below.

(Dollar amounts in millions)	Loan Production Fiscal 2000	Fiscal 1999
Consumer Mortgages:		
Consumer Markets Division	$ 19,967	$ 28,508
Wholesale Division	19,116	30,917
Full Spectrum Lending, Inc.	1,417	708
Total	$ 40,500	$ 60,133

The decline in pre-tax earnings of $299.7 million in Fiscal 2000 as compared to Fiscal 1999 was primarily attributable to lower prime credit quality first mortgage loan production and margins driven by a significant reduction in refinances. These declines were partially offset by increased loan production and increased sales of higher margin home equity and sub-prime loans.

Mortgage-Related Investments Segment

Mortgage-Related Investment Segment activities include investments in assets retained in the mortgage securitization process, including mortgage servicing rights, residual interests in asset-backed securities and other mortgage-related assets.

Management's Discussion and Analysis

of Financial Condition and Results of Operations

The increase in pre-tax earnings of $276.6 million in Fiscal 2000 as compared to Fiscal 1999 was primarily due to an increase in servicing revenues resulting from servicing portfolio growth combined with a reduction in amortization and a recovery of previous impairment of the MSRs, and improved performance of the residual investments. These factors were partially offset by higher servicing expenses driven by growth in the servicing portfolio, including the subservicing fee paid to the Processing and Technology Segment. The growth in the Company's servicing portfolio since Fiscal 1999 was the result of loan production volume and the acquisition of bulk servicing rights. This growth was partially offset by prepayments, partial prepayments and scheduled amortization.

During Fiscal 2000, the annual prepayment rate of the Company's servicing portfolio was 13%, compared to 28% for Fiscal 1999. In general, the prepayment rate is affected by the level of refinance activity, which in turn is driven primarily by the relative level of mortgage interest rates.

B2C Insurance Segment

B2C Insurance Segment activities include the operations of CIS, an insurance agency that provides homeowners, life, disability and automobile as well as other forms of insurance, primarily to the Company's mortgage customers. The increase in pre-tax earnings of $2.7 million in Fiscal 2000 as compared to Fiscal 1999 was primarily due to an increase in renewal policies.

Processing and Technology Segment

Processing and Technology Segment activities include internal sub-servicing of the Company's portfolio, as well as mortgage subservicing and sub-processing for other domestic and foreign financial institutions. The increase in pre-tax earnings of $2.6 million in Fiscal 2000 as compared to Fiscal 1999 was primarily due to growth in the sub-servicing portfolio and in sub-processing activities.

Capital Markets Segment

Capital Markets Segment activities include primarily the operations of CSC, a registered broker-dealer specializing in mortgage-related securities, and the Correspondent Division, through which the Company purchases closed loans from mortgage bankers, commercial banks and other financial institutions. The decrease in pre-tax earnings of $3.1 million in Fiscal 2000 as compared to Fiscal 1999 was primarily due to CLD's decreased production volume and reduced margins on prime credit quality first mortgages driven primarily by the decline in refinance activity. This decline was partially offset by increased profitability of CSC due to higher trading volumes.

B2B Insurance Segment

B2B Insurance Segment includes the activities of Balboa, an insurance carrier that offers property and casualty insurance (specializing in creditor placed insurance) and life and disability insurance, together with the activities of Second Charter Reinsurance Company, a mortgage reinsurance company. The increase in pre-tax earnings of $18.7 million in Fiscal 2000 as compared to Fiscal 1999 was due to the acquisition of Balboa (on November 30, 1999) and increased mortgage reinsurance premium volume.

Consolidated Earnings Performance

Revenues for Fiscal 2000 increased 4% to $1.9 billion, up from $1.8 billion for Fiscal 1999. Net earnings increased 6% to $410.2 million for Fiscal 2000, up from $385.4 million for Fiscal 1999. The slight increase in revenues for Fiscal 2000 compared to Fiscal 1999 was primarily attributed to the Mortgage-Related Investments and B2B Insurance Segments, together with increased production of non traditional loan products (i.e., home equity and sub-prime loans). This increase was largely offset by a decline in traditional prime loan originations, which was attributable to a market-wide decline in refinance activity. Included in net earnings in Fiscal 2000 was a nonrecurring tax benefit of $25 million that related primarily to a corporate reorganization.

The total volume of loans produced by the Company decreased 28% to $66.7 billion for Fiscal 2000, down from $92.9 billion for Fiscal 1999. The decrease in loan production was primarily due to a decrease in the mortgage market, driven largely by a reduction in refinances.

Total loan production by purpose and by interest rate type is summarized below.

	Loan Production	
(Dollar amounts in millions)	Fiscal 2000	Fiscal 1999
Purchase	$ 43,594	$ 39,681
Refinance	23,146	53,200
Total	$ 66,740	$ 92,881
Fixed Rate	$ 57,178	$ 88,334
Adjustable Rate	9,562	4,547
Total	$ 66,740	$ 92,881

Total loan production by Segment is summarized below.

	Loan Production	
(Dollar amounts in millions)	Fiscal 2000	Fiscal 1999
Consumer Mortgages	$ 40,500	$ 60,133
Correspondent Division	26,240	32,748
Total	$ 66,740	$ 92,881

The factors that affect the relative volume of production among the Company's Segments include the price competitiveness of each Segment's product offerings, the level of mortgage lending activity in each Segment's market and the success of each Segment's sales and marketing efforts.

Non-traditional loan production (which is included in the Company's total volume of loans produced) is summarized below.

	Non-Traditional Loan Production	
(Dollar amounts in millions)	Fiscal 2000	Fiscal 1999
Sub-Prime	$ 4,156	$ 2,496
Home Equity	3,636	2,221
Total	$ 7,792	$ 4,717

Loan production revenues decreased in Fiscal 2000 as compared to Fiscal 1999 due to lower production and reduced margins on prime credit quality, first lien mortgages. This decrease was partially offset by improved margins on home equity and sub-prime loan production. Sub-prime loans contributed $186 million to the gain on sale of loans in Fiscal 2000 and $92 million in Fiscal 1999. The sale of home equity loans contributed $87 million and $65 million to gain on sale of loans in Fiscal 2000 and Fiscal 1999, respectively. In general, loan production revenue is affected by numerous factors including the volume and mix of loans produced and sold, and the level of pricing competition.

Net interest income (interest earned net of interest charges) increased to $76.4 million for Fiscal 2000, up from net interest income of $51.7 million for Fiscal 1999. Net interest income is principally a function of: (i) net interest income earned from the Company's mortgage loan inventory ($157.5 million and $124.7 million Fiscal 2000 and Fiscal 1999, respectively); (ii) interest expense related to the Company's mortgage-related investments ($280.0 million and $265.5 million for Fiscal 2000 and Fiscal 1999, respectively); and (iii) interest income earned from the custodial balances associated with the Company's servicing portfolio ($172.2 million and $184.6 million for Fiscal 2000 and Fiscal 1999, respectively).

The increase in net interest income from the Company's mortgage loan inventory was primarily attributable to an increase in inventory levels as a result of a longer warehouse period combined with a higher net earnings rate during Fiscal 2000. The increase in interest expense on the investment in servicing rights resulted from a larger servicing portfolio. The decrease in net interest income earned from the custodial balances was primarily related to a decrease in the average custodial balances caused by a decrease in the amount of mortgage prepayments.

The Company recorded MSR amortization for Fiscal 2000 totaling $459.3 million compared to $556.4 million for Fiscal 1999. The Company recorded recovery of previous impairment of $278.3 million for Fiscal 2000 compared to impairment of $457.2 million for Fiscal 1999. The primary factors affecting the amount of amortization and impairment or impairment recovery of MSRs recorded in an accounting period are the level of prepayments during the period and the change, if any, in estimated future prepayments. To mitigate the effect on earnings of MSR impairment that may result from increased current and projected future prepayment activity, the Company acquires financial instruments, including derivative contracts, that increase in aggregate value when interest rates decline.

In Fiscal 2000, the Company recognized a net expense of $264.1 million from its Servicing Hedge. The net expense included unrealized net losses of $230.9 million and realized net loss of $33.2 million from the sale of various financial instruments that comprise the Servicing Hedge, net of premium amortization. In Fiscal 1999, the Company recognized a net gain of $412.8 million from its Servicing Hedge. The net gain included unrealized net gains of $26.1 million and net realized gain of $386.7 million from the sale of various financial instruments that comprise the Servicing Hedge, net of premium amortization.

Salaries and related expenses are summarized below for Fiscal 2000 and Fiscal 1999.

	Fiscal 2000			
(Dollar amounts in thousands)	Consumer Businesses	Institutional Businesses	Corporate Administration	Total
Base Salaries	$ 266,120	$ 101,402	$ 101,514	$ 469,036
Incentive Bonus	98,759	26,533	20,659	145,951
Payroll Taxes and Benefits	41,231	15,345	18,205	74,781
Total Salaries and Related Expenses	$ 406,110	$ 143,280	$ 140,378	$ 689,768
Average Number of Employees	6,321	2,837	1,776	10,934

	Fiscal 1999			
(Dollar amounts in thousands)	Consumer Businesses	Institutional Businesses	Corporate Administration	Total
Base Salaries	$ 245,131	$ 78,609	$ 90,597	$ 414,337
Incentive Bonus	149,376	19,877	20,107	189,360
Payroll Taxes and Benefits	40,790	12,556	12,643	65,989
Total Salaries and Related Expenses	$ 435,297	$ 111,042	$ 123,347	$ 669,686
Average Number of Employees	6,013	2,328	1,606	9,947

The amount of salaries and related expenses increased during the Fiscal 2000 as compared to Fiscal 1999 primarily due to expansion of the consumer branch network, including the retail sub-prime branches and an increase in staff in the institutional businesses due to a larger servicing portfolio and the acquisition of Balboa on November 30, 1999. The increase was partially offset by a decline in consumer businesses as a result of a decline in mortgage originations. Incentive bonuses earned during Fiscal 2000 decreased primarily due to the reduction in loan production.

Occupancy and other office expenses for Fiscal 2000 increased to $270.0 million from $264.6 million for Fiscal 1999. This was primarily due to expansion of the consumer branch network, a larger servicing portfolio and growth in the Company's institutional businesses primarily due to the acquisition of Balboa, partially offset by a reduction in temporary personnel expense as a result of decreased production.

Marketing expenses for Fiscal 2000 increased 13% to $72.9 million, up from $64.5 million for Fiscal 1999. The increase was primarily related to the growth in the Company's origination volume of non-traditional loan products.

Insurance net losses are attributable to insurance claims in the B2B Insurance Segment. Insurance losses were $23.4 million for Fiscal 2000 and are due to the acquisition of Balboa on November 30, 1999. These losses will increase or decrease during a period depending primarily on the volume of claims caused by natural disasters.

Other operating expenses were $183.5 million for Fiscal 2000 as compared to $173.8 million for Fiscal 1999. The increase was primarily due to the acquisition of Balboa, partially offset by a reduction in reserves for bad debt due primarily to improved property values nationally.

In Fiscal 2000, the Company initiated a corporate reorganization related to its servicing operations. As a result of the reorganization, future state income tax liabilities are expected to be less than the amounts that were previously recorded as deferred income tax expense and liability in the Company's financial statements. The expected reduction in tax liabilities was reflected as a reduction in deferred state income tax expense in Fiscal 2000.

Quantitative and Qualitative Disclosure About Market Risk

The primary market risk facing the Company is interest rate risk. From an enterprise perspective, the Company manages this risk by striving to balance its loan origination (consumer and institutional) operations and mortgage-related investments, which are counter cyclical in nature. In addition, the Company utilizes various financial instruments, including derivatives contracts, to manage the interest rate risk related specifically to its committed pipeline, mortgage loan inventory and MBS held for sale, MSRs, MBS retained in securitizations, trading securities and debt securities. The overall objective of the Company's interest rate risk management policies is to offset changes in the values of these items resulting from changes in interest rates. The Company does not speculate on the direction of interest rates in its management of interest rate risk.

As part of its interest rate risk management process, the Company performs various sensitivity analyses that quantify the net financial impact of changes in interest rates on its interest rate-sensitive assets, liabilities and commitments. These analyses incorporate scenarios including selected hypothetical (instantaneous) parallel shifts in the yield curve. Various modeling techniques are employed to value the financial instruments. For mortgages loans, MBS and MBS forward contracts and CMOs, an option-adjusted spread ("OAS") model is used. The primary assumptions used in this model are the implied market volatility of interest rates and prepayment speeds. For options and interest rate floors, an option-pricing model is used. The primary assumption used in this model is implied market volatility of interest rates. MSRs and residual interests are valued using discounted cash flow models. The primary assumptions used in these models are prepayment rates, discount rates and credit losses.

Utilizing the sensitivity analyses described above, as of February 29, 2001, the Company estimates that a permanent 0.50% reduction in interest rates, all else being constant, would result in no after-tax loss related to its trading securities or to its other financial instruments and MSRs combined. These sensitivity analyses are limited by the fact that they are performed at a particular point in time, are subject to the accuracy of various assumptions used, including prepayment forecasts, and do not incorporate other factors that would impact the Company's overall financial performance in such a scenario. Consequently, the preceding estimates should not be viewed as a forecast.

An additional, albeit less significant, market risk facing the Company is foreign currency risk. The Company has issued foreign currency-denominated medium-term notes (See Note F). The Company manages the foreign currency risk associated with such medium-term notes by entering into currency swaps. The terms of the currency swaps effectively translate the foreign currency denominated medium-term notes into U.S. dollars, thereby eliminating the associated foreign currency risk (subject to the performance of the various counterparties to the currency swaps). As a result, potential changes in the exchange rates of foreign currencies denominating such medium-term notes would not have a net financial impact on future earnings, fair values or cash flows.

Inflation

Inflation affects the Company most significantly in the Consumer Mortgage Originations, Mortgage-Related Investments and Capital Markets Segments. Interest rates normally increase during periods of high inflation and decrease during periods of low inflation. Historically, as interest rates increase, loan production decreases, particularly from loan refinancings. Although in an environment of gradual interest rate increases, purchase activity may actually be stimulated by an improving economy or the anticipation of increasing real estate values. In such periods of reduced loan production, production margins may decline due to increased competition resulting primarily from over capacity in the market. In a higher interest rate environment, mortgage-related investment earnings are enhanced because prepayment rates tend to slow down thereby extending the average life of the Company's servicing portfolio and reducing amortization and impairment of the MSRs, and because the rate of interest earned from the custodial balances tends to increase. Conversely, as interest rates decline, loan production, particularly from loan refinancings, increases. However, during such periods, prepayment rates tend to accelerate (principally on the portion of the portfolio having a note rate higher than the prevailing mortgage rates), thereby decreasing the average life of the Company's servicing portfolio and adversely impacting its mortgage-related investment earnings primarily due to increased amortization and impairment of the MSRs, and decreased earnings from residual investments. The Servicing Hedge is designed to mitigate the impact of changing interest rates on mortgage-related investment earnings.

Seasonality

The mortgage banking industry is generally subject to seasonal trends. These trends reflect the general national pattern of sales and resales of homes, although refinancings tend to be less seasonal and more closely related to changes in mortgage rates. Sales and resales of homes typically peak during the spring and summer seasons and decline to lower levels from mid-November through February. In addition, delinquency rates typically rise temporarily in the winter months.

Liquidity and Capital Resources

The Company's principal financing needs related to its mortgage banking operations are the financing of its mortgage loan inventory, investment in MSRs and available-for-sale securities. To meet these needs, the Company currently utilizes commercial paper supported by revolving credit facilities, medium-term notes, MBS repurchase agreements, subordinated notes, pre-sale funding facilities, redeemable capital trust pass-through securities, convertible debentures, securitization of servicing fee income and cash flow from operations. In addition, in the past the Company has utilized whole loan repurchase agreements, servicing-secured bank facilities, private placements of unsecured notes and other financings, direct borrowings from revolving credit facilities and public offerings of common and preferred stock. The Company strives to maintain sufficient liquidity in the form of unused, committed lines of credit to meet anticipated short-term cash requirements as well as to provide for potential sudden increases in business activity driven by changes in the market environment.

Certain of the debt obligations of CCI and CHL contain various provisions that may affect the ability of CCI and CHL to pay dividends and remain in compliance with such obligations. These provisions include requirements concerning net worth and other financial covenants. These provisions have not had, and are not expected to have, an adverse impact on the ability of CCI and CHL to pay dividends.

The principal financing needs of CCM consist of the financing of its inventory of securities and mortgage loans and its underwriting activities. Its securities inventory is financed primarily through repurchase agreements. CCM also has access to a $200 million secured bank loan facility and a secured lending facility with CHL.

The primary cash needs for the B2B Insurance Segment are to meet short-term and long-term obligations to policyholders (i.e., payment of policy benefits), costs of acquiring new business (principally commissions) and the purchases of new investments. To meet these needs, Balboa currently utilizes cash flow provided from operations as well as through partial liquidation of its investment portfolio from time to time.

The Company continues to investigate and pursue alternative and supplementary methods to finance its operations through the public and private capital markets. These may include such methods as mortgage loan sale transactions designed to expand the Company's financial capacity and reduce its cost of capital and the additional securitization of servicing income cash flows.

In connection with its derivative contracts, the Company may be required to deposit cash or certain government securities or obtain letters of credit to meet margin requirements. The Company considers such potential margin requirements in its overall liquidity management.

In the course of the Company's mortgage banking operations, the Company sells the mortgage loans it originates and purchases to investors but generally retains the right to service the loans, thereby increasing the Company's investment in MSRs. The Company views the sale of loans on a servicing-retained basis in part as an investment vehicle. Significant unanticipated prepayments in the Company's servicing portfolio could have a material adverse effect on the Company's future operating results and liquidity.

Cash Flows

Operating Activities In Fiscal 2001, the Company's operating activities used cash of approximately $3.3 billion on a short-term basis to support an increase in trading securities and other financial instruments, primarily securities purchased under agreements to resale. In Fiscal 2000, operating activities provided cash of approximately $4.0 billion.

Investing Activities The primary investing activity for which cash was used by the Company was the investment in MSRs and available-for-sale securities. Net cash used by investing activities was $2.4 billion for Fiscal 2001 and $3.1 billion for Fiscal 2000.

Financing Activities Net cash provided by financing activities amounted to $5.8 billion for Fiscal 2001 and net cash used by financing activities amounted to $0.9 billion for Fiscal 2000. The increase in cash flow from financing activities was primarily used to fund the Company's investment in MSRs and available-for-sale securities and the increase in trading securities and other financial instruments.

Prospective Trends

Applications and Pipeline of Loans in Process

For the month ended April 30, 2001, the Company received new loan applications at an average daily rate of $675 million. As of April 30, 2001, the Company's pipeline of loans in process was $18.6 billion. This compares to a daily application rate for the month ended April 30, 2000 of $344 million and a pipeline of loans in process as of April 30, 2000 of $9.2 billion. The size of the pipeline is generally an indication of the level of near-term future fundings, as historically 41% to 77% of the pipeline of loans in process has funded. In addition, at April 30, 2001, the Company had committed to make loans in the amount of $2.2 billion, subject to property identification and approval of the loans (the "LOCK 'N SHOP® Pipeline"). At April 30, 2000, the LOCK 'N SHOP® Pipeline was $3.2 billion. Future application levels and loan fundings are dependent on numerous factors, including the level of demand for mortgage loans, the level of competition in the market, the direction of mortgage rates, seasonal factors and general economic conditions.

Management's Discussion and Analysis

of Financial Condition and Results of Operations

Market Factors

Loan production increased 3% from Fiscal 2000 to Fiscal 2001. This increase was primarily due to an increase in loan purchase production of 14% to $49.7 billion during the same period driven by an increase in the Company's market share.

The prepayment rate in the servicing portfolio decreased from 13% for Fiscal 2000 to 11% for Fiscal 2001.

The Company's California mortgage loan production (as measured by principal balance) constituted 26% and 22% of its total production during Fiscal 2001 and Fiscal 2000, respectively. Some regions in which the Company operates have experienced slower economic growth, and real estate financing activity in these regions has been impacted negatively. The Company has striven to diversify its mortgage banking activities geographically to mitigate such effects.

The delinquency rate in the Company's servicing portfolio, excluding sub-servicing, increased to 4.68% as of February 28, 2001 from 3.97% as of February 29, 2000. This increase was primarily the result of changes in portfolio mix and aging. Sub-prime loans (which tend to experience higher delinquency rates than prime loans) represented approximately 5% of the total portfolio as of February 28, 2001, up from 3% as of February 29, 2000. In addition, the weighted average age of the FHA and VA loans (which also tend to experience higher delinquency sales than conventional loans) in the portfolio increased to 36 months at February 28, 2001 from 31 months in February 29, 2000. Delinquency rates tend to increase as loans age, reaching a peak at three to five years of age. Related late charge income has historically been sufficient to offset incremental servicing expenses resulting from increased loan delinquencies.

The percentage of loans in the Company's servicing portfolio, excluding sub-servicing, that are in foreclosure increased to 0.54% as of February 28, 2001 from 0.39% as of February 29, 2000. Because the Company services substantially all conventional loans on a non-recourse basis, related credit losses are generally the responsibility of the investor or insurer and not the Company. While the Company does not generally retain credit risk with respect to the prime credit quality first mortgage loans it sells, it does have potential liability under representations and warranties made to purchasers and insurers of the loans. In the event of a breach of these representations and warranties, the Company may be required to repurchase a mortgage loan and any subsequent loss on the mortgage loan will be borne by the Company. Similarly, government loans serviced by the Company (22% of the Company's servicing portfolio as of February 28, 2001) are insured by the FHA or partially guaranteed against loss by the VA. The Company is exposed to credit losses to the extent that the partial guarantee provided by the VA is inadequate to cover the total credit losses incurred. For Fiscal 2001, 2000 and 1999, the losses on VA loans in excess of the VA guaranty were approximately $4.1 million, $8.5 million and $13.2 million, respectively. The Company retains credit risk on the home equity and sub-prime loans it securitizes, through retention of a subordinated interest or through a corporate guarantee of losses up to a negotiated maximum amount. As of February 28, 2001, the Company had investments in such subordinated interests amounting to $763.6 million and had reserves amounting to $56.3 million related to such corporate guarantees.

Servicing Hedge

As previously discussed, the Company's Servicing Hedge is designed to protect the value of its investment in MSRs from the effects of increased prepayment activity that generally results from declining interest rates. In periods of increasing interest rates, the value of the Servicing Hedge generally declines and the value of MSRs generally increases. The historical correlation of the Servicing Hedge and the MSRs has been very high. However, given the complexity and uncertainty inherent in hedging MSRs, there can be no assurance that future results will match or approximate the historical performance of the Servicing Hedge.

Implementation of New Accounting Standards

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, amended by Statement No. 137, Deferral of the Effective Date of FASB Statement No. 133 and Statement No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment to FASB Statement No. 133 (collectively, "FAS 133"). FAS 133 requires companies to record derivatives on their balance sheets at fair value. Changes in the fair values of those derivatives would be reported in earnings or other comprehensive income depending on the use of the derivative and whether it qualifies for hedge accounting. The key criterion for hedge accounting is that the hedging relationship must be highly effective in achieving offsetting changes in fair value of assets or liabilities or cash flows from forecasted transactions. This statement was effective for the Company on March 1, 2001. At the date of initial application, the Company recorded certain transition adjustments as required by FAS 133. There was no impact on net income as a result of such transition adjustments. However, such adjustments resulted in the Company reducing the carrying amount of derivative assets by $94 million and recognizing $107 million of derivative liabilities on its balance sheet. Management believes that the Company's hedging activities are highly effective over the long term. However, the implementation of FAS 133 could result in more volatility in quarterly reported earnings as a result of market conditions that temporarily impact the value of the derivatives while not reducing their long term hedge effect.

In September 2000, the FASB issued Statement No. 140 ("FAS 140"), Accounting for the Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, which replaces FAS 125 (of the same title). FAS 140 revises certain standards in the accounting for securitizations and other transfers of financial assets and collateral, and requires some disclosures relating to securitization transactions and collateral that were not required by FAS 125; however, FAS 140 carries over most of FAS 125's provisions. The collateral and disclosure provisions of FAS 140 are effective for fiscal years ending after December 15, 2000. The February 28, 2001 financial statements for the Company include the disclosures required by FAS 140. The other provisions of FAS 140 are effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. Management does not expect that the adoption of this statement will have a material impact on the Company.

Consolidated Balance Sheets

(Dollar amounts in thousands, except per share data)	February 28 (29), 2001	2000
Assets		
Cash	$ 126,496	$ 59,890
Mortgage loans and mortgage-backed securities held for sale	1,964,018	2,653,183
Trading securities, at market value ($309,089 pledged as collateral)	4,050,082	1,984,031
Mortgage servicing rights, net	5,767,748	5,396,477
Investments in other financial instruments	4,160,314	3,174,194
Securities purchased under agreements to resell	3,109,556	435,593
Property, equipment and leasehold improvements, net	396,943	410,899
Other assets	3,380,350	1,708,061
Total assets	$ 22,955,507	$ 15,822,328
Borrower and investor custodial accounts (segregated in special accounts — excluded from corporate assets)	$ 5,553,143	$ 2,852,738
Liabilities and Shareholders' Equity		
Notes payable	$ 11,402,791	$ 8,281,216
Securities sold under agreements to repurchase	3,541,230	1,501,409
Drafts payable issued in connection with mortgage loan closings	932,931	382,108
Accounts payable, accrued liabilities and other	1,449,288	997,405
Deferred income taxes	1,570,003	1,272,311
Total liabilities	18,896,243	12,434,449
Commitments and contingencies	—	—
Company-obligated mandatorily redeemable capital trust pass-through securities of subsidiary trusts holding solely Company guaranteed related subordinated debt	500,000	500,000
Shareholders' equity		
Preferred stock — authorized, 1,500,000 shares of $0.05 par value; issued and outstanding, none	—	—
Common stock — authorized, 240,000,000 shares of $0.05 par value; issued and outstanding, 117,732,249 shares in 2001 and 113,463,424 shares in 2000	5,887	5,673
Additional paid-in capital	1,307,679	1,171,238
Accumulated other comprehensive income (loss)	173,249	(33,234)
Retained earnings	2,072,449	1,744,202
Total shareholders' equity	3,559,264	2,887,879
Total liabilities and shareholders' equity	$ 22,955,507	$ 15,822,328
Borrower and investor custodial accounts	$ 5,553,143	$ 2,852,738

The accompanying notes are an integral part of these statements.

Consolidated Statements of Earnings

(Dollar amounts in thousands, except per share data)	Year ended February 28 (29), 2001	2000	1999
Revenues			
Loan origination fees	$ 398,544	$ 406,458	$ 623,531
Gain on sale of loans, net of commitment fees	611,092	557,743	699,433
Loan production revenue	1,009,636	964,201	1,322,964
Interest earned	1,341,402	998,646	1,029,066
Interest charges	(1,348,242)	(922,225)	(977,326)
Net interest	(6,840)	76,421	51,740
Loan servicing revenues	1,201,177	996,861	842,583
Amortization and impairment/recovery of mortgage servicing rights, net of servicing hedge	(617,153)	(445,138)	(600,766)
Net loan administration income	584,024	551,723	241,817
Net premiums earned	274,039	75,786	12,504
Commissions, fees and other income	195,462	202,742	175,363
Total revenues	2,056,321	1,870,873	1,804,388
Expenses			
Salaries and related expenses	769,287	689,768	669,686
Occupancy and other office expenses	275,074	270,015	264,575
Marketing expenses	71,557	72,930	64,510
Insurance net losses	106,827	23,420	—
Other operating expenses	247,541	183,542	173,812
Total expenses	1,470,286	1,239,675	1,172,583
Earnings before income taxes	586,035	631,198	631,805
Provision for income taxes	211,882	220,955	246,404
Net Earnings	$ 374,153	$ 410,243	$ 385,401
Earnings per share			
Basic	$ 3.26	$ 3.63	$ 3.46
Diluted	$ 3.14	$ 3.52	$ 3.29

The accompanying notes are an integral part of these statements.

Consolidated Statement of Common Shareholders' Equity

	Three years ended February 28 (29),					
(Dollar amounts in thousands)	Number of Shares	Common Stock	Additional Paid-in-Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance at February 28, 1998	109,205,579	$ 5,460	$ 1,049,365	$ 3,697	$ 1,029,421	$ 2,087,943
Cash dividends paid – common	—	—	—	—	(35,648)	(35,648)
Stock options exercised	1,239,662	62	20,047	—	—	20,109
Tax benefit of stock options exercised	—	—	11,456	—	—	11,456
Dividend reinvestment plan	2,048,062	103	66,669	—	—	66,772
401(k) Plan contribution	126,010	6	6,136	—	—	6,142
Other comprehensive loss, net of tax	—	—	—	(23,290)	—	(23,290)
Net earnings for the year	—	—	—	—	385,401	385,401
Balance at February 28, 1999	112,619,313	5,631	1,153,673	(19,593)	1,379,174	2,518,885
Cash dividends paid – common	—	—	—	—	(45,215)	(45,215)
Stock options exercised	602,021	31	6,709	—	—	6,740
Tax benefit of stock options exercised	—	—	1,883	—	—	1,883
Dividend reinvestment plan	61,869	2	1,986	—	—	1,988
401(k) Plan contribution	180,221	9	6,987	—	—	6,996
Other comprehensive loss, net of tax	—	—	—	(13,641)	—	(13,641)
Net earnings for the year	—	—	—	—	410,243	410,243
Balance at February 29, 2000	113,463,424	5,673	1,171,238	(33,234)	1,744,202	2,887,879
Cash dividends paid – common	—	—	—	—	(45,906)	(45,906)
Stock options exercised	2,797,939	140	57,468	—	—	57,608
Tax benefit of stock options exercised	—	—	17,375	—	—	17,375
Dividend reinvestment plan	1,133,101	57	51,720	—	—	51,777
401(k) Plan contribution	264,018	13	7,865	—	—	7,878
Issued to employee stock purchase plan	73,767	4	2,013	—	—	2,017
Other comprehensive income, net of tax	—	—	—	206,483	—	206,483
Net earnings for the year	—	—	—	—	374,153	374,153
Balance at February 28, 2001	117,732,249	$ 5,887	$ 1,307,679	$ 173,249	$ 2,072,449	$ 3,559,264

The accompanying notes are an integral part of this statement.

Consolidated Statements of Cash Flows

Increase (Decrease) in Cash

	Year ended February 28 (29),		
(Dollar amounts in thousands)	2001	2000	1999
Cash flows from operating activities:			
Net earnings	$ 374,153	$ 410,243	$ 385,401
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:			
Gain on sale of available-for-sale securities	(56,965)	(12,332)	(56,801)
Gain on sale of subsidiary	—	(4,424)	—
Gain on sale of securitized service fees	—	(2,650)	—
Amortization and impairment/recovery of mortgage servicing rights	1,414,388	181,101	1,013,578
Depreciation and other amortization	70,736	65,947	49,210
Deferred income taxes	211,882	220,955	246,404
Origination and purchase of loans held for sale	(68,923,245)	(66,739,744)	(92,880,538)
Principal repayments and sale of loans	69,612,410	70,317,781	91,941,509
Decrease (increase) in mortgage loans and mortgage-backed securities held for sale	689,165	3,578,037	(939,029)
(Increase) decrease in other financial instruments	(20,345)	438,069	(269,711)
Increase in trading securities	(2,066,051)	(523,585)	(1,216,499)
Increase in securities purchased under agreements to resale	(2,673,963)	(359,347)	(22,686)
Increase in other assets	(1,705,133)	(33,722)	(32,763)
Increase in accounts payable and accrued liabilities	451,883	6,263	35,259
Net cash provided (used) by operating activities	(3,310,250)	3,964,555	(807,637)
Cash flows from investing activities:			
Additions to mortgage servicing rights, net	(1,785,659)	(1,299,909)	(1,898,007)
Additions to available-for-sale securities	(1,480,079)	(1,519,545)	(195,828)
Proceeds from sale of securitized service fees	—	197,616	—
Acquisition of insurance company	—	(425,000)	—
Purchase of property, equipment and leasehold improvements, net	(38,721)	(150,537)	(119,507)
Proceeds from sale of available-for-sale securities	895,736	96,200	231,555
Proceeds from sale of subsidiary	—	21,053	—
Net cash used by investing activities	(2,408,723)	(3,080,122)	(1,981,787)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	3,252,032	(790,117)	(1,122,273)
Issuance of long-term debt	3,417,237	2,224,354	4,044,121
Repayment of long-term debt	(957,050)	(2,288,762)	(142,096)
Issuance of common stock	119,266	16,449	93,361
Cash dividends paid	(45,906)	(45,215)	(35,648)
Net cash provided (used) by financing activities	5,785,579	(883,291)	2,837,465
Net increase in cash	66,606	1,142	48,041
Cash at beginning of period	59,890	58,748	10,707
Cash at end of period	$ 126,496	$ 59,890	$ 58,748
Supplemental cash flow information:			
Cash used to pay interest	$ 1,336,506	$ 902,491	$ 876,236
Cash used to pay income taxes	$ 14,799	$ 7,084	$ 1,407
Noncash financing activities:			
Unrealized gain (loss) on available-for-sale securities, net of tax	$ 206,483	$ (13,641)	$ (23,290)

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

(Dollar amounts in thousands)	Year ended February 28 (29), 2001	2000	1999
Net Earnings	$ 374,153	$ 410,243	$ 385,401
Other comprehensive income, net of tax:			
Unrealized gains (losses) on available for sale securities:			
Unrealized holding gains (losses) arising during the period, before tax	381,587	(9,356)	18,556
Income tax (expense) benefit	(138,876)	3,331	(7,237)
Unrealized holding gains (losses) arising during the period, net of tax	242,711	(6,025)	11,319
Less: reclassification adjustment for gains included in net earnings, before tax	(56,965)	(12,332)	(56,801)
Income tax expense	20,737	4,716	22,192
Reclassification adjustment for gains included in net earnings, net of tax	(36,228)	(7,616)	(34,609)
Other comprehensive income (loss)	206,483	(13,641)	(23,290)
Comprehensive Income	$ 580,636	$ 396,602	$ 362,111

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Note A — Summary of Significant Accounting Policies

Countrywide Credit Industries, Inc. (the "Company") is a holding company, which through its principal subsidiary, Countrywide Home Loans, Inc. ("CHL"), is engaged primarily in the mortgage banking business and as such originates, purchases, sells and services mortgage loans throughout the United States. In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

A summary of the Company's significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

Principles of Consolidation

The consolidated financial statements include the accounts of the parent and all wholly-owned subsidiaries that are required to be consolidated under generally accepted accounting principles. All material intercompany accounts and transactions have been eliminated.

Mortgage Loans and Mortgage-Backed Securities Held for Sale

Mortgage loans held for sale are carried at the lower of cost or market, which is computed by the aggregate method (unrealized losses are offset by unrealized gains). The cost of mortgage loans and the carrying value of mortgage-backed securities ("MBS") held for sale in the near term are adjusted by gains and losses generated from corresponding hedging transactions entered into to protect the value of the mortgage loans and MBS held for sale from increases in interest rates. Hedging transactions also are entered into to protect the value of the Company's short-term rate and point commitments to fund mortgage loan applications in process (the "Committed Pipeline") from increases in interest rates. Gains and losses generated from such hedging transactions are deferred. Hedging losses are recognized currently if deferring such losses would result in mortgage loans and MBS held for sale and the Committed Pipeline being effectively valued in excess of their estimated net realizable value.

The Company's MBS held for sale in the near term are classified as trading. Trading securities are recorded at fair value, with the change in fair value during the period included in earnings. The fair value of MBS held for sale in the near term is based on quoted market prices.

Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Leasehold improvements are amortized over the lesser of the life of the lease or service lives of the improvements using the straight-line method.

Transfers and Servicing of Financial Assets

A transfer of financial assets is accounted for as a sale when control is surrendered over the assets transferred. The Company typically retains mortgage servicing rights ("MSRs") and may retain interest-only strips, principal-only strips and one or more subordinated interests. MSRs and other assets retained are recognized as separate assets by allocating total costs incurred between the loan sold and MSRs and other assets retained based on their relative fair values. The Company estimates the fair value of retained interests based upon the present value of the expected future cash flows. This entails estimates of prepayment speeds, credit losses, discount rates and other factors that impact the value of the retained interests.

The Company recognizes as separate assets the rights to service mortgage loans for others, whether the servicing rights are acquired through a separate purchase or through securitization. Amortization of MSRs is based on the ratio of net servicing income received in the current period to total net servicing income projected to be realized from the MSRs. Projected net servicing income is in turn determined by the estimated future balance of the underlying mortgage loan portfolio, which declines over time from prepayments and scheduled loan amortization. The Company estimates future prepayment rates based on current interest rate levels, other economic conditions and market forecasts, as well as relevant characteristics of the servicing portfolio, such as loan types, note rate stratification and recent prepayment experience.

MSRs are periodically evaluated for impairment, which is recognized in the statement of earnings during the applicable period through additions to an impairment reserve. For purposes of performing its impairment evaluation, the Company stratifies its servicing portfolio on the basis of certain risk characteristics including loan type (fixed or adjustable) and note rate.

Other retained interests are classified as available-for-sale securities.

Servicing Hedge

To mitigate the effect on earnings of MSR impairment that may result from increased current and projected prepayment activity that generally occurs when interest rates decline, the Company acquires financial instruments, including derivatives, that increase in aggregate value when interest rates decline (the "Servicing Hedge"). These financial instruments include interest rate floors, principle-only securities ("P/O Securities"), options on interest rate swaps ("Swaptions"), options on MBS, options on interest rate futures, interest rate futures, interest rate swaps with the Company's maximum payment capped ("Capped Swaps"), interest rate swaps and interest rate caps. The value of the interest rate floors, options on interest rate futures and MBS, Capped Swaps, interest rate caps and Swaptions, is derived from an underlying instrument or index; however, the notional or contractual amount is not recognized on the balance sheet. The cost of these instruments is charged to expense (and deducted from net loan administration income) over the life of the contract. Unamortized costs are included in Investments in Other Financial Instruments on the balance sheet. The basis of the MSRs is adjusted for realized and unrealized gains and losses in the derivative financial instruments that qualify for hedge accounting.

Qualitative Disclosures About Market Risk

The primary market risk facing the Company is interest rate risk. From an enterprise perspective, the Company manages this risk by striving to balance its Mortgage-Related Investments Segment with the Production Divisions, which are counter-cyclical in nature. In addition, the Company utilizes various financial instruments, including derivatives contracts, to manage the interest rate risk related specifically to its Committed Pipeline, mortgage loan inventory and MBS held for sale, MSRs, mortgage-backed securities retained in securitizations, trading securities and debt securities. The overall objective of the Company's interest rate risk management policies is to offset changes in the values of these items resulting from changes in interest rates. The Company does not speculate on the direction of interest rates in its management of interest rate risk.

To qualify for hedge accounting, the derivative contract positions must be designated as a hedge and be effective in reducing the market risk of an existing asset, liability or the Committed Pipeline. The effectiveness of the derivative contracts is evaluated on an initial and ongoing basis using quantitative measures of correlation. If a derivative contract no longer qualifies as a hedge, any subsequent changes in fair value are recognized currently in earnings.

If a derivative contract that qualifies as a hedge is sold, matures or is terminated, any resulting intrinsic gain or loss adjusts the basis of the hedged item and any gain or loss resulting from unamortized premiums associated with the time value of such contracts are recognized in income. If a designated underlying item is no longer held, any previously unrecognized gain or loss on the related derivative is recognized in earnings and the derivative contract is subsequently accounted for at fair value.

Trading Securities

Trading securities consists of financial instruments held by the Company's broker-dealer subsidiary. These financial instruments, including derivative contracts, are recorded at fair value on a trade date basis, and gains and losses, both realized and unrealized, are included in Gain on Sale of Loans.

Securities Purchase Under Agreements to Resell and Securities Sold Under Agreements to Repurchase

Transactions involving purchases of securities under agreements to resell or sales of securities under agreements to repurchase are accounted for as collateralized financing except where the Company does not have an agreement to sell (or purchase) the same or substantially the same securities before maturity at a fixed or determinable price. It is the policy of the Company to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under resale agreements. Collateral is valued daily, and the Company may require counterparties to deposit additional collateral or return collateral pledged when appropriate.

At February 28, 2001, the market value of the collateral received related to securities purchased under agreements to resell was $2,201 million of which $723 million was pledged as collateral.

Collateral

The Company continues to report assets it has pledged as collateral in secured borrowings and other arrangements when the secured party cannot sell or repledge the assets or the Company can substitute collateral or otherwise redeem it on short notice. The Company generally does not report assets received as collateral in secured lending and other arrangements since the debtor typically has the right to redeem the collateral on short notice.

Available-for-Sale-Securities

The Company has designated its investments in P/O Securities, certain other equity securities, mortgage-backed securities retained in the Company's securitizations and insurance company investment portfolio as available for sale securities, which are included in Investments in Other Financial Instruments. Mortgage-backed securities retained in the Company's securitizations consist of sub-prime and home equity residual interests ("Residuals") and interest-only and principal-only certificates related to the Company's non-conforming private label mortgage-backed securities. The timing and amount of cash flows on these securities are significantly influenced by prepayments on the underlying loans and estimated foreclosure losses to the extent the Company has retained the risk of such losses. The fair value of these securities is determined by discounting future cash flows using discount rates that approximate current market rates.

The insurance company investment portfolio includes primarily fixed income securities, as well as other short-term securities.

The available for sale securities are measured at fair value. Unrealized gains or losses, net of deferred income taxes, are excluded from earnings and reported as a separate component of shareholders' equity until realized. Realized gains and losses on sales of securities are computed by the specific identification method at the time of disposition and are recorded in earnings. Unrealized losses that are other than temporary are recognized in earnings.

Loan Origination Fees

Loan origination fees, as well as discount points and certain direct origination costs are initially recorded as an adjustment of the cost of the loan and reflected in earnings when the loan is sold.

Interest Income Recognition

Interest income is accrued as earned. Loans are placed on non-accrual status when any portion of principal or interest is ninety days past due or earlier when concern exists as to the ultimate collectibility of principal or interest. Loans return to accrual status when principal and interest become current and are anticipated to be fully collectible.

Loan Servicing Income

Loan servicing income represents fees earned for servicing residential mortgage loans for investors and related ancillary income, including late charges. Servicing income is recognized as earned, unless collection is doubtful.

Notes to Consolidated Financial Statements

Interest Rate Swap Agreements

The amount to be received or paid under the interest rate swap agreements associated with the Company's debt and custodial accounts is accrued and is recognized as an adjustment to net interest income. The related amount payable to or receivable from counterparties is included in accounts payable and accrued liabilities.

Advertising Costs

The Company generally charges to expense the production costs of advertising the first time the advertising takes place, except for direct-response advertising, which is capitalized and amortized over the expected period of future benefits. Advertising expense was $55.5 million, $53.5 million and $46.0 million for the years ended February 28 (29), 2001, 2000 and 1999, respectively.

Stock-Based Compensation

The Company generally grants stock options for a fixed number of shares to employees with an exercise price equal to the fair value of the shares at the date of grant. The Company recognizes compensation cost related to its stock option plans only to the extent that the fair value of the shares at the grant date exceeds the exercise price.

Income Taxes

The Company utilizes an asset and liability approach in its accounting for income taxes. This approach requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the financial statement and tax basis carrying amounts of assets and liabilities.

Earnings Per Share

Basic earnings per share ("EPS") is determined using net income divided by the weighted average shares outstanding during the period. Diluted EPS is computed by dividing net income by the weighted average shares outstanding, assuming all dilutive potential common shares were issued.

The following table presents basic and diluted EPS for the years ended February 28 (29), 2001, 2000 and 1999.

	Year ended February 28 (29),								
	2001			*2000*			*1999*		
(Amounts in thousands, except per share data)	Net Earnings	Shares	Per Share Amount	Net Earnings	Shares	Per Share Amount	Net Earnings	Shares	Per Share Amount
Net earnings	$ 374,153			$ 410,243			$ 385,401		
Basic EPS									
Net earnings available to common shareholders	$ 374,153	114,932	$ 3.26	$ 410,243	113,083	$ 3.63	$ 385,401	111,414	$ 3.46
Effect of Dilutive Stock Options		4,103			3,605			5,631	
Diluted EPS									
Net earnings available to common shareholders	$ 374,153	119,035	$ 3.14	$ 410,243	116,688	$ 3.52	$ 385,401	117,045	$ 3.29

During the years ended February 28 (29), 2001 and 2000, options to purchase 3.3 million shares and 3.2 million shares, respectively, were outstanding but not included in the computation of EPS because they were antidilutive.

Financial Statement Reclassifications and Restatement

Certain amounts reflected in the Consolidated Financial Statements for the years ended February 29 (28), 2000 and 1999 have been reclassified to conform to the presentation for the year ended February 28, 2001.

Note B — Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements consisted of the following.

	February 28 (29),	
(Dollar amounts in thousands)	2001	2000
Buildings	$ 190,109	$ 183,134
Office equipment	393,721	362,346
Leasehold improvements	55,822	55,281
	639,652	600,761
Less: accumulated depreciation and amortization	(271,505)	(218,828)
	368,147	381,933
Land	28,796	28,966
	$ 396,943	$ 410,899

Depreciation and amortization expense amounted to $54.6 million, $48.8 million and $40.3 million for the years ended February 28 (29), 2001, 2000 and 1999, respectively.

Note C — Mortgage Servicing Rights

Entries to mortgage servicing rights for the years ended February 28 (29), 2001, 2000 and 1999 were as follows.

(Dollar amounts in thousands)	February 28 (29), 2001	2000	1999
Mortgage Servicing Rights			
Balance at beginning of period	$ 5,420,239	$ 4,591,191	$ 3,653,318
Additions, net	1,785,659	1,299,909	1,898,007
Securitization of service fees	—	(218,770)	—
Scheduled amortization	(518,199)	(459,308)	(556,373)
Hedge losses (gains) applied	(811,578)	207,217	(403,761)
Balance before valuation reserve at end of period	5,876,121	5,420,239	4,591,191
Reserve for Impairment of Mortgage Servicing Rights			
Balance at beginning of period	(23,762)	(94,752)	(41,308)
Reductions (additions)	(84,611)	70,990	(53,444)
Balance at end of period	(108,373)	(23,762)	(94,752)
Mortgage Servicing Rights, net	$ 5,767,748	$ 5,396,477	$ 4,496,439

The estimated fair value of mortgage servicing rights was $5.8 billion and $5.7 billion as of February 28 (29), 2001 and 2000, respectively. The fair value was determined by discounting estimated net future cash flows from mortgage servicing activities using discount rates that approximate current market rates.

Note D — Investments in Other Financial Instruments

Investments in other financial instruments as of February 28 (29), 2001 and 2000 included the following.

(Dollar amounts in thousands)	February 28 (29), 2001	2000
Servicing hedge instruments	$ 2,407,799	$ 1,784,315
Mortgage-backed securities retained in securitization	1,202,093	823,196
Insurance company investment portfolio	550,422	520,490
Equity securities, restricted and unrestricted	—	46,193
	$ 4,160,314	$ 3,174,194

Note E — Available For Sale Securities

Amortized cost and fair value of available for sale securities as of February 28 (29), 2001 and 2000 were as follows:

	February 28, 2001			
(Dollar amounts in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed securities retained in securitization	$ 1,108,557	$ 107,627	$ (14,091)	$ 1,202,093
Principal only securities	1,190,281	159,318	(605)	1,348,994
Insurance company investment portfolio	531,983	21,637	(3,198)	550,422
	$ 2,830,821	$ 288,582	$ (17,894)	$ 3,101,509

	February 29, 2000			
(Dollar amounts in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed securities retained in securitization	$ 807,948	$ 39,411	$ (24,163)	$ 823,196
Principal only securities	1,002,496	2,372	(52,028)	952,840
Insurance company investment portfolio	523,012	483	(3,005)	520,490
Equity securities	63,136	3,193	(20,136)	46,193
	$ 2,396,592	$ 45,459	$ (99,332)	$ 2,342,719

Notes to Consolidated Financial Statements

Note F — Notes Payable

Notes payable consisted of the following.

(Dollar amounts in thousands)	February 28 (29), 2001	2000
Commercial paper	$ —	$ 103,829
Medium-term notes, various series, and Euro Notes	10,435,510	7,975,324
Convertible debentures	500,717	—
Subordinated notes	200,000	200,000
Unsecured notes payable	264,196	—
Other notes payable	2,368	2,063
	$ 11,402,791	$ 8,281,216

Commercial Paper and Backup Credit Facilities

As of February 28, 2001, CHL, the Company's mortgage banking subsidiary, had unsecured credit agreements (revolving credit facilities) with consortiums of commercial banks permitting CHL to borrow an aggregate maximum amount of $5.3 billion. The facilities included a $4.3 billion revolving credit facility with forty-two commercial banks consisting of: (i) a five-year facility of $3.0 billion, which expires on September 24, 2002; and (ii) a one-year facility of $1.3 billion, which expires on September 19, 2001. As consideration for the facility, CHL pays annual commitment fees of $3.8 million. There is an additional one-year facility, which expires April 11, 2001, with thirteen of the forty-two banks referenced above for total commitments of $1.0 billion. As consideration for the facility, CHL pays annual commitment fees of $0.8 million. CHL has renewed this facility. (See Note Q – "Subsequent Events") The purpose of these credit facilities is to provide liquidity backup for CHL's commercial paper program. No amount was outstanding under these revolving credit facilities at February 28, 2001. The weighted average borrowing rate on commercial paper borrowings for the year ended February 28, 2001 was 6.40%. In addition, CHL has entered into a $1.1 billion asset-backed commercial paper conduit facility with four commercial banks. This facility has a maturity date of November 20, 2001. As consideration for this facility, CHL pays annual commitment fees of $1.4 million. Loans made under this facility are secured by conforming and non-conforming mortgage loans. All of the facilities contain various financial covenants and restrictions, certain of which limit the amount of dividends that can be paid by the Company or CHL.

Medium-Term Notes

As of February 28, 2001, outstanding medium-term notes issued by CHL under various shelf registrations filed with the Securities and Exchange Commission or issued by CHL pursuant to its Euro medium-term note program were as follows.

	Outstanding Balance			*Interest Rate*		*Maturity Date*	
(Dollar amounts in thousands)	Floating-Rate	Fixed-Rate	Total	From	To	From	To
Series A	$ —	$ 96,500	$ 96,500	7.41%	8.79%	Aug. 2001	Mar. 2002
Series B	—	251,000	251,000	6.65%	6.98%	Mar. 2003	Aug. 2005
Series C	105,000	127,000	232,000	4.84%	7.75%	Mar. 2001	Mar. 2004
Series D	—	385,000	385,000	6.05%	6.88%	Mar. 2001	Sept. 2005
Series E	—	655,000	655,000	6.94%	7.45%	Sept. 2003	Oct. 2008
Series F	311,000	1,244,000	1,555,000	5.35%	7.13%	Sept. 2001	May 2013
Series G	—	271,000	271,000	6.90%	7.00%	Aug. 2018	Nov. 2018
Series H	611,500	2,049,000	2,660,500	5.43%	8.25%	May 2001	Oct. 2019
Series I	1,622,300	566,950	2,189,250	5.40%	8.00%	June 2001	Aug. 2015
Euro Notes	627,406	1,512,854	2,140,260	5.52%	7.88%	Mar. 2001	Jan. 2009
Total	$ 3,277,206	$ 7,158,304	$ 10,435,510				

As of February 28, 2001 substantially all of the outstanding fixed-rate notes had been effectively converted through interest rate swap agreements to floating-rate notes. The weighted average rate on medium-term notes for the year ended February 28, 2001, including the effect of the interest rate swap agreements, was 6.95%. As of February 28, 2001 $1,511 million foreign currency-denominated medium-term notes were outstanding. Such notes are denominated in Deutsche Marks, French Francs, Portuguese Escudos and Euros. The Company manages the associated foreign currency risk by entering into currency swaps. The terms of the currency swaps effectively translate the foreign currency denominated medium-term notes into U.S. dollars.

Convertible Debentures

During the year ended February 28, 2001, the Company received $500 million from the issuance of zero coupon Liquid Yield Option Notes ("LYONs") with a face value of $675 million at maturity of LYONs due February 8, 2031. The LYONs were issued at $741.37 per LYON. At maturity, February 8, 2031, a holder will receive $1,000 per LYON. The issue price of each LYON represents a yield to maturity of 1.0%. The LYONs are senior indebtedness of the Company.

Holders of LYONs may require the Company to repurchase all or a portion of their LYONs at the original issue price plus accrued original issue discount on the following dates.

Repurchase Date	Repurchase Price
February 8, 2004	$ 763.89
February 8, 2006	$ 779.28
February 8, 2011	$ 819.14
February 8, 2016	$ 861.03
February 8, 2021	$ 905.06
February 8, 2026	$ 951.35

The Company may pay the purchase price in cash, common stock or a combination thereof.

Beginning on February 8, 2006 and on any date thereafter, the Company may redeem the LYONs at the original issue price plus accrued original issue discount.

Holders of LYONs may surrender LYONs for conversion into 11.57 shares of the Company's common stock per LYON in any calendar quarter, if, as of the last day of the preceding calendar quarter, the closing sale price of the Company's common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of such preceding calendar quarter is more than a specified percentage, beginning at 135% and declining 0.21% per quarter thereafter, of the accreted conversion price per share of common stock on the last day of trading of such preceding calendar quarter. The accreted conversion price per share is equal to the original issue price of a LYON plus the accrued original issue discount, with that sum divided by the number of shares issuable upon a conversion of a LYON.

Holders may also surrender a LYON for conversion during any period in which the credit rating assigned to the LYONs by either Moody's or Standard & Poor's falls below an investment grade level.

Subordinated Notes

As of February 28, 2001, CHL had $200 million of 8.25% subordinated notes (the "Subordinated Notes") due July 15, 2002. Interest on the Subordinated Notes is payable semi-annually on each January 15 and July 15. The Subordinated Notes are not redeemable prior to maturity and are not subject to any sinking fund.

Pre-Sale Funding Facilities

As of February 28, 2001, CHL had uncommitted revolving credit facilities that are secured by conforming mortgage loans which are in the process of being pooled into MBS. As of February 28, 2001, the Company had no outstanding borrowings under any of these facilities.

Maturities of notes payable are as follows.

Year ending February 28 (29),	(Dollar amounts in thousands)
2002	$ 3,758,800
2003	1,696,500
2004	828,000
2005	1,533,685
2006	1,165,944
Thereafter	2,419,862
	$ 11,402,791

Note G — Securities Sold Under Agreements to Repurchase

The Company routinely enters into short-term financing arrangements to sell MBS under agreements to repurchase. The weighted average borrowing rate for the year ended February 28, 2001 was 6.33%. The weighted average borrowing rate on repurchase agreements outstanding as of February 28, 2001 was 5.53%. The repurchase agreements were collateralized by MBS. All MBS underlying repurchase agreements are held in safekeeping by broker-dealers or banks. All agreements are to repurchase the same or substantially identical MBS.

Note H — Company-Obligated Capital Securities of Subsidiary Trusts

In December 1996, Countrywide Capital I (the "Subsidiary Trust I"), a subsidiary of the Company, issued $300 million of 8% Capital Trust Pass-through Securities (the "8% Capital Securities"). In connection with the Subsidiary Trust I issuance of the 8% Capital Securities, CHL issued to the Subsidiary Trust I, $309 million of its 8% Junior Subordinated Deferrable Interest Debentures (the "Subordinated Debt Securities I"). The Subordinated Debt Securities I are due on December 15, 2026 with interest payable semi-annually on June 15 and December 15 of each year. The Company has the right to redeem at par, plus accrued interest, the 8% Capital Securities any time on or after December 15, 2006. The sole assets of the Subsidiary Trust I are, and will be, the Subordinated Debt Securities I.

In June 1997, Countrywide Capital III (the "Subsidiary Trust III"), a subsidiary of the Company, issued $200 million of 8.05% Subordinated Capital Income Securities, Series A (the "8.05% Capital Securities"). In connection with the Subsidiary Trust III issuance of 8.05% Capital Securities, CHL issued to the Subsidiary Trust III, $206 million of its 8.05% Junior Subordinated Deferrable Interest Debentures (the "Subordinated Debt Securities III"). The Subordinated Debt Securities III are due on June 15, 2027 with interest payable semi-annually on June 15 and December 15 of each year. The sole assets of the Subsidiary Trust III are, and will be, the Subordinated Debt Securities III.

Notes to Consolidated Financial Statements

In December 1997, Subsidiary Trust III completed an exchange offer pursuant to which newly issued capital securities (the "New 8.05% Capital Securities") were exchanged for all of the outstanding 8.05% Capital Securities. The New 8.05% Capital Securities are identical in all material respects to the 8.05% Capital Securities, except that the New 8.05% Capital Securities have been registered under the Securities Act of 1933, as amended.

In relation to Subsidiary Trusts I and III, CHL has the right to defer payment of interest by extending the interest payment period, from time to time, for up to 10 consecutive semi-annual periods. If interest payments on the Debentures are so deferred, the Company and CHL may not declare or pay dividends on, or make a distribution with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any of its capital stock.

Note I — Income Taxes

Components of the provision for income taxes were as follows.

	Year ended February 28 (29),		
(Dollar amounts in thousands)	2001	2000	1999
Federal expense – deferred	$ 204,262	$ 220,955	$ 204,186
State expense – deferred	7,620	—	42,218
	$ 211,882	$ 220,955	$ 246,404

The following is a reconciliation of the statutory federal income tax rate to the effective income tax rate as reflected in the consolidated statements of earnings.

	Year ended February 28 (29),		
	2001	2000	1999
Statutory federal income tax rate	35.0%	35.0%	35.0%
State income and franchise taxes, net of federal tax effect	3.0	4.0	4.0
Change in expected state tax rate	(1.8)	(4.0)	—
Effective income tax rate	36.2%	35.0%	39.0%

In Fiscal 2000, the Company initiated a corporate reorganization related to its servicing operations. Further refinements to the reorganization plan were made in Fiscal 2001. As a result of the reorganization, future state income tax liabilities are expected to be less than the amounts that were previously recorded as deferred income tax expense and liability in the Company's financial statements. The expected reduction in tax liabilities was reflected as a reduction in deferred state income tax expense in Fiscal 2000 and Fiscal 2001.

The tax effects of temporary differences that gave rise to deferred income tax assets and liabilities are presented below.

	February 28 (29),	
(Dollar amounts in thousands)	2001	2000
Deferred income tax assets:		
Net operating losses	$ 154,069	$ 139,288
State income and franchise taxes	57,958	53,625
Reserves, accrued expenses and other	66,376	48,336
Losses (gains) on available-for-sale securities	—	1,150
Total deferred income tax assets	278,403	242,399
Deferred income tax liabilities:		
Mortgage servicing rights	1,722,960	1,493,297
Gains (losses) on available-for-sale securities	125,446	—
Gain on sale of subsidiary	—	21,413
Total deferred income tax liabilities	1,848,406	1,514,710
Deferred income taxes	$ 1,570,003	$ 1,272,311

As of February 28, 2001, the Company had net operating loss carryforwards for federal income tax purposes totaling $435.7 million that expire as follows: $19.6 million in 2009, $74.3 million in 2010, $41.3 million in 2011, $84.7 million in 2012, $72.8 million in 2013, $95.9 million in 2019, and $47.1 million in 2021.

Note J — Financial Instruments

Derivative Financial Instruments

The Company utilizes a variety of derivative financial instruments to manage interest-rate risk. These instruments include interest rate floors, MBS mandatory forward sale and purchase commitments, options to sell or buy MBS, treasury futures and interest rate futures, interest rate caps, Capped Swaps, Swaptions, interest rate futures and interest rate swaps. These instruments involve, to varying degrees, elements of interest-rate and credit risk. In addition, the Company manages foreign currency exchange rate risk with foreign currency swaps.

The Company has potential exposure to credit loss in the event of nonperformance by the counterparties to the various over-the-counter instruments. The Company manages this credit risk by selecting only well established, financially strong counterparties, spreading the credit risk amongst many such counterparties, and by placing contractual limits on the amount of unsecured credit risk from any one counterparty. The Company's exposure to credit risk in the event of default by a counterparty is the current cost of replacing the contracts net of any available margins retained by the Company, a custodian or the Mortgage-Backed Securities Clearing Corporation (the "MBSCC"), which is an independent clearing agent.

The total amount of counterparty credit exposure as of February 28, 2001, before and after applicable margin accounts held, was as follows:

(Dollar amounts in millions)	As of February 28, 2001
Total credit exposure before margin accounts held	$ 1,095.5
Less: Margin accounts held	(622.4)
Net unsecured credit exposure	$ 473.1

Hedge of Committed Pipeline and Mortgage Loan Inventory

As of February 28, 2001, the Company had $2.0 billion of closed mortgage loans and MBS held in inventory, including $1.7 billion fixed-rate and $0.3 billion adjustable-rate (the "Inventory"). In addition, as of February 28, 2001, the Company had short-term rate and point commitments amounting to approximately $7.1 billion (including $6.4 billion fixed-rate and $0.7 billion adjustable-rate) to fund mortgage loan applications in process and an additional $2.3 billion (including $2.2 billion fixed-rate and $0.1 billion adjustable-rate) like commitments subject to property identification and borrower qualification (together the "Committed Pipeline"). Substantially all of these commitments are for periods of 60 days or less. (After funding and sale of the mortgage loans, the Company's exposure to credit loss in the event of nonperformance by the mortgagor is limited as described in Note L).

In order to mitigate the risk that a change in interest rates will result in a decline in the value of the Company's Committed Pipeline or Inventory, the Company enters into hedging transactions. The Inventory is hedged with forward contracts for the sale of loans and net sales of MBS, including options to sell MBS where the Company can exercise the option on or prior to the anticipated settlement date of the MBS.

Due to the variability of closings in the Company's Committed Pipeline, which is driven primarily by interest rates, the Company's hedging policies require that substantially all of the Committed Pipeline be hedged with a combination of options for the purchase and sale of MBS and treasury futures and forward contracts for the sale of MBS. As of February 28, 2001, the notional amount of options to purchase and sell MBS aggregated $3.1 billion and $3.8 billion, respectively. There were no treasury futures options in place at February 28, 2001. The Company had net forward contracts to sell MBS that amounted to $5.8 billion (including forward contracts to sell MBS of $16.0 billion and to purchase MBS of $10.2 billion). The MBS that are to be delivered under these contracts and options are either fixed or adjustable-rate, and generally correspond with the composition of the Company's Inventory and Committed Pipeline.

The Company is generally not exposed to significant losses nor will it realize significant gains related to its Inventory or Committed Pipeline due to changes in interest rates, net of gains or losses on associated hedge positions. The correlation between the Inventory, the Committed Pipeline and the associated hedge instruments is very high due to their similarity. However, the Company is exposed to the risk that the actual closings in the Committed Pipeline may deviate from the estimated closings for a given change in interest rates. Although interest rates are the primary determinant, the actual loan closings from the Committed Pipeline are influenced by many factors, including the composition of the Committed Pipeline and remaining commitment periods. The Company's estimated closings are based on historical data of loan closings as influenced by recent developments.

Servicing Hedge

The Company manages its exposure to interest rate risk primarily through balancing its loan production and loan servicing operations, which are counter cyclical in nature. In order to further mitigate the effect on earnings of MSR impairment that may result from increased current and projected prepayment activity that generally occurs when interest rates decline, the Company maintains a portfolio of financial instruments, including derivative contracts, that increase in aggregate value when interest rates decline (the "Servicing Hedge"). The financial instruments that form the Servicing Hedge include interest rate floors, options on interest rate futures, interest rate swaps, interest rate caps, Capped Swaps, Swaptions, options on MBS, principal-only swaps and P/O securities.

The following table summarizes the notional amounts of derivative contracts included in the Servicing Hedge.

(Dollar amounts in millions)	Balance, February 29, 2000	Additions	Dispositions/ Expirations	Balance, February 28, 2001
Interest Rate Floors	$ 50,500	5,000	(23,500)	$ 32,000
Long Call Options on Interest Rate Futures	$ 15,000	16,300	(26,700)	$ 4,600
Long Put Options on Interest Rate Futures	$ 1,750	7,500	(9,250)	—
Long Call Options on MBS	$ 8,561	1,500	(4,000)	$ 6,061
Capped Swaps	$ 1,000	—	(1,000)	—
Interest Rate Swaps	$ 1,500	—	—	$ 1,500
Interest Rate Cap	$ 2,500	1,500	(1,500)	$ 2,500
Swaptions	$ 36,250	25,000	(19,000)	$ 42,250
Principal-Only Swaps	—	1,250	(1,125)	$ 125

The Servicing Hedge is intended to protect the value of the investment in MSRs from the effects of increased prepayment activity that generally results from declining interest rates. Should interest rates increase, the value of the MSRs generally will increase while the value of the Servicing Hedge will decline. With respect to the options on interest rate futures and MBS, Swaptions, interest rate floors, interest rate caps, Principal-only swaps and P/O Securities included in the Servicing Hedge, the Company is not exposed to loss beyond its initial outlay to acquire the instruments plus any unrealized gains recognized to date. With respect to the Swap contracts entered into by the Company as of February 28, 2001, the Company estimates that its maximum exposure to loss over the remaining contractual term is $1 million.

Interest Rate Swaps

As of February 28, 2001, CHL had interest rate swap contracts, in addition to those included in the Servicing Hedge, with certain financial institutions having notional principal amounts totaling $8.8 billion. The effect of these contracts is to enable CHL to convert its fixed-rate long term debt borrowings to LIBOR-based floating-rate cost borrowings (notional amount $6.1 billion), to convert its foreign currency denominated fixed rate medium-term notes to U.S. dollar LIBOR-based floating-rate cost borrowings (notional amount $1.5 billion) and to convert a portion of its medium-term note borrowings from one floating-rate index to another (notional amount $1.2 billion). Payments are due periodically through the termination date of each contract. The agreements expire between March 2001 and June 2027.

The interest rate swap agreements related to debt had an average fixed rate (receive rate) of 6.03% and an average floating rate indexed to 3-month LIBOR (pay rate) of 6.17% on February 28, 2001.

Broker-Dealer Financial Instruments

Countrywide Securities Corporation (“CSC”) utilizes a variety of financial instruments for trading purposes and to manage interest-rate risk. These instruments include MBS mandatory forward sale and purchase commitments as well as short sales of cash market U.S. Treasury securities. At February 28, 2001, CSC had forward contracts to sell MBS that amounted to $7.5 billion and forward contracts to purchase MBS that amounted to $4.0 billion. During the year ended February 28, 2001, the average fair value of the forward contracts to sell MBS amounted to a gain of $6.0 million and the average fair value of forward contracts to purchase MBS amounted to a gain of $13.7 million.

Fair Value of Financial Instruments

The following disclosure of the estimated fair value of financial instruments as of February 28 (29), 2001 and 2000 is made by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

(Dollar amounts in thousands)	February 28, 2001 Carrying Amount	February 28, 2001 Estimated Fair Value	February 29, 2000 Carrying Amount	February 29, 2000 Estimated Fair Value
Assets:				
Mortgage loans and mortgage-backed securities held for sale	$ 1,964,018	$ 1,964,018	$ 2,653,183	$ 2,653,183
Trading securities	4,050,082	4,050,082	1,984,031	1,984,031
Securities purchased with agreements to resell	3,109,556	3,109,556	435,593	435,593
Items included in investments in other financial instruments:				
Principal-only securities purchased	1,348,994	1,348,994	952,840	952,840
Mortgage-backed securities retained in securitizations	1,202,093	1,202,093	823,196	823,196
Insurance Company investment portfolio	550,422	550,422	520,490	520,490
Equity Securities – restricted and unrestricted	—	—	46,193	46,193
Items included in other assets:				
Rewarehoused FHA and VA loans	790,876	790,876	336,273	336,273
Loans held for investment	269,942	269,942	177,330	177,330
Receivables related to broker-dealer activities	318,739	318,739	22,612	22,612
Liabilities:				
Notes payable	11,402,791	11,159,777	8,281,216	7,957,602
Securities sold under agreements to repurchase	3,541,230	3,541,230	1,501,409	1,501,409
Securities sold not yet purchased	260,151	260,151	181,903	181,903
Corporate guarantees	56,312	56,312	—	—
Company-obligated mandatorily redeemable Capital trust pass-through securities of subsidiary trusts holding solely Company guaranteed related subordinated debt	500,000	521,929	500,000	489,744
Derivatives:				
Interest rate floors	349,002	343,151	411,278	180,360
Forward contracts on MBS	(8,673)	(40,312)	(11,080)	(13,511)
Options on MBS	78,386	54,759	75,950	32,415
Options on interest rate futures	7,660	6,625	8,921	6,032
Interest rate caps	15,216	2,310	47,348	39,088
Capped Swaps	—	—	(5,619)	(8,040)
Swaptions	644,181	590,906	341,039	76,254
Interest rate swaps	(3,682)	(110,852)	(23,228)	(457,051)
Principal-only swaps	—	—	—	—
Short-term commitments to extend credit	—	35,200	—	52,500

The fair value estimates as of February 28 (29), 2001 and 2000 are based on pertinent information that was available to management as of the respective dates. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since those dates and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

The following describes the methods and assumptions used by the Company in estimating fair values.

Mortgage Loans and Mortgage-Backed Securities Held for Sale

Fair value is estimated using the quoted market prices for securities backed by similar types of loans and dealer commitments to purchase loans on a servicing-retained basis.

Trading Securities

Fair value is estimated using quoted market prices.

Principal Only Securities

Fair value is estimated using quoted market prices and by discounting future cash flows using discount rates that approximate current market rates and market consensus prepayment rates.

Mortgage-Backed Securities Retained in Securitization

Fair value is estimated by discounting future cash flows using discount rates that approximate current market rates, market consensus and internally developed prepayment rates.

Insurance Company Investment Portfolio

Fair value is estimated using quoted market prices.

Derivatives

Fair value is defined as the amount that the Company would receive or pay to terminate the contracts at the report date. Market or dealer quotes are available for many derivatives; otherwise, pricing or valuation models are applied to utilizing current market information to estimate fair value.

Notes Payable

Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate the fair value of existing debt.

Note K — Securitizations

The Company routinely originates, securitizes and sells mortgage loans into the secondary market. As a result of this process, the Company typically retains the MSRs and may retain interest-only strips, principal-only strips and one or more subordinated interests. In general, conventional securitizations are structured without recourse to the Company. Government loans serviced by the Company are insured by the Federal Housing Administration or partially guaranteed against loss by the Department of Veterans Affairs. The Company is exposed to credit losses to the extent that the partial guarantee provided by the Department of Veterans Affairs is inadequate to cover the total credit losses incurred. The Company retains primary credit risk on the home equity and sub-prime loans it securitizes through retention of a subordinated interest or through a corporate guarantee of losses up to a negotiated maximum amount. In general, there are no restrictions on the Company's retained interests. The Company recognized gains of $444.8 million from sales of financial assets in securitizations in the year ended February 28, 2001.

Key economic assumptions used in determining the fair value of MSRs and other retained interests at the time of securitization were as follows.

	Year ended February 28, 2001	
	MSRs	Other Retained Interests
Weighted-average life (in years)	8.2	4.1
Weighted-average prepayment speed (annual rate)	11.0%	24.3%
Weighted-average discount rate (annual rate)	10.3%	15.4%
Weighted-average anticipated credit losses	0.01%	2.5%

The following table summarizes cash flows between the Company and securitization special purpose entities.

(Dollar amounts in thousands)	Year ended February 28, 2001
Proceeds from new securitizations	$ 60,494,596
Proceeds from collections reinvested in securitizations	$ 707,460
Service fees received	$ 821,836
Purchases of delinquent loans	$ (2,610,563)
Servicing advances	$ (468,602)
Repayment of servicing advances	$ 405,097
Other cash flows received on retained interest[a]	$ 295,698

[a] Represents cash flows received on retained interests other than servicing fees.

Key economic assumptions used in subsequently measuring the fair value of the Company's retained interests at February 28, 2001 and the effect on the fair value of those retained interests from adverse changes in those assumptions are as follows:

	Year ended February 28, 2001	
(Dollar amounts in thousands)	MSRs	Other Retained Interest
Fair value of retained interests	$ 5,834,058	$ 1,202,093
Weighted-average life (in years)	6.1	4.4
Weighted-average Prepayment speed (annual rate)	16.1%	23.3%
Impact of 10% adverse change	$ 263,080	$ 62,058
Impact of 20% adverse change	$ 500,464	$ 113,446
Weighted-average Discount rate (annual rate)	9.8%	16.6%
Impact of 10% adverse change	$ 209,159	$ 30,728
Impact of 20% adverse change	$ 404,732	$ 59,179
Weighted-average Lifetime Credit Losses	0.02%	3.3%
Impact of 10% adverse change	$ 3,082	$ 18,223
Impact of 20% of adverse change	$ 6,163	$ 35,423

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a 10% variation in assumptions generally cannot be extrapolated because the relationship of the change in the assumption to the change in fair value may not be linear. Also, in the above table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated independently without changing any other assumption. In reality, changes in one factor may result in changes in another (for example, changes in prepayment speed estimates could result in changes in discount rates), which might magnify or counteract the sensitivities.

The following table presents information about delinquencies and components of securitized and other managed assets.

(Dollar amounts in thousands)	Year ended February 28, 2001 Total Principal Amount	Principal Amount 60 Days or More Past Due
Sub-prime and Home Equity loans	$ 11,695,059	$ 441,129
Comprised of:		
Assets securitized	$ 11,510,760	
Assets held for sale	184,299	
	$ 11,695,059	

The Company incurred credit losses of $43.6 million related to the assets above during the year ended February 28, 2001.

Note L — Commitments and Contingencies

Legal Proceedings

The Company and certain subsidiaries are defendants in various legal proceedings involving matters generally incidental to their business. Although it is difficult to predict the ultimate outcome of these proceedings, management believes, based on discussions with counsel, that any ultimate liability will not materially affect the consolidated financial position or results of operations of the Company and its subsidiaries.

Commitments to Buy or Sell Mortgage-Backed Securities and Other Derivatives Contracts

In connection with its open commitments to buy or sell MBS and other derivative contracts, the Company may be required to maintain margin deposits. With respect to the MBS commitments, these requirements are generally greatest during periods of rapidly declining interest rates. With respect to other derivative contracts, margin requirements are generally greatest during periods of increasing interest rates.

Lease Commitments

The Company leases office facilities under lease agreements extending through December 2011. Future minimum annual rental commitments under these non-cancelable operating leases with initial or remaining terms of one year or more are as follows.

Year ending February 28 (29),	(Dollar amounts in thousands)
2002	$ 38,228
2003	32,095
2004	24,008
2005	15,799
2006	13,701
Thereafter	52,201
	$ 176,032

Rent expense was $53.2 million, $57.2 million and $44.7 million for the years ended February 28 (29), 2001, 2000 and 1999, respectively.

Restrictions on Transfers of Funds

The Company and certain of its subsidiaries are subject to regulatory and/or credit agreement restrictions which limit their ability to transfer funds to the Company through intercompany loans, advances or dividends. Pursuant to the revolving credit facilities as of February 28, 2001, the Company is required to maintain $1.3 billion in consolidated net worth and CHL is required to maintain $1.2 billion of net worth, as defined in the credit agreement.

Loan Servicing

As of February 28 (29), 2001, 2000 and 1999, the Company serviced loans totaling approximately $293.6 billion, $250.2 billion and $215.5 billion, respectively. Included in the loans serviced as of February 28 (29), 2001, 2000 and 1999 were loans being serviced under subservicing agreements with total principal balances of $8.6 billion, $5.5 billion and $3.8 billion, respectively. The loans are serviced under a variety of servicing contracts. In general, these contracts include guidelines and procedures for servicing the loans, remittance requirements and reporting requirements, among other provisions.

Conforming conventional loans serviced by the Company (56% of the servicing portfolio as of February 28, 2001) are primarily included in either Fannie Mae MBS or Freddie Mac participation certificates (“PCs”). Such servicing is done on a non-recourse basis, whereby credit losses are generally borne by Fannie Mae or Freddie Mac and not the Company. The government loans serviced by the Company are included in either Ginnie Mae MBS, Fannie Mae MBS, or Freddie Mac PCs. The government loans are either insured against loss by the Federal Housing Administration (16% of the servicing portfolio as of February 28, 2001) or partially guaranteed against loss by the Department of Veterans Affairs (6% of the servicing portfolio as of February 28, 2001). In addition, non-conforming mortgage loans (22% of the servicing portfolio as of February 28, 2001) are primarily included in “private label” MBS and serviced on a non-recourse basis.

Properties securing the mortgage loans in the Company's servicing portfolio are geographically dispersed throughout the United States. As of February 28, 2001, approximately 27%, 6% and 5% of the mortgage loans (measured by unpaid principal balance) in the Company's servicing portfolio are secured by properties located in California, Texas and Florida respectively. No other state contains more than 5% of the properties securing mortgage loans.

Generally, the Company is not exposed to credit risk. Because the Company services substantially all conventional loans on a non-recourse basis, credit losses are normally borne by the investor or insurer and not the Company. The Company retains credit risk on the home equity and sub-prime loans it securitizes, through retention of a subordinated interest or through a corporate guarantee of losses up to negotiated maximum amount. As of February 28, 2001, the Company had investments in such subordinated interests amounting to $763.6 million and had reserves amounting to $56.3 million related to the corporate guarantees. While the Company generally does not retain credit risk with respect to the conventional prime credit quality first mortgage loans it sells, it does have potential liability under representations and warranties made to purchasers and insurers of the loans. In the event of a breach of the representations and warranties, the Company may be required to repurchase a mortgage loan and any subsequent loss on the mortgage loan may be borne by the Company. Similarly, government loans serviced by the Company (22% of the Company's servicing portfolio as of February 28, 2001) are insured by the Federal Housing Administration or partially guaranteed against loss by the Department of Veterans Affairs. The Company is exposed to credit losses to the extent that the partial guarantee provided by the Department of Veterans Affairs is inadequate to cover the total credit losses incurred.

Note M — Employee Benefits

Stock Option Plans

The Company has stock option plans (the "Plans") that provide for the granting of both qualified and non-qualified options to employees and directors. Options are generally granted at the average market price of the Company's common stock on the date of grant and are exercisable beginning one year from the date of grant and expire up to ten years from the date of grant.

Stock options transactions under the Plans were as follows.

	Year ended February 28 (29),		
	2001	2000	1999
Number of Shares:			
Outstanding options at beginning of year	14,059,515	11,497,044	11,151,799
Options granted	2,631,140	3,643,111	1,648,647
Options exercised	(2,797,939)	(602,021)	(1,239,662)
Options expired or cancelled	(460,069)	(478,619)	(63,740)
Outstanding options at end of year	13,432,647	14,059,515	11,497,044
Weighted Average Exercise Price:			
Outstanding options at beginning of year	$ 27.44	$ 24.81	$ 20.57
Options granted	26.60	35.27	46.71
Options exercised	22.06	13.45	15.90
Options expired or canceled	33.05	37.64	25.11
Outstanding options at end of year	$ 28.24	$ 27.44	$ 24.81
Options exercisable at end of year	7,457,090	8,299,892	6,514,039
Options available for future grant	5,919,027	2,673,480	5,840,713

Status of the outstanding stock options under the Plans as of February 28, 2001 was as follows:

	Outstanding Options			*Exercisable Options*	
Exercise Price Range	Weighted Average Remaining Contractual Life	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
$ 2.80 – $15.90	2.2 years	636,459	$ 14.66	636,459	$ 14.66
$15.91 – $21.20	3.2	1,556,501	17.45	1,556,501	17.46
$21.21 – $26.50	4.7	5,205,745	23.56	3,048,653	23.04
$26.51 – $31.80	5.3	2,478,545	27.52	814,019	27.08
$31.81 – $42.40	3.5	2,134,194	40.07	651,032	40.94
$42.41 – $53.00	7.0	1,421,203	46.75	750,426	46.75
$ 2.80 – $53.00	4.6 years	13,432,647	$ 28.24	7,457,090	$ 25.55

Had the estimated fair value of the options granted during the period been included in compensation expense, the Company's net earnings and earnings per share would have been as follows:

(Dollar amounts in thousands, except per share data)	Year ended February 28 (29), 2001	2000	1999
Net Earnings			
As reported	$ 374,153	$ 410,243	$ 385,401
Pro forma	$ 346,026	$ 379,632	$ 366,118
Basic Earnings Per Share			
As reported	$ 3.26	$ 3.63	$ 3.46
Pro forma	$ 3.01	$ 3.36	$ 3.29
Diluted Earnings Per Share			
As reported	$ 3.14	$ 3.52	$ 3.29
Pro forma	$ 2.91	$ 3.25	$ 3.13

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model that has been modified to consider cash dividends to be paid. The following weighted-average assumptions were used for grants in Fiscal 2001, 2000 and 1999, respectively: dividend yield of 1.57%, 1.29% and 0.72%; expected volatility of 38%, 34% and 40%; risk-free interest rates of 6.4%, 6.0% and 5.5% and expected lives of five years for options granted in all three years. The average fair value of options granted during Fiscal 2001, 2000 and 1999 was $10.69, $13.66 and $19.20, respectively.

Pension Plan

The Company has a defined benefit pension plan (the "Plan") covering substantially all of its employees. The Company's policy is to contribute the amount actuarially determined to be necessary to pay the benefits under the Plan, and in no event to pay less than the amount necessary to meet the minimum funding standards of ERISA.

The following table sets forth the Plan's funded status and amounts recognized in the Company's financial statements.

(Dollar amounts in thousands)	Year ended February 28 (29), 2001	2000
Change in benefit obligation		
Benefit obligation at beginning of year	$ 32,593	$ 29,777
Service cost	6,284	5,535
Interest cost	2,615	2,204
Transfer of plan assets	—	(453)
Actuarial loss (gain)	386	(41)
Benefits paid	(367)	(401)
Change in discount rate	4,690	(4,028)
Benefit obligation at end of year	$ 46,201	$ 32,593
Change in plan assets		
Fair value of plan assets at beginning of year	$ 30,877	$ 22,775
Actual return on plan assets	(4,189)	3,110
Employer contribution	8,318	5,846
Transfer of plan assets	—	(453)
Benefits paid	(368)	(401)
Fair value of plan assets at end of year	$ 34,638	$ 30,877
Funded status at end of year	$ (11,562)	$ (1,716)
Unrecognized net actuarial loss (gain)	7,146	(4,977)
Unrecognized prior service cost	824	924
Unrecognized transaction asset	(71)	(142)
Net amount recognized	$ (3,663)	$ (5,911)

The following table sets forth the components of net periodic benefit cost for 2001 and 2000.

(Dollar amounts in thousands)	Year ended February 28 (29), 2001	2000
Service cost	$ 6,284	$ 5,535
Interest cost	2,615	2,204
Expected return on plan assets	(2,768)	(2,051)
Amortization of prior service cost	99	99
Amortization of unrecognized transition asset	(71)	(70)
Recognized net actuarial gain	(89)	—
Net periodic benefit cost	$ 6,070	$ 5,717

Notes to Consolidated Financial Statements

The weighted-average assumptions used in calculating the amounts above were:

	Year ended February 28 (29), 2001	2000
Discount rate	7.50%	8.00%
Expected return on plan assets	8.00%	8.00%
Rate of compensation increase	4.00%	4.00%

Pension expense for the years ended February 28 (29), 2001, 2000 and 1999 was $6.1 million, $5.7 million and $4.9 million, respectively. The Company makes contributions to the Plan in amounts that are deductible in accordance with federal income tax regulations.

Defined Contribution Plan

The Company has a defined contribution plan covering all full-time employees of the Company who have at least one year of service and are age 21 or older. Participants may contribute up to 16% of pre-tax annual compensation, as defined in the plan agreement. Participants may also contribute, at the discretion of the plan administrator, amounts representing distributions from other qualified defined benefit or contribution plans. The Company makes a discretionary matching contribution equal to 50% of the participant contributions up to a maximum of 6% of the participants' base compensation, as defined in the plan agreement. The defined contribution plan is subject to the provisions of ERISA.

Note N — Shareholders' Equity

In January, 2000, the Company entered into a three year equity put option agreement with National Indemnity Company ("National Indemnity"), a property casualty insurance company which is a subsidiary of Berkshire Hathaway, Inc. The purpose of the agreement is to provide up to $100 million of additional capital and surplus in the event that property and casualty insurance companies of Balboa Life Insurance Company and Balboa Insurance Company (collectively "Balboa") incur a certain level of catastrophic property and casualty losses.

Upon the occurrence of one or more catastrophic events and two trigger events, the Company will have the option to require National Indemnity to purchase up to one million shares of non voting Series B Cumulative Preferred Stock, par value $0.05 per share, of the Company (the "Series B Preferred Stock"), at a price of $100 per share, with a dividend rate to be determined in accordance with the agreement, resetting annually. The Series B Preferred Stock is convertible into shares of common stock of the Company at a price which is 20% above the average price of the common stock in the 30 day period prior to the issuance of the Series B Preferred Stock. Upon issuance of the Series B Preferred Stock and for so long as National Indemnity owns at least 50% of the outstanding Series B Preferred Stock, the Company will not be able to increase quarterly dividends on its common stock. If issued, the Series B Preferred Stock will pay an annual dividend rate determined at the time of issuance, and such rate would increase by 50 basis points each year if the Series B Preferred Stock remained outstanding for more than three years. The Series B Preferred Stock is redeemable by the Company at the purchase price plus any then unpaid dividend yield.

A catastrophic event that would trigger the option is one which results in Balboa sustaining losses in excess of $97 million, net of reinsurance recoverable, or the occurrence in any calendar year of multiple catastrophic events which results in Balboa sustaining losses in excess of $194 million, net of reinsurance recoverable. In addition, for the option to be triggered the consolidated net loss ratio of the Balboa property and casualty operations must exceed 60% for the applicable calendar year and Balboa property and casualty operations must have a net loss for such year.

In the event of a default in the payment of dividends on Series B Preferred Stock, National Indemnity has the right to purchase shares of the Company's common stock having a market value of $1 million at a price per share of 10% below the closing price of the Company's common stock on the business day prior to such purchase. This purchase option may be exercised quarterly until all unpaid dividends and interest are paid.

In February 1988, the Board of Directors of the Company declared a dividend distribution of one preferred stock purchase right ("Right") for each outstanding share of the Company's common stock. As a result of stock splits and stock dividends, 0.399 of a Right is presently associated with each outstanding share of the Company's common stock issued prior to the Distribution Date (as defined below). Each Right, when exercisable, entitles the holder to purchase from the Company one one-hundredth of a share of Series A Participating Preferred Stock, par value $0.05 per share, of the Company (the "Series A Preferred Stock"), at a price of $145, subject to adjustments in certain cases to prevent dilution.

The Rights are evidenced by the common stock certificates and are not exercisable or transferable, apart from the common stock, until the date (the "Distribution Date") of the earlier of a public announcement that a person or group, without prior consent of the Company, has acquired 20% or more of the common stock ("Acquiring Person"), or ten days (subject to extension by the Board of Directors) after the commencement of a tender offer made without the prior consent of the Company.

In the event a person becomes an Acquiring Person, then each Right (other than those owned by the Acquiring Person) will entitle its holder to purchase, at the then current exercise price of the Right, that number of shares of common stock, or the equivalent thereof, of the Company which, at the time of such transaction, would have a market value of two times the exercise price of the Right. The Board of Directors of the Company may delay the exercisability of the Rights during the period in which they are exercisable only for Series A Preferred Stock (and not common stock).

In the event that, after a person has become an Acquiring Person, the Company is acquired in a merger or other business combination, as defined for the purposes of the Rights, each Right (other than those held by the Acquiring Person) will entitle its holder to purchase, at the then current exercise price of the Right, that number of shares of common stock, or the equivalent thereof, of the other party (or publicly-traded parent thereof) to such merger or business combination which at the time of such transaction would have a market value of two times the exercise price of the Right. The Rights expire on the earlier of February 28, 2002, consummation of certain merger transactions or optional redemption by the Company prior to any person becoming an Acquiring Person.

Note O — Related Party Transactions

In July 1997, the Company sold the assets, operations and employees of Countrywide Asset Management Corporation ("CAMC"), a then wholly-owned subsidiary of the Company, to IndyMac Mortgage Holdings, Inc. (formerly INMC Mortgage Holdings, Inc.) ("INMC"). CAMC was formerly the manager of INMC. As consideration, the Company received 3,440,800 newly issued common shares of INMC.

Subsequent to the sale, the Company entered into an agreement with INMC whereby the Company and certain affiliates agreed to provide certain services to INMC during a transition period. During the year ended February 28, 2001, no such services were provided. During the year ended February 29, 2000, CHL received $3.9 million from INMC related to services provided in accordance with the agreement. Additionally, during the years ended February 28 (29), 2001 and 2000 the Company received $2.1 million and $4.1 million, respectively, of net sublease income from INMC.

During the year ended February 28, 1999, CHL entered into an agreement pursuant to which CHL assumed certain INMC recourse obligations with respect to certain mortgage loans that INMC had previously sold to Freddie Mac. In consideration of CHL's assumption of these recourse obligations, CHL received $6.0 million, which Management believes will exceed the actual loss experience. A portion of the $6.0 million is subject to reimbursement to INMC based upon actual loss experience on the loans.

In January 2000, CHL sold their entire investment in IndyMac, Inc., which consisted of all of the outstanding common stock and 1% of the economic interest in IndyMac, Inc., to INMC for $1.8 million.

During the year ended February 29, 2000, the Company sold 780,000 shares of INMC common stock, which resulted in a pre-tax gain of $0.4 million.

In August 2000, the Company sold the remaining 3.6 million shares of INMC stock back to INMC at a price of $18.70 per share which resulted in a $4.9 million pre-tax gain.

During the year ended February 28, 2001, CHL sub-serviced mortgage loans issued by INMC, for which CHL received $2.0 million in sub-servicing fees.

During the years ended February 28 (29), 2001 and 2000, the Company's broker-dealer subsidiary purchased $3,275.4 million and $872.6 million of MBS from INMC, respectively, and sold $1,504.6 million and $100.0 million of MBS to INMC, respectively.

Note P — Segments and Related Information

The Company has six major segments that are grouped into Consumer and Institutional businesses. Consumer Businesses include Mortgage Originations, Mortgage-Related Investments and Business to Consumer ("B2C") Insurance. Institutional Businesses include Processing and Technology, Capital Markets and Business to Business ("B2B") Insurance.

The Mortgage Originations Segment originates mortgage loans through the Company's retail branch network (Consumer Markets Division and Full Spectrum Lending, Inc.) and the Wholesale Division. This segment also provides other complementary services offered as part of the origination process through LandSafe, Inc., including title, escrow, appraisal, credit reporting and flood determination services. The Mortgage-Related Investments Segment consists of investments in assets retained in the mortgage securitization process, including MSRs and residual interests. The B2C Insurance Segment, through Countrywide Insurance Services, Inc., acts as an agent in the sale of insurance, including homeowners, fire, flood, earthquake, life and disability insurance, primarily to the Company's mortgage customers.

The Processing and Technology Segment activities include internal sub-servicing of the Company's portfolio, as well as mortgage subservicing and subprocessing for other domestic financial institutions and foreign financial institutions (through Global Home Loans, Limited). The Capital Markets Segment purchases mortgage loans through the Correspondent Lending Division, acts as a broker/dealer specializing in mortgages and mortgage-related securities through Countrywide Securities Corporation ("CSC"), and as an agent, facilitates the purchase and sale of bulk servicing rights through Countrywide Servicing Exchange, Inc. ("CSE"). The B2B Insurance Segment includes the activities of Balboa Life Insurance Company and Balboa Insurance Company (collectively "Balboa"), an insurance carrier that offers property and casualty insurance (specializing in creditor-placed insurance), and life and disability insurance, along with Second Charter, Inc., a mortgage reinsurance company. Included in the tables below labeled "Other" is the holding company activities and certain reclassifications to conform management reporting to the consolidated financial statements.

	For the fiscal year ended February 28, 2001									
	Consumer Businesses				*Institutional Businesses*					
(Dollars in thousands)	Mortgage Originations	Mortgage-Related Investments	B2C Insurance	Total	Processing and Technology	Capital Markets	B2B Insurance	Total	Other	Total
External revenues	$ 954,249	$ 434,976	$ 37,650	$ 1,426,875	$ 58,821	$ 263,214	$ 304,606	$ 626,641	$ 2,805	$ 2,056,321
Intersegment revenues	—	(261,086)	—	(261,086)	261,086	—	—	261,086	—	—
Total revenues	$ 954,249	$ 173,890	$ 37,650	$ 1,165,789	$ 319,907	$ 263,214	$ 304,606	$ 887,727	$ 2,805	$ 2,056,321
Segment earnings (pre-tax)	$ 190,411	$ 166,944	$ 4,158	$ 361,513	$ 62,540	$ 94,373	$ 69,874	$ 226,787	$ (2,265)	$ 586,035
Segment assets	$ 2,165,901	$ 10,990,807	$ 76,662	$ 13,233,370	$ 171,074	$ 8,455,834	$ 934,758	$ 9,561,666	$ 160,471	$ 22,955,507

Notes to Consolidated Financial Statements

	For the fiscal year ended February 29, 2000									
	Consumer Businesses				*Institutional Businesses*					
(Dollars in thousands)	Mortgage Originations	Mortgage-Related Investments	B2C Insurance	Total	Processing and Technology	Capital Markets	B2B Insurance	Total	Other	Total
External revenues	$ 985,411	$ 470,914	$ 32,955	$ 1,489,280	$ 48,614	$ 233,941	$ 82,742	$ 365,297	$ 16,296	$ 1,870,873
Intersegment revenues	—	(205,212)	—	(205,212)	205,212	—	—	205,212	—	—
Total revenues	$ 985,411	$ 265,702	$ 32,955	$ 1,284,068	$ 253,826	$ 233,941	$ 82,742	$ 570,509	$ 16,296	$ 1,870,873
Segment earnings (pre-tax)	$ 218,121	$ 250,296	$ 6,041	$ 474,458	$ 35,924	$ 87,028	$ 31,759	$ 154,711	$ 2,029	$ 631,198
Segment assets	$ 1,981,795	$ 8,764,810	$ 47,436	$ 10,794,041	$ 151,075	$ 3,846,676	$ 832,505	$ 4,830,256	$ 198,031	$ 15,822,328

	For the fiscal year ended February 28, 1999									
	Consumer Businesses				*Institutional Businesses*					
(Dollars in thousands)	Mortgage Originations	Mortgage-Related Investments	B2C Insurance	Total	Processing and Technology	Capital Markets	B2B Insurance	Total	Other	Total
External revenues	$ 1,324,374	$ 160,529	$ 22,784	$ 1,507,687	$ 49,165	$ 212,927	$ 13,244	$ 275,336	$ 21,365	$ 1,804,388
Intersegment revenues	—	(163,250)	—	(163,250)	163,250	—	—	163,250	—	—
Total revenues	$ 1,324,374	$ (2,721)	$ 22,784	$ 1,344,437	$ 212,415	$ 212,927	$ 13,244	$ 438,586	$ 21,365	$ 1,804,388
Segment earnings (pre-tax)	$ 517,827	$ (26,319)	$ 3,325	$ 494,833	$ 33,367	$ 90,140	$ 13,084	$ 136,591	$ 381	$ 631,805
Segment assets	$ 4,474,571	$ 6,532,760	$ 23,200	$ 11,030,531	$ 106,280	$ 4,356,474	$ 27,862	$ 4,490,616	$ 127,109	$ 15,648,256

Note Q — Subsequent Events

On March 23, 2001, the Company declared a cash dividend of $0.10 per common share payable April 30, 2001 to shareholders of record on April 11, 2001.

On April 11, 2001, CHL renewed its one-year revolving credit facility with a limit of $1.0 billion. The new facility expires on April 10, 2002.

Note R — Quarterly Financial Data (Unaudited)

Summarized quarterly data was as follows.

	Three months ended			
(Dollar amounts in thousands, except per share data)	May 31	August 31	November 30	February 28 (29)
Year ended February 28, 2001				
Revenue	$ 474,566	$ 512,301	$ 520,620	$ 548,834
Expenses	343,641	370,086	370,993	385,566
Provision for income taxes	47,466	51,180	54,214	59,022
Net earnings	$ 83,459	$ 91,035	$ 95,413	$ 104,246
Earnings per share[1]				
Basic	$ 0.73	$ 0.80	$ 0.83	$ 0.89
Diluted	$ 0.72	$ 0.77	$ 0.80	$ 0.85
Year ended February 29, 2000				
Revenue	$ 492,867	$ 491,074	$ 443,061	$ 443,871
Expenses	323,393	316,479	278,321	321,482
Provision for income taxes	66,095	68,092	64,176	22,592
Net earnings	$ 103,379	$ 106,503	$ 100,564	$ 99,797
Earnings per share[1]				
Basic	$ 0.92	$ 0.94	$ 0.89	$ 0.88
Diluted	$ 0.88	$ 0.91	$ 0.87	$ 0.87

[1] Earnings per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly earnings per share amounts may not equal the annual amount. This is caused by rounding and the averaging effect of the number of share equivalents utilized throughout the year, which changes with the market price of the common stock.

Note S — Summarized Financial Information

Summarized financial information for Countrywide Credit Industries, Inc. and subsidiaries was as follows:

	February 28, 2001				
(Dollar amounts in thousands)	Countrywide Credit Industries, Inc.	Countrywide Home Loans, Inc.	Other Subsidiaries	Eliminations	Consolidated
Balance Sheets:					
Mortgage loans and mortgage-backed securities held for sale	$ —	$ 1,964,018	$ —	$ —	$ 1,964,018
Mortgage servicing rights, net	—	5,767,748	—	—	5,767,748
Other assets	4,343,853	9,155,120	8,336,417	(6,611,649)	15,223,741
Total assets	$ 4,343,853	$ 16,886,886	$ 8,336,417	$ (6,611,649)	$ 22,955,507
Company-obligated mandatorily redeemable capital trust pass-through securities	$ —	$ —	$ 500,000	$ —	$ 500,000
Short- and long-term debt	736,630	11,435,760	5,959,565	(3,187,934)	14,944,021
Other liabilities	47,959	3,068,888	835,658	(283)	3,952,222
Equity	3,559,264	2,382,238	1,041,194	$ (3,423,432)	3,559,264
Total liabilities equity	$ 4,343,853	$ 16,886,886	$ 8,336,417	$ (6,611,649)	$ 22,955,507

	Year ended February 28, 2001				
(Dollar amounts in thousands)	Countrywide Credit Industries, Inc.	Countrywide Home Loans, Inc.	Other Subsidiaries	Eliminations	Consolidated
Statements of Earnings:					
Revenues	$ (9,649)	$ 1,273,529	$ 794,846	$ (2,405)	$ 2,056,321
Expenses	7,680	927,371	537,640	(2,405)	1,470,286
Provision for income taxes	(6,324)	126,344	91,862	—	211,882
Equity in net earnings of subsidiaries	385,158	—	—	(385,158)	—
Net earnings	$ 374,153	$ 219,814	$ 165,344	$ (385,158)	$ 374,153

	February 29, 2000				
(Dollar amounts in thousands)	Countrywide Credit Industries, Inc.	Countrywide Home Loans, Inc.	Other Subsidiaries	Eliminations	Consolidated
Balance Sheets:					
Mortgage loans and mortgage-backed securities held for sale	$ —	$ 2,653,183	$ —	$ —	$ 2,653,183
Mortgage servicing rights, net	—	5,396,477	—	—	5,396,477
Other assets	3,717,770	5,240,247	2,866,833	(4,052,182)	7,772,668
Total assets	$ 3,717,770	$ 13,289,907	$ 2,866,833	$ (4,052,182)	$ 15,822,328
Company-obligated mandatorily redeemable capital trust pass-through securities	$ —	$ —	$ 500,000	$ —	$ 500,000
Short- and long-term debt	766,697	8,842,848	1,041,501	(868,421)	9,782,625
Other liabilities	63,194	2,014,214	614,750	(40,334)	2,651,824
Equity	2,887,879	2,432,845	710,582	$ (3,143,427)	2,887,879
Total liabilities equity	$ 3,717,770	$ 13,289,907	$ 2,866,833	$ (4,052,182)	$ 15,822,328

	February 29, 2000				
(Dollar amounts in thousands)	Countrywide Credit Industries, Inc.	Countrywide Home Loans, Inc.	Other Subsidiaries	Eliminations	Consolidated
Statements of Earnings:					
Revenues	$ 1,445	$ 1,409,832	$ 460,129	$ (533)	$ 1,870,873
Expenses	3,614	923,419	313,175	(533)	1,239,675
Provision for income taxes	(127)	168,729	52,353	—	220,955
Equity in net earnings of subsidiaries	412,285	—	—	(412,285)	—
Net earnings	$ 410,243	$ 317,684	$ 94,601	$ (412,285)	$ 410,243

Notes to Consolidated Financial Statements

Note T — Business Acquisitions

On November 30, 1999, the Company acquired all of the outstanding common stock of Balboa Life Insurance Company and Balboa Insurance Company (collectively "Balboa") for a cash price of $441 million. The purchase price is subject to adjustment based upon completion of a post-closing audit.

Balboa is a leading writer of credit-related insurance, specializing in creditor-placed auto and homeowner insurance. Balboa is licensed to underwrite in all 50 states.

The acquisition of Balboa was accounted for using the purchase method of accounting. Accordingly, a portion of the purchase price was allocated to assets acquired and liabilities assumed based on their estimated fair market value at the date of acquisition. The fair value of identifiable assets acquired and liabilities assumed was $895 million, respectively. Goodwill of $36 million is amortized over a period of 25 years.

The results of operations for Balboa are included in the Company's consolidated results of operations from December 1, 1999. The following table sets forth certain unaudited consolidated earnings data for the years ended February 29, 2000, and February 28, 1999, as if the acquisition of Balboa had been consummated March 1, 1998.

(Dollar amounts in millions)	*Year ended February 29 (28),* 2000	1999
Statements of Earnings:	(Unaudited)	
Revenues	$ 2,193,550	$ 2,245,253
Net Earnings	$ 422,309	$ 404,717
Per Share		
Basic	$ 3.73	$ 3.63
Diluted	$ 3.62	$ 3.46

In management's opinion, these unaudited pro forma amounts are not necessarily indicative of what the actual consolidated results of operations might have been if the acquisition had been effective at March 1, 1998.

Note U — Implementation of New Accounting Standards

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, amended by Statement No. 137, Deferral of the Effective Date of FASB Statement No. 133 and Statement No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment to FASB Statement No. 133 (collectively "FAS 133"). FAS 133 requires companies to record derivatives on their balance sheets at fair value. Changes in the fair values of those derivatives would be reported in earnings or other comprehensive income depending on the use of the derivative and whether it qualifies for hedge accounting. The key criterion for hedge accounting is that the hedging relationship must be highly effective in achieving offsetting changes in fair value of assets or liabilities or cash flows from forecasted transactions. This statement was effective for the Company on March 1, 2001. At the date of initial application, the Company recorded certain transition adjustments as required by FAS 133. There was no impact on net income as a result of such transition adjustments. However, such adjustments resulted in the Company reducing the carrying amount of derivative assets by $94 million and recognizing $107 million of derivative liabilities on the balance sheet. Management believes that the Company's hedging activities are highly effective over the long term. However, the implementation of FAS 133 could result in more volatility in quarterly reported earnings as a result of market conditions that temporarily impact the value of the derivatives while not reducing their long term hedge effect.

In September 2000, the FASB issued Statement No. 140 ("FAS 140"), Accounting for the Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, which replaces FAS 125 (of the same title). FAS 140 revises certain standards in the accounting for securitizations and other transfers of financial assets and collateral, and requires some disclosures relating to securitization transactions and collateral, but it carries over most of FAS 125's provisions. The collateral and disclosure provisions of FAS 140 are effective for fiscal years ending after December 15, 2000. The February 28, 2001 financial statements include the disclosures required by FAS 140. The other provisions of this Statement are effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. Management does not expect that the adoption of this statement will have a material impact on the Company.

Report of Independent Certified Public Accountants

Board of Directors and Shareholders
Countrywide Credit Industries, Inc.

We have audited the accompanying consolidated balance sheets of Countrywide Credit Industries, Inc. and Subsidiaries as of February 28, 2001 and February 29, 2000, and the related consolidated statements of earnings, common shareholders' equity, cash flows and comprehensive income for each of the three years in the period ended February 28, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Countrywide Credit Industries, Inc. and Subsidiaries as of February 28, 2001 and February 29, 2000, and the consolidated results of their operations and their consolidated cash flows for each of the three years in the period ended February 28, 2001, in conformity with accounting principles generally accepted in the United States.

Grant Thornton LLP

Los Angeles, California
April 25, 2001

Common Stock and Dividend Information

Market for the Company's Common Stock and Related Stockholder Matters

The Company's common stock is listed on the New York Stock Exchange ("NYSE") and the Pacific Stock Exchange (Symbol: CCR). The following table sets forth the high and low sales prices (as reported by the NYSE) for the Company's common stock and the amount of cash dividends declared for the fiscal years ended February 28 (29), 2001 and 2000.

	Fiscal 2001		*Fiscal 2000*		*Fiscal 2001*	*Fiscal 2000*
Quarter	High	Low	High	Low	Cash Dividends Declared	
First	$ 35.00	$ 22.31	$ 48.00	$ 36.56	$ 0.10	$ 0.10
Second	39.75	30.00	45.25	31.63	0.10	0.10
Third	41.69	31.50	35.25	27.75	0.10	0.10
Fourth	52.00	36.31	29.25	23.00	0.10	0.10

The Company has declared and paid cash dividends on its common stock quarterly since 1982. For the fiscal years ended February 28 (29), 2001 and 2000, the Company declared quarterly cash dividends aggregating $0.40 per share. On March 23, 2001, the Company declared a quarterly cash dividend of $0.10 per common share, which was paid on April 30, 2001.

The ability of the Company to pay dividends in the future is limited by various restrictive covenants in the debt agreements of the Company, the earnings, cash position and capital needs of the Company, general business conditions and other factors deemed relevant by the Company's Board of Directors. The Company is prohibited under certain of its debt agreements, including its guarantee of CHL's revolving credit facility, from paying dividends on any capital stock (other than dividends payable in capital stock or stock rights), except that so long as no event of default or potential event of default under the agreements exists at the time, the Company may pay dividends in an aggregate amount not to exceed the greater of: (i) the after-tax net income of the Company, determined in accordance with generally accepted accounting principles, for the fiscal year to the end of the quarter to which the dividends relate and (ii) the aggregate amount of dividends paid on common stock during the immediately preceding year. The primary source of funds for payments to stockholders by the Company is dividends received from its subsidiaries. Accordingly, such payments by the Company in the future also depend on various restrictive covenants in the debt obligations of its subsidiaries, the earnings, the cash position and the capital needs of its subsidiaries, as well as laws and regulations applicable to its subsidiaries. Unless the Company and CHL each maintain specified minimum levels of net worth and certain other financial ratios, dividends cannot be paid by the Company and CHL in compliance with certain of CHL's debt obligations (including its revolving credit facility). See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources."

As of May 15, 2001, there were 2,301 shareholders of record of the Company's common stock, with 118,826,957 common shares outstanding.

Production Office Locations

Consumer Markets Division

Western Division

Region 5
Regional Vice President
Mark Huddleston

Chico, CA
Fair Oaks, CA
Fairfield, CA
Folsom, CA
Medford, OR
Modesto, CA
Roseville, CA
Sacramento, CA
Salem, OR
Santa Rosa, CA
Stockton, CA
Tracy, CA

Region 6
Regional Vice President
Joe Riggio

Arcadia, CA
Glendale, CA
La Canada, CA
Lancaster, CA
Northridge, CA
Pasadena, CA
Santa Clarita, CA
Santa Maria, CA
Thousand Oaks, CA
Ventura, CA
Woodland Hills, CA

Region 7
Regional Vice President
Lisa Harding

Carlsbad, CA
Chula Vista, CA
Corona, CA
El Cajon, CA
Escondido, CA
Fountain Valley, CA
Fullerton, CA
Irvine, CA
Laguna Niguel, CA
Mission Viejo, CA
Riverside, CA
San Diego, CA (2)
Santa Ana, CA
Temecula, CA

Region 8
Regional Vice President
Garry Rankin

Brea, CA
Highland, CA
Lakewood, CA
Long Beach, CA
Los Angeles, CA
Monterey Park, CA
Palm Desert, CA
Rowland Heights, CA
San Dimas, CA
South Gate, CA
Torrance, CA
Victorville, CA
Whittier, CA

Region 9
Regional Vice President
Dave Porter

Anchorage, AK
Beaverton, OR
Bellevue, WA
Everett, WA
Federal Way, WA
Lakewood, WA
Lynnwood, WA
Seattle, WA (2)
Spokane, WA

Region 29
Regional Vice President
Vanna Conrady

Antioch, CA
Bakersfield, CA
Castro Valley, CA
Concord, CA
Cupertino, CA
Fremont, CA
Fresno, CA
Honolulu, HI
Oakland, CA
Pleasanton, CA
Reno, NV
Salinas, CA
San Jose, CA
Visalia, CA

Central Division

Region 12
Regional Vice President
Sherrie Brozovich

Aurora, CO
Boulder, CO
Broomfield, CO
Castle Rock, CO
Cheyenne, WY
Colorado Springs, CO (2)
Denver, CO
Evergreen, CO
Fort Collins, CO
Grand Junction, CO
Greeley, CO
Lakewood, CO
Littleton, CO
Pueblo, CO

Region 16
Regional Vice President
Tom O'Neill

Arlington Heights, IL
Chicago, IL (2)
Crystal Lake, IL
Elgin, IL
Glenview, IL
Joliet, IL
Libertyville, IL
Naperville, IL
Orland Park, IL
Peoria, IL
Rockford, IL
Springfield, IL

Region 17
Regional Vice President
Linda O'Connor

Albuquerque, NM (2)
Flagstaff, AZ
Gilbert, AZ
Glendale, AZ
Goodyear, AZ
Lake Havasu City, AZ
Phoenix, AZ
Prescott, AZ
Scottsdale, AZ
Sierra Vista, AZ
Tempe, AZ
Tucson, AZ (2)

Region 25
Regional Vice President
Edward Henson

Arlington, TX
Dallas, TX (2)
DeSoto, TX
Fayetteville, AR
Fort Worth, TX
Garland, TX
Lewisville, TX
Little Rock, AR
Plano, TX
Southlake, TX
Tyler, TX

Region 26
Regional Vice President
Cherry Scott-Trigalet

Apple Valley, MN
Eden Prairie, MN
Edmond, OK
Lawrence, KS
Lawton, OK
Lincoln, NE
Norman, OK
Oklahoma City, OK
Omaha, NE
Topeka, KS
Tulsa, OK (2)
Wichita, KS
Woodbury, MN

Region 34
Regional Vice President
Diane Bond

Billings, MT
Boise, ID
Henderson, NV
Las Vegas, NV (3)
Nampa, ID
Ogden, UT
Orem, UT
Salt Lake City, UT
Sandy, UT

Region 35
Regional Vice President
Rick Monley

Cedar Rapids, IA
Columbia, MO
Davenport, IA
Dellwood, MO
Kansas City, KS
Kansas City, MO
Lee's Summit, MO
Lenexa, KS
Mehlville, MO
O'Fallon, MO
Overland Park, KS
Springfield, MO
Urbandale, IA

Region 41
Regional Vice President
David Cook

Abilene, TX
Amarillo, TX
Austin, TX (2)
Corpus Christi, TX
El Paso, TX
Killeen, TX
Lubbock, TX
Midland, TX
San Antonio, TX (2)

Production Office Locations

continued

Consumer Markets Division (continued)

Midwest/Northeast Division

Region 3
Regional Vice President
Wayne Rogers

Bel Air, MD
Cherry Hill, NJ
Cockeysville, MD
Englishtown, NJ
Ephrata, PA
Hamilton, NJ
Mays Landing, NJ
Mechanicsburg, PA
Sewell, NJ
Shrewsbury, NJ
Toms River, NJ
York, PA

Region 11
Regional Vice President
Michael Garmone

Canton, OH
Cleveland, OH
Cuyahoga Falls, OH
Erie, PA
Grove City, OH
Hilliard, OH
Mentor, OH
Monroeville, PA
Pittsburgh, PA
Scott Depot, WV
Strongsville, OH
Upper St. Clair, PA
Warren, OH
West Worthington, OH
Westlake, OH
Woodmere, OH

Region 19
Regional Vice President
Mary Turel

Burlington, MA
Jamaica Plain, MA
Merrimack, NH
Milford, CT
North Easton, MA
Portland, ME
Shrewsbury, MA
Somersworth, NH
Southington, CT
Warwick, RI
West Springfield, MA

Region 20
Regional Vice President
Beth Grossman

Ann Arbor, MI
Appleton, WI
Brookfield, WI
Clarkston, MI
Detroit, MI
Grand Rapids, MI
Kalamazoo, MI
Madison, WI
Novi, MI
Okemos, MI
Racine, WI
Shelby Township, MI
Toledo, OH
Woodhaven, MI

Region 24
Regional Vice President
Edmond Roncone

Amherst, NY
Broomall, PA
Clifton Park, NY
Frazer, PA
Huntingdon Valley, PA
Lansdale, PA
Latham, NY
Newark, DE
North Syracuse, NY
Philadelphia, PA
Reading, PA
Trexlertown, PA
Webster, NY
Wyoming, PA

Region 33
Regional Vice President
Eric Declercq

Brooklyn, NY
East Brunswick, NJ
Forest Hills, NY
Huntington Station, NY
Morristown, NJ
Newark, NJ
Newburgh, NY
Raritan, NJ
Staten Island, NY
Wantagh, NY
Wayne, NJ
Westfield, NJ
Yorktown Heights, NY

Region 39
Regional Vice President
Steve Boland

Centerville, OH
Cincinnati, OH (2)
Evansville, IN
Indianapolis, IN
Lexington, KY
Louisville, KY
Mishawaka, IN
New Albany, IN
Schererville, IN
Speedway, IN
Troy, OH

Southeast Division

Region 10
Regional Vice President
Cathy Ann Gibb

Baton Rouge, LA
Beaumont, TX
Covington, LA
Hattiesburg, MS
Houston, TX (4)
Jackson, MS
Kingwood, TX
Metairie, LA
New Orleans, LA
Shreveport, LA
Sugar Land, TX
The Woodlands, TX

Region 14
Regional Vice President
Larry Gunnin

Birmingham, AL
Ft. Walton Beach, FL
Huntsville, AL
Johnson City, TN
Knoxville, TN
Madison, TN
Memphis, TN
Mobile, AL
Montgomery, AL
Murfreesboro, TN
Nashville, TN
Panama City, FL
Prattville, AL

Region 18
Regional Vice President
Kerry Rainey

Atlanta, GA (2)
Charleston, SC
Chattanooga, TN
Columbia, SC
Duluth, GA
Fayetteville, NC
Greenville, SC
Hilton Head, SCC
Marietta, GA
Myrtle Beach, SC
Peachtree City, GA
Riverdale, GA
Roswell, GA
Stone Mountain, GA
Woodstock, GA

Region 22
Regional Vice President
Sherry May

Alexandria, VA
Charlottesville, VA
Easton, MD
Falls Church, VA
Gaithersburg, MD
Laurel, MD
Manassas, VA
Owings Mills, MD
Richmond, VA (2)
Roanoke, VA
Severna Park, MD
Virginia Beach, VA
Washington, D.C.
Yorktown, VA

Region 28
Regional Vice President
Frankie McGrew

Brandon, FL
Clearwater, FL
Daytona Beach, FL
Jacksonville Beach, FL
Jacksonville, FL
Longwood, FL
Merritt Island, FL
New Port Richey, FL
Ocoee, FL
Orlando, FL
Satellite Beach, FL
Tampa, FL
Winter Park, FL
Winter Springs, FL

Region 36
Regional Vice President
Alina Garcia

Boynton Beach, FL
Bradenton, FL
Fort Myers, FL
Lakeland, FL
Miami, FL
Miami Lakes, FL
Naples, FL
Pembroke Pines, FL
Plantation, FL
Port Charlotte, FL
Port St. Lucie, FL
West Palm Beach, FL

Region 40
Regional Vice President
David Jones

Ashville, NC
Cary, NC
Charlotte, NC (3)
Gastonia, NC
Greensboro, NC
Jacksonville, NC
New Bern, NC
Raleigh, NC
Wilmington, NC
Winston-Salem, NC

Production Office Locations

continued

Full Spectrum Lending, Inc.

Region 492
Regional Vice President
Scott Bridges

Alta Loma, CA
Brea, CA
Burbank, CA
Honolulu, HI
Las Vegas, NV
Long Beach, CA
Northridge, CA
San Diego, CA

Region 493
Regional Vice President
Michael Kadair

Brookfield, WI
Cincinnati, OH
Dublin, OH
Indianapolis, IN
Troy, MI
Westland, MI

Region 494
Regional Vice President
Dan Eason

Dallas, TX
Denver, CO
Oaklawn, IL
Overland Park, KS
Phoenix, AZ
St. Louis, MO
Salt Lake City, UT

Region 495
Regional Vice President
Carl D'Onofrio

Altamonte Springs, FL
Jacksonville, FL
Madison, TN
Marietta, GA
Metairie, LA
South Miami, FL
Tampa, FL

Region 497
Regional Vice President
John Mauk

Braintree, MA
Ellicott City, MD
Falls Church, VA
Forest Hills, NY
Philadelphia, PA
Springfield, NJ

Region 499
Regional Vice President
Steven Hauser

Bothell, WA
Federal Way, WA
Milpitas, CA
Sacramento, CA
San Mateo, CA
Vancouver, WA
Walnut Creek, CA

Wholesale Lending Division

Western Division

Region 81
Regional Vice President
Tom Mozilo

Austin, TX
Dallas, TX
Houston, TX
Kansas City, KS
Oklahoma City, OK

Region 85
Regional Vice President
Keith Ryan

Alamo, CA
Fresno, CA
Las Vegas, NV
Marin County, CA
Sacramento, CA
San Jose, CA

Region 89
Regional Vice President
Bradley Greene

Colorado Springs, CO
Denver, CO
Phoenix, AZ
Salt Lake City, UT

Region 91
Regional Vice President
R.J. Arnett

El Segundo, CA
Pasadena, CA
Rancho Cucamonga, CA
San Diego, CA
Santa Ana, CA
Woodland Hills, CA

Region 98
Regional Vice President
Debbie Hood

Boise, ID
Honolulu, HI
Portland, OR
Seattle, WA

Eastern Division

Region 78
Regional Vice President
Tim Koger

Detroit, MI
Grand Rapids, MI
Indianapolis, IN
Lisle, IL
Milwaukee, WI
Minn/St. Paul, MN
St. Louis, MO

Region 83
Regional Vice President
Ira Goldberg

Boca Raton, FL
East Hanover, NJ
Jacksonville, FL
Long Island, NY
Miami, FL
Orlando, FL
Tampa, FL

Region 95
Regional Vice President
Dennis Patchett

Cleveland, OH
Columbus, OH
Danvers, MA
Hartford, CT
Louisville, KY
Philadelphia, PA
Pittsburgh, PA

Region 96
Regional Vice President
Jim Ford

Atlanta, GA
Birmingham, AL
Charlotte, NC
Fairfax, VA
Nashville, TN
New Orleans, LA
Raleigh, NC

Correspondent Lending Division

Offices

Regional Sales Manager
Tom Williams

West Hills, CA

Regional Sales Manager
Rex Adams

Plano, TX

Regional Sales Manager
Joseph Kresser

Pittsburgh, PA

Subsidiaries

Countrywide Home Loans, Inc.

Angelo R. Mozilo
Chairman of the Board of Directors

Stanford L. Kurland
President and Chief Executive Officer

Administration/Operations

Carlos M. Garcia
Senior Managing Director of Finance and Chief of Operations

Sidney Lenz
Managing Director, Industry Affairs

Richard S. Lewis
Managing Director, Profitability Enhancement Initiatives

Anne D. McCallion
Managing Director, Chief Administrative Officer

Sandor E. Samuels
Managing Director, Legal, General Counsel and Secretary

Craig Baingo
Executive Vice President, Strategic & Financial Planning

Robert Barbarowicz
Executive Vice President and Deputy General Counsel

Patrick Benton
Executive Vice President, Administration

Frederick J. Budig
Executive Vice President and Director of Internal Audit

Paul Decoff
Executive Vice President, Corporate Operations Officer

Jordan D. Dorchuck
Executive Vice President and Deputy General Counsel

Leora Goren
Executive Vice President, Human Resources

Michael Keating
Executive Vice President, Global Markets

Susan E. Kelsey
Executive Vice President and Deputy General Counsel

Mark Upson
Executive Vice President, Administration

Richard B. Wentz
Executive Vice President, Deputy General Counsel and Chief Compliance Officer

Randy Willox
Executive Vice President, Global Business Development

Finance

Thomas K. McLaughlin
Managing Director and Chief Financial Officer

Eric P. Sieracki
Managing Director, Corporate Finance

Jeffrey K. Speakes
Managing Director, Risk Management

David J. Bigelow
Executive Vice President, Strategic Planning

Mark E. Elbaum
Executive Vice President, Chief Financial Officer of Mortgage Loan Production

Laura K. Milleman
Executive Vice President and Chief Accounting Officer

Lisa Novacek
Executive Vice President, New Business Development

Jennifer Shiley Sandefur
Executive Vice President and Treasurer

Michael Smith
Executive Vice President, Portfolio Risk Management

Steven Sylvers
Executive Vice President, Taxation

Loan Administration

Thomas H. Boone
Senior Managing Director and Chief of Global Processing

Richard DeLeo
Managing Director and Chief of Domestic Loan Administration

Steve R. Bailey
Executive Vice President, Chief Operations Officer

Dorianne Cotter
Executive Vice President, Loan Administration Systems Development

Rick Hildebrand
Executive Vice President, Bankruptcy, Foreclosure and Real Estate Management

Kevin Leon Meyers
Executive Vice President, Chief Financial Officer

Marketing

Andrew S. Bielanski
Managing Director, Marketing

Stephen Douglass
Executive Vice President, Market Research & Finance

Production and Information Technology

David Sambol
Senior Managing Director and Chief of Production

Marshall M. Gates
Managing Director, Developing Markets

Richard Jones
Managing Director and Chief Technology Officer

Gregory A. Lumsden
Managing Director, Originations

Paul Abbamonto
Divisional Executive Vice President, Subprime Production, Wholesale Lending Division

Farzad Abolfathi
Executive Vice President, Application Development

Joe D. Anderson
Executive Vice President, Consumer Markets Division

Scott D. Anderson
Executive Vice President, Production Support

G. Richard Bright
Executive Vice President, Product Development and Support

Robert A. Brown
Executive Vice President, Division Consumer Production

Phyllis Bucklew
Executive Vice President, Division Consumer Production, Southeast Division

William S. Cobb, Jr.
Division Executive Vice President, Information Technology

Mike Cunningham
Executive Vice President, Infrastructure

Todd A. Dal Porto
Executive Vice President, Wholesale Lending Division

David Doyle
Executive Vice President, Consumer Direct Production

Angel Garcia
Chief Financial Officer and Executive Vice President, Information Technology Finance

Daniel Garcia, Sr.
Executive Vice President, Chief Operating Officer, Information Technology

Tom Halley
Executive Vice President, Division Consumer Production, Central Division

Joanne B. Hannaman
Executive Vice President, Consumer Markets Division, Operations

Chuck Hoffmans
Chief Financial Officer, Wholesale Lending Division

Douglas E. Jones
Executive Vice President, Correspondent Lending Division

Mark Kemp
Executive Vice President, Division Consumer Production, Western Division

Michael M. Lamka
Division Executive Vice President, Wholesale Branch Support

Sam Ourfalian
Executive Vice President, Information Technology

Brian Robinett
Executive Vice President of Production, Wholesale Lending Division

Jack W. Schakett
Executive Vice President, Chief Operating Officer, Correspondent Lending Division

Omer Simeon
Executive Vice President, Global Servicing Development

Stephen Smith
Executive Vice President and Chief Executive Officer, Consumer Markets Division

Mike Spalter
Executive Vice President, Network/Data Center

Mike Taliaferro
Executive Vice President and Head of Production, Builder Division and National Branch System

Peter G. Wyman
Executive Vice President, Consumer Markets Division, Finance and Technology

Secondary Markets

Kevin W. Bartlett
Senior Managing Director and Chief of Secondary Markets

Nicholas Krsnich
Executive Vice President, Secondary Marketing Trading

David A. Spector
Executive Vice President, Loan Sales

David M. Walker
Executive Vice President, Credit Risk Management

Countrywide Capital Markets, Inc.

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Chairman

Stanford L. Kurland
Vice Chairman

David Sambol
Chief Executive Officer

Ranjit Kripalani
President and Chief Operating Officer

J. Grant Couch, Jr.
Chief Operations Officer

Steven Hively
Executive Vice President, Chief Financial Officer and Treasurer

Countrywide Asset Management Corporation

David Sambol
President

Michael Schloessman
Executive Vice President

Countrywide Financial Holding Company, Inc.

Clarence Simmons, III
President and Chief Operating Officer

Countrywide Securities Corporation

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Chairman

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Chief Executive Officer

Ranjit Kripalani
President and Chief Operating Officer

Anand Bhattacharya
Executive Vice President,
Fixed Income Strategies

Kim Campbell
Executive Vice President

J. Grant Couch, Jr.
Executive Vice President and
Chief Operations Officer

Nancy DeLiban
Executive Vice President,
Manager Structured Finance Department

Steven Hively
Executive Vice President,
Chief Financial Officer and Treasurer

Alfred MacArthur Humphries
Executive Vice President

Michael Moore
Executive Vice President,
Information Technology

Thomas P. O'Hallaron
Executive Vice President

John S. Radtke
Executive Vice President

Michael Schloessmann
Executive Vice President,
Director of Transaction Management

Countrywide Servicing Exchange

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Chairman

Stanford L. Kurland
Vice Chairman and
Chief Financial Officer

David Sambol
Chief Executive Officer

Ranjit Kripalani
President and Chief Operating Officer

J. Grant Couch, Jr.
Executive Vice President and
Chief Operations Officer

Steven Hively
Executive Vice President,
Chief Financial Officer and Treasurer

Steven Tannehill
Executive Vice President

Countrywide Field Services Corporation

Thomas H. Boone
Chairman and Chief Executive Officer

Richard DeLeo
Vice Chairman and
Chief Operations Officer

Catherine Beaman
President

Thomas Dixon
Executive Vice President

Countrywide Home Loans Servicing, LP

Angelo R. Mozilo
Chairman

Stanford L. Kurland
President and Chief Executive Officer

Countrywide Insurance Group, Inc.

Stanford L. Kurland
Chairman

Carlos M. Garcia
President and Chief Executive Officer

Nicholaus Lannutti
Chief Financial Officer

Balboa Life and Casualty

Carlos M. Garcia
Chairman

Neal Aton
President and Chief Executive Officer

Andrew Gissenger III
President,
Balboa Institutional Marketing Group

D. David Cissel
Executive Vice President and
Chief Operating Officer

Kristine McKay
Chief Financial Officer

Countrywide Insurance Services, Inc.

Steven D. Phillips
Vice Chairman, President and
Chief Executive Officer

DirectNet Insurance Agency, Inc.

Steven D. Phillips
President and Chief Executive Officer

Countrywide International Consulting Services, LLC

Michael Lea
President and Chief Executive Officer

CCM International Limited

David Sambol
Chairman

Ranjit Kripalani
Chief Operating Officer

Countrywide International Technology Holdings, Limited

Thomas H. Boone
Director

CW TechSolutions Limited

Thomas H. Boone
Chairman

Michael Keating
President

Countrywide Realty Partners, Inc.

Richard DeLeo
Chief Executive Officer and President

Kevin Leon Meyers
Executive Vice President

Angela Hess
Chief Financial Officer

Countrywide Tax Services Corporation

Richard DeLeo
President

Countrywide Warehouse Lending

Stanford L. Kurland
Chairman and President

David Sambol
President and Chief Executive Officer

Steven Hively
Executive Vice President and
Chief Financial Officer

J. Grant Couch, Jr.
Executive Vice President

Jack Schakett
Executive Vice President

CTC Real Estate Services

Thomas H. Boone
Chairman and Chief Executive Officer

Richard DeLeo
Vice Chairman

Catherine Beaman
President

Edward Skornik
Executive Vice President

CW Securities Holdings, Inc.

Kevin W. Bartlett
President

Carlos M. Garcia
Chief Financial Officer

Thomas Keith McLaughlin
Executive Vice President

Effinity Financial Corporation

Edward Furash
Chairman and Chief Executive Officer

James Furash
President and Chief Operating Officer

Full Spectrum Lending, Inc.

Gregory A. Lumsden
Chairman

Lloyd Sargeant
Executive Vice President,
Sales and Marketing

Global Home Loans Limited

Stanford L. Kurland
Chairman

Trevor Henderson
Chief Executive Officer

LandSafe, Inc.

Marshall M. Gates
Executive Vice Chairman and
Chief Executive Officer

Michael Faine
President and Chief Operating Officer

John Mann
Chief Financial Officer

LandSafe Appraisal Services, Inc.

Greg Dennis
President and Chief Operating Officer

LandSafe Credit, Inc.

Brian Hershkowitz
President

LandSafe Flood Determination, Inc.

Marshall M. Gates
Chief Executive Officer

LandSafe Home Inspection Services, Inc.

Marshall M. Gates
Chairman and Chief Executive Officer

LandSafe Title Companies

Kevin Weaver
Executive Vice President

Second Charter Reinsurance Company

Stanford L. Kurland
Chairman

Marshall M. Gates
President

Corporate Information

Board of Directors

Angelo R. Mozilo
Chairman, Chief Executive Officer and President

Jeffrey M. Cunningham
Chairman, Corvida Holdings,
Private Investment Firm

Robert J. Donato
Senior Vice President, Branch Manager
Paine Webber, Incorporated
Securities/Investment Advisory Services

Michael E. Dougherty
Co-Founder and Chairman
Dougherty Financial Group, LLC
Financial Services Firm

Ben M. Enis, Ph.D.
Marketing Consultant,
Professor Emeritus of Marketing
University of Southern California

Edwin Heller
Attorney, Of Counsel,
Fried, Frank, Harris, Shriver and Jacobson,
Law Firm

Stanford L. Kurland
Executive Managing Director,
Chief Operating Officer

Oscar P. Robertson
President
Orchem Corporation, Orflex, Ltd.
and Orpack Stone Corp.

Harley W. Snyder
Real Estate Consultant
and Private Investor

Corporate Officers

Angelo R. Mozilo
Chairman, Chief Executive Officer and President

Stanford L. Kurland
Executive Managing Director,
Chief Operating Officer

Kevin W. Bartlett
Senior Managing Director and
Chief of Secondary Markets

Thomas H. Boone
Senior Managing Director and
Chief of Global Processing

Carlos M. Garcia
Senior Managing Director of Finance
and Chief Financial Officer

David Sambol
Senior Managing Director and
Chief of Production

Andrew S. Bielanski
Managing Director, Marketing

Richard DeLeo
Managing Director,
Domestic Loan Administration

Marshall M. Gates
Managing Director,
Developing Markets,
Chairman and Chief Executive Officer
of LandSafe, Inc.

Richard K. Jones
Managing Director and
Chief Technology Officer

Sidney Lenz
Managing Director, Industry Affairs

Richard S. Lewis
Managing Director

Gregory A. Lumsden
Managing Director, Originations

Anne D. McCallion
Managing Director and
Chief Administrative Officer

Thomas K. McLaughlin
Managing Director and Treasurer

Sandor E. Samuels
Managing Director, Legal,
General Counsel and Secretary

Eric P. Sieracki
Managing Director, Corporate Finance

Jeffrey K. Speakes
Managing Director, Risk Management

Accountants

Grant Thornton LLP
1000 Wilshire Boulevard
Los Angeles, CA 90017-2464

Registrar and Transfer Agent

The Bank of New York
P.O. Box 11258
Church Street Station
New York, NY 10286-1258
(800) 524-4458

Corporate Headquarters

4500 Park Granada
Calabasas, CA 91302-1613

Countrywide Regional Centers

5220 Las Virgenes Road
Calabasas, CA 91302-1064
(818) 871-4000
(800) 669-6609

18581 Teller Avenue
Irvine, CA 92621-1627
(949) 553-0700
(800) 854-6115

5898 Condor Drive
Moorpark, CA 93021-2603
(805) 553-6000

35 North Lake Avenue
Pasadena, CA 91101-1892
(624) 304-8400
(800) 881-4968

7105 Corporate Drive
Buildings A and B
Plano, TX 75024-4100
(972) 608-6000
(800) 669-6688

6400 Legacy Drive
Plano, TX 75024-3697
(972) 608-6000
(800) 669-6688

1515 Walnut Grove
Rosemead, CA 91770-3710
(626) 927-3000
(800) 585-1502

450 American Street
Simi Valley, CA 93065-6285
(805) 520-5100
(800) 758-5465

400 Countrywide Way
Simi Valley, CA 93065-6298
(805) 520-5100
(800) 758-5465

994 Flower Glen
Simi Valley, CA 93056-1900
(805) 955-3200
(800) 669-6607

1800 Tapo Canyon Road
Simi Valley, CA 93063-6712
(805) 577-4200

8501 Fallbrook Avenue
West Hills, CA 91304
(818) 316-8000

Shareholder Information

Inquiries Regarding Your Stock Holdings

In all correspondence or telephone inquiries, please mention Countrywide Credit Industries, your name as printed on your stock certificate, your social security number, your address and your telephone number.

Registered Shareholders

(Shares held in your name)
Address shareholder inquiries to:

The Bank of New York
Shareholder Relations Department-11E
P.O. Box 11258
Church Street Station
New York, NY 10286-1258
(800) 524-4458

E-mail Address:
Shareowner-svcs@Email.bony.com

Send certificates for transfer and address changes to:

The Bank of New York
Receive and Deliver Department-11W
P.O. Box 11002
Church Street Station
New York, NY 10286-1002
(800) 524-4458

Beneficial Shareholders

(Shares held by your broker in the name of the brokerage house)
Questions should be directed to your broker.

Employee Stock Option Participants

Questions regarding your account, outstanding options or shares received through option exercises should be addressed to:

Countrywide Credit Industries, Inc.
Equity Benefit Plan Administration
4500 Park Granada
MSN CH-56
Calabasas, CA 91302-1613
(818) 225-3456

Employee 401(k) Benefit Plan Participants

Questions regarding your 401(k) statements, loan provisions, fund transfers or other matters should be addressed to:

Countrywide Credit Industries, Inc.
Human Resources: Benefits Department
1515 Walnut Grove
MSN RM-56
Rosemead, CA 91770
(800) 881-4968, Ext. 3999

Dividend Reinvestment Plan

By enrolling in Countrywide Credit Industries, Inc.'s Dividend Reinvestment and Optional Cash Stock Purchase Plan, shareholders may reinvest cash dividends on all, or some portion, of their common stock and may purchase the Company's common stock on a monthly basis with optional cash payments. Information on this plan is available from:

The Bank of New York
Securities Transfer Division
Dividend Reinvestment
P.O. Box 1958
Newark, NJ 07101-9774
(800) 524-4458

Company Information

Shareholders with questions regarding Countrywide Credit Industries, Inc., or who are interested in obtaining a copy of the Company's Form 10-K without exhibits for Fiscal 2001, or a copy of the corporate annual report of Balboa Life & Casualty may contact:

Countrywide Credit Industries, Inc.
Investor Relations
4500 Park Granada
MSN CH-19
Calabasas, CA 91302-1613
(818) 225-3550

You may also reach us through the Internet at **www.countrywide.com**

Annual Shareholders' Meeting

The Annual Meeting of Shareholders will be held on Thursday, July 12, 2001 at 10:00 a.m. (PDT) at
Hyatt Westlake Plaza
880 South Westlake Boulevard
Westlake Village, CA 91361

Mortgage Financing and Insurance Products

If you are in the process of purchasing a new home, are interested in refinancing or obtaining a home equity loan or would like to know about our diversified financial products and services, we are ready to serve you. A special unit of our company is dedicated to responding to your inquiries and ensuring that you are satisfied. Please call the Shareholder Hotline at (800) 544-8191.

Countrywide Insurance Services, Inc. is also pleased to offer you personally tailored and competitive insurance products and services. Please call (800) 669-6656, Ext. 3175, for a quote.

You may also reach us through the Internet at **www.countrywide.com** or **www.cwinsurance.com**

COUNTRYWIDE CREDIT INDUSTRIES, INC.
4500 Park Granada
Calabasas, California 91302-1613
WWW.COUNTRYWIDE.COM