

THINK INDYMAC.

IndyMac Bancorp, Inc. 2003 Annual Report

## INSIDE INDYMAC

02 Year in review

02 Financial highlights

03 Corporate profile

04 Growth charts

06 Letter to shareholders

12 Business model

16 Corporate governance

20 Condensed financial statements

24 Accounting reports

26 Directors and officers

28 Corporate information

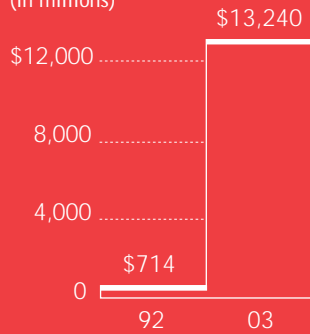
What came out of our first decade as an active mortgage lending company?

An aptitude for the business, the flexibility to adapt to changing environments and the ability to continue outperforming our peers. What to expect from the future? More of the same.



THINK BEYOND.

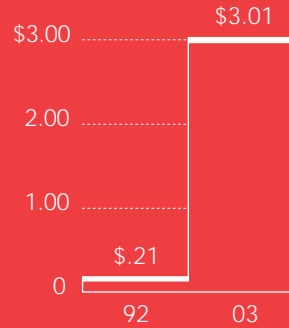
Assets  
(in millions)



CAGR\* **30%**

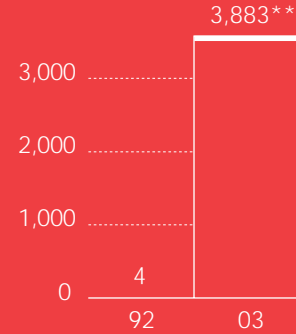
\* Compounded annual growth rate.

EPS



CAGR\* **27%**

Employees



CAGR\* **87%**

\*\* Includes 371 temporary employees.



IT'S BEEN MORE  
THAN A DECADE.

# IT'S BEEN AN EVOLUTION.

**2003**

14th largest thrift

19th largest mortgage lender

From passive mortgage REIT to  
hybrid thrift/mortgage banker

- > 14th largest thrift nationwide
- > 19th largest mortgage lender
- > Award winning technology
- > Diverse menu of mortgage products



WE'RE DOING MORE  
THAN ADVANCING  
INDUSTRY STANDARDS.

# WE'RE CREATING OPPORTUNITIES FOR GROWTH THROUGH INNOVATION.

**2003**

130,000 single-family  
residences financed

206,000 mortgage loans serviced

IndyMac provided financing for 130,000 single-family residences in 2003 alone and at year end serviced mortgage loans for more than 206,000 homeowners nationwide. How did we achieve these numbers? By leveraging our state-of-the-art technology to: 1) develop long-term relationships with mortgage and real estate professionals across the nation and, 2) offer diverse mortgage products directly to consumers.



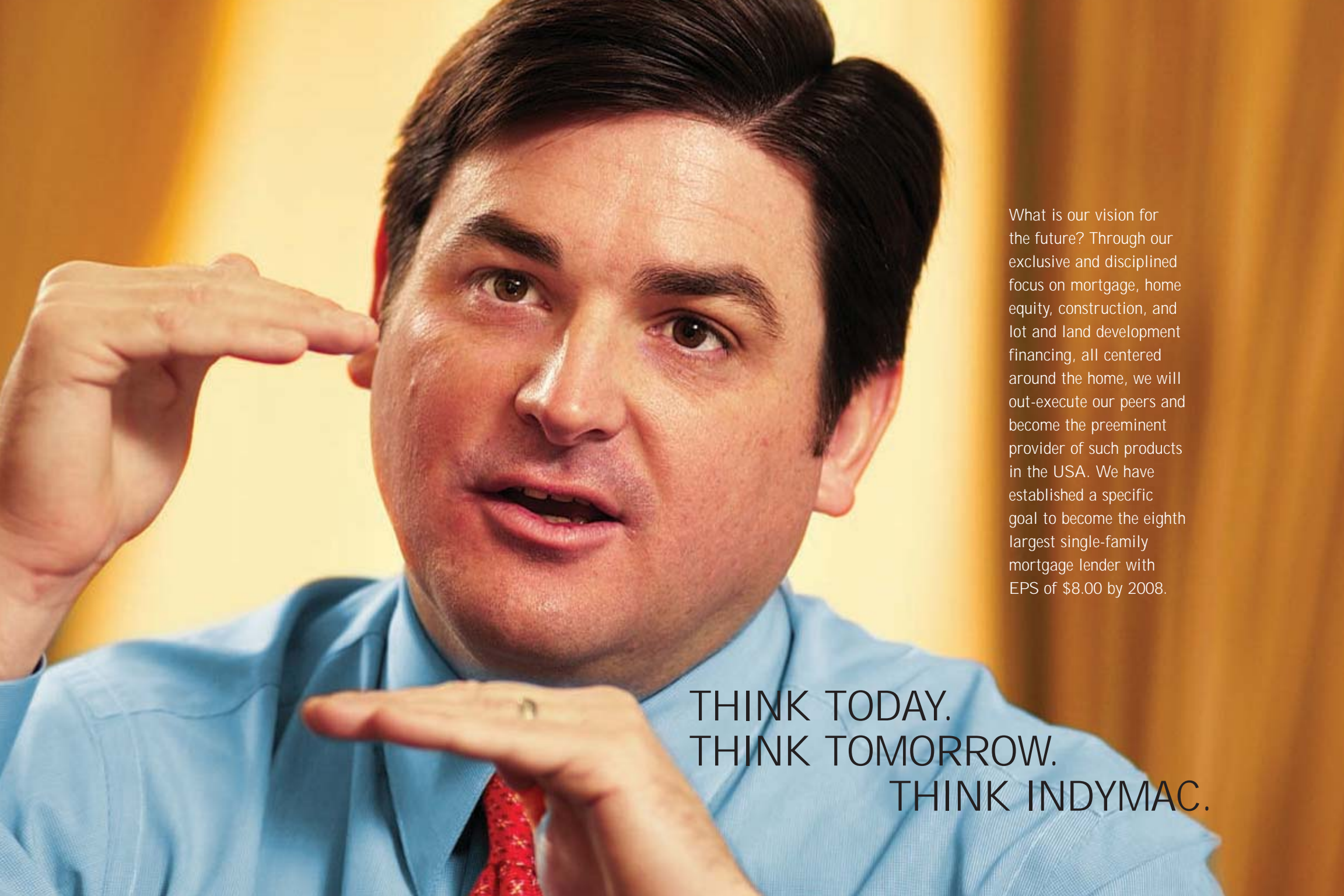
WE'RE DOING MORE THAN OPENING  
DOORS TO HOME OWNERSHIP.



# WE'RE EVOLVING THE LANDSCAPE OF THE MORTGAGE INDUSTRY.

1 > 2 > 3 > 4 > 5 > 6 > 7 > 8 > 9 > 10 > 11

For over a decade under the leadership of Chairman and CEO, Michael W. Perry, IndyMac has automated and simplified the mortgage process for consumers across the nation, while providing our shareholders a solid return.



What is our vision for the future? Through our exclusive and disciplined focus on mortgage, home equity, construction, and lot and land development financing, all centered around the home, we will out-execute our peers and become the preeminent provider of such products in the USA. We have established a specific goal to become the eighth largest single-family mortgage lender with EPS of \$8.00 by 2008.

THINK TODAY.  
THINK TOMORROW.  
THINK INDYMAC.

# THINK RESULTS.

## Year in Review

- > **RECORD REVENUES** of \$708 million, up 23% over 2002
- > **RECORD EARNINGS** of \$171 million, up 19% over 2002
- > **RECORD EPS** of \$3.01, up 25% over 2002
- > Return on average equity of 18.3%, up from 16.6% in 2002
- > Reestablished dividend payments first quarter 2003
  - Paid a total of \$0.55 per share in 2003
  - First quarter 2004 dividend of \$0.25 reflects 150% year-over-year increase
  - Current yield of approximately 3%
- > **RECORD TOTAL ASSETS** of \$13.2 billion, up 38% compared with assets at December 31, 2002
- > **RECORD LOAN PRODUCTION** of \$30.0 billion, up 44% over 2002
- > Non-performing assets declined to 0.76% of total assets, from 1.05% at December 31, 2002
- > July 2003 marked the completion of our third year as a depository institution. Deposits grew at a 105% compounded annual growth rate since the acquisition of our depository institution, July 1, 2000
- > IndyMac's mortgage website is ranked the #1 overall mortgage website by Gomez, an internet quality measurement firm, a position it has held for seven of eight measurement periods since fall 2000
- > Named to Business Week's Web Smart 50 and included in S&P's PowerPicks Portfolio for the third consecutive year
- > Total shareholder return for 2003 of 65%, significantly exceeding the Dow Jones Industrial Average and S&P 500 returns of 28% and 29%, respectively

## Financial Highlights

Dollars in millions, except per share amounts	Year ended December 31,	
	2003	2002
<b>Income statement</b>		
Net revenues	\$ 708	\$ 575
Net earnings	\$ 171	\$ 143
Earnings per diluted share	\$ 3.01	\$ 2.41
<b>Balance sheet (period end)</b>		
Total assets	\$13,240	\$ 9,574
Total equity	\$ 1,017	\$ 850
Book value per share	\$ 17.93	\$ 15.50
Debt to equity <sup>1</sup>	12.0:1	10.3:1
Core capital ratio <sup>2</sup>	7.56%	8.70%
Risk-based capital ratio <sup>2</sup>	12.95%	15.02%
<b>Performance ratios</b>		
Return on average equity	18.3%	16.6%
Return on average assets	1.5%	1.8%
Dividend payout ratio	18.3%	0.0%
Efficiency ratio <sup>3</sup>	58%	58%

<sup>1</sup> Debt for this purpose includes deposits.

<sup>2</sup> IndyMac Bank, F.S.B. (excludes unencumbered cash at the Parent Company available for investment in IndyMac Bank). Risk-based capital is based on the regulatory standard risk-weighting. With IndyMac's additional risk-weightings for subprime loans, the ratios are 12.29% and 14.03% as of December 31, 2003 and 2002, respectively.

<sup>3</sup> Defined as operating expenses divided by net interest income and other income.

## Corporate Profile

IndyMac Bancorp, Inc. (NYSE: NDE) is the holding company for IndyMac Bank®, the largest savings and loan or bank headquartered in Los Angeles County and the 14th largest thrift nationwide (based on assets). Founded in 1985, IndyMac® is in the business of designing, manufacturing, and distributing cost-efficient financing for the acquisition, development, and improvement of single-family homes. IndyMac also provides financing secured by single-family homes to facilitate consumers' personal financial goals and strategically invests in single-family mortgage related assets. We facilitate the acquisition, development, and improvement of single-family homes through our award-winning e-MITS® (Electronic Mortgage Information and Transaction System) platform that automates underwriting, risk-based pricing and ratelocking on a nationwide basis via the Internet at the point of sale. IndyMac Bank offers highly competitive mortgage products and services that are tailored to meet the needs of both consumers and business professionals.

IndyMac is structured to achieve synergies among its operations and to enhance customer service. Operating through its three main segments, IndyMac Mortgage Bank, IndyMac Consumer Bank and the Investment Portfolio Group, the common denominator of the Company's business is providing consumers with single-family residential mortgages through relationships with each segment's core customers via the channels in which each operates.

IndyMac Mortgage Bank is focused on providing consumer mortgage products through relationships with mortgage and real estate professionals. The Mortgage Bank also provides commercial loans to homebuilders for the purpose of constructing new, single-family residences.

IndyMac Consumer Bank provides the platform for the mortgage and FDIC-insured deposit products and services that IndyMac offers directly to consumers.

The Investment Portfolio Group serves as the main link to customers whose mortgages we service. Through its investments in single-family residential mortgages, mortgage-backed securities and the servicing of over \$37 billion of single-family mortgage loans, the Investment Portfolio Group generates core spread and fee income and provides critical support to IndyMac's mortgage lending operations.

IndyMac's management is committed to delivering superior returns and shareholder value. IndyMac's total annualized return to shareholders for the period December 31, 1992 through December 31, 2003 of 24%, under its current management team, has exceeded the comparable returns of 13% and 11% for the Dow Jones Industrial Average and S&P 500, respectively, for the same period.

## INDYMAC'S BUSINESS FOUNDATION

**Business Definition** IndyMac is in the business of designing, manufacturing, and distributing cost-efficient financing for the acquisition, development, and improvement of single-family homes. IndyMac also provides financing secured by single-family homes to facilitate consumers' personal financial goals and strategically invests in single-family mortgage related assets.

**Strategic Mission** By year end 2008 IndyMac, operating with the highest level of ethics, in compliance with all relevant regulations and laws and with a customer-friendly orientation, will be a top eight lender in the United States of America by being a low-cost provider of single-family permanent and construction lending financing, and the best manager of the risks related to such lending programs.

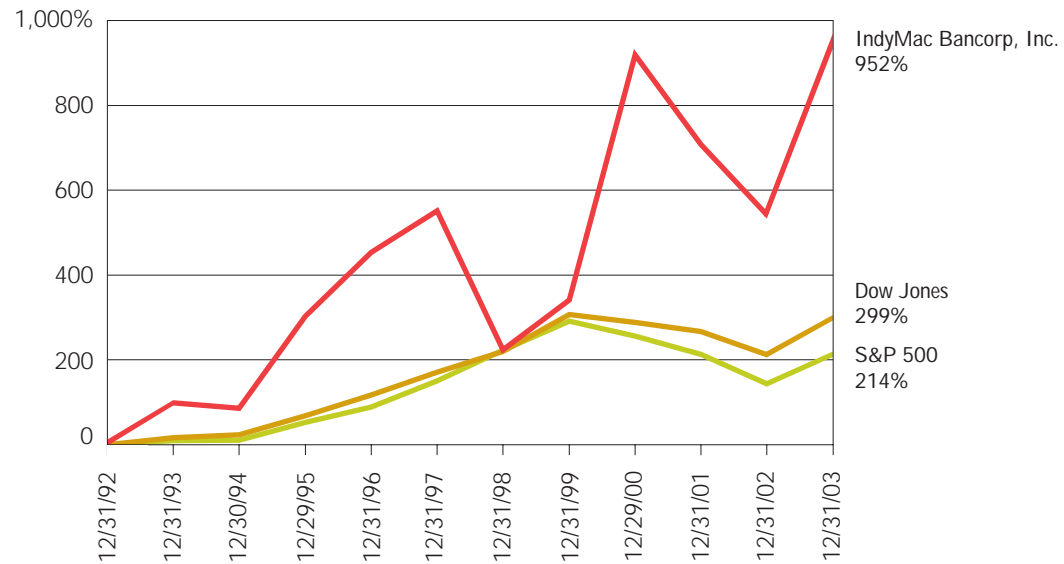
**Core Strategy** We will gain share without compromising our profitability goals by executing a hybrid thrift model where we:

1. Leverage our mortgage lending infrastructure through the expansion of our marketing and sales efforts and geographic presence, and create specialty niche mortgage lending businesses
2. Balance earnings and enhance franchise value by:
  - a. Establishing a Southern California retail branch franchise
  - b. Building our investment portfolio
3. Support the above with a platform of internal capabilities and best practices by:
  - a. Investing in a strong team and state-of-the-art capabilities in manufacturing mortgages, risk-based lending, trading and investing
  - b. Enhancing our performance culture to out-execute the competition

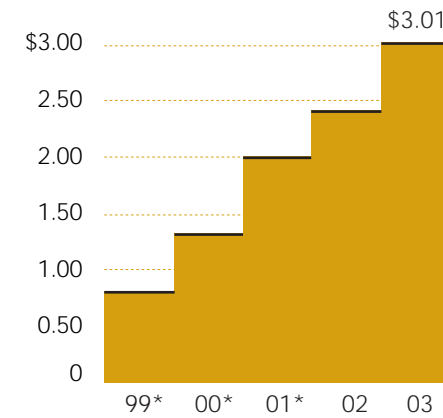
The above contains forward-looking statements and actual results may vary from our predictions.

# THINK GROWTH.

## SHAREHOLDER RETURNS



## EPS

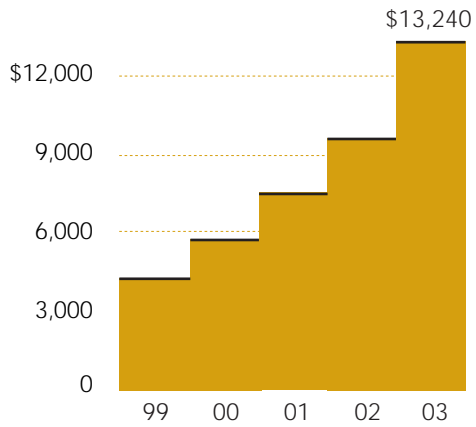


CAGR **37%**

\* 1999 gives effect to the change in the Company's structure to a fully taxable entity; 2000 earnings exclude a \$25.5 million net gain primarily related to a one-time tax benefit associated with IndyMac's transition from a REIT to a depository institution; 2001 earnings exclude a \$10.2 million net charge primarily due to a cumulative effect of a change in accounting principle.

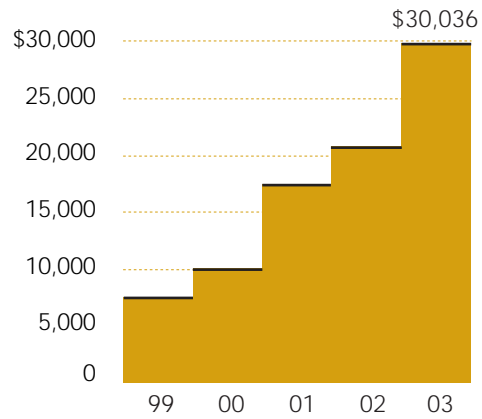
(in millions)

### ASSETS



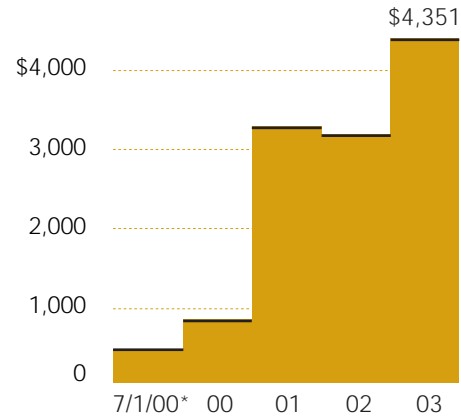
CAGR **35%**

### PRODUCTION



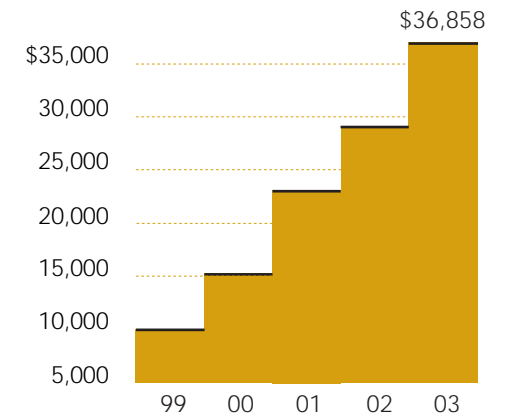
CAGR **44%**

### DEPOSITS



CAGR **105%**

### SERVICING



CAGR **38%**

\* Represents acquisition date of depository institution.

THINK VISION.



**Dear Shareholders:**

IndyMac's results for 2003 were strong. Loan production increased by 44% to \$30.0 billion, a new record, and total assets grew by 38% to \$13.2 billion. As a result, we achieved record levels of revenues and earnings of \$708.1 million and \$171.3 million, respectively. Earnings per share (EPS) reached \$3.01, a 25% increase year-over-year, which was well ahead of our long-term targeted growth rate of 15%. Return on equity was 18.3% and book value per share of \$17.93 reflected a 16% increase. While the mortgage industry as a whole also reported record volumes, volatile interest rates created risk management challenges for many of our peers. We began to see companies exiting the mortgage business or reporting subpar results in the face of these challenges. IndyMac's disciplined interest rate and credit risk management ensured solid results for the Company during this period.

While strong, these results would likely have been better in 2003 if we were a pure mortgage banker with all of our capital devoted to mortgage banking activities. IndyMac operates as a hybrid thrift/mortgage bank, which means we have capital devoted to both investing activities and mortgage banking activities. To illustrate, we retained for investment purposes \$4.4 billion of our mortgage loan production that if we were a pure mortgage banker, we would have sold for gains in 2003.

During periods of declining interest rates, IndyMac's investing activities tend to underperform due to accelerated prepayment activities but mortgage banking returns increase—this occurred in 2003. During periods of stable to rising rates, the returns on investing activities improve and serve to balance the expected declines in mortgage loans produced. As a result, our business model is expected to produce more stable, consistent results over the long-term than a pure mortgage banker that is more influenced by the cycles.

This balance was proven during the fourth quarter of 2003. As mortgage interest rates rose, the returns from our investing activities improved from -3% in the third quarter at the peak of the refinance boom to 8% in the fourth quarter. This improvement served to significantly offset the expected decline in mortgage production from \$8.5 billion in the third quarter to \$6.3 billion in the fourth. As a result, while the overall mortgage industry production declined by 49%, we reported EPS of \$0.75, our second highest on record. And the decline in our mortgage production of 26% was significantly less than the overall industry such that our market share improved 44%.

In addition to strong operating performance, we also reestablished quarterly dividend payments in the first quarter of 2003. The dividend payments, combined with increased investor confidence in our hybrid model to provide strong returns after the refinance boom, resulted in an improved price/earnings multiple on our shares and a total



shareholder return for the year of 65%. While the price/earnings multiple has improved, it remains at a 28% discount to our average over the last decade and a 44% discount to the average thrift multiple.

#### Outlook for 2004

The drivers of our earnings during the fourth quarter of 2003—improved returns in our investing activities, earning asset growth and market share gains—will continue to be our focus as we look ahead to 2004. Given the significant transition underway in the mortgage industry, our forecasted range for 2004 EPS is \$2.90 to \$3.25<sup>1</sup>, which is relatively level with the 2003 result. After 2004, we expect to resume EPS growth at our targeted annual rate of 15% or better given our more than ten year compounded annual growth rate of 27%.

#### We remain exclusively focused on the single-family residential mortgage market.

As we look further ahead, our strategies remain consistent. We continue to believe that a disciplined and exclusive focus on the mortgage market will serve IndyMac and its shareholders well. Mortgage debt outstanding (a statistic which filters out the refinance cycles) expands consistently at a 7% to 8% annual growth rate. For those companies with the exclusive focus and expertise that we have, this market provides a great platform for EPS growth and robust shareholder returns.

After carefully analyzing trends in the mortgage industry, we have set two key five-year goals for IndyMac:

- > To become the eighth largest mortgage originator by 2008 (we're now the 19th largest).
- > To achieve EPS of \$8 per share by 2008.

<sup>1</sup> The range for 2004 does not yet factor in a potential change in accounting discussed by an SEC staff member in a speech in December 2003, but not yet issued in written form. If this change comes to fruition, it would impact the timing of revenue recognition and have a one-time negative impact on gain on sale revenues in the quarter implemented. This potential change is described in more detail in our Form 10-K.

The following discussion represents questions frequently put forward by our shareholders with responding remarks from Michael W. Perry, IndyMac's Chairman and CEO.

### Q. WHAT DO YOU SEE AS INDYMAC'S MOST SIGNIFICANT ACCOMPLISHMENTS OVER THE LAST 11 YEARS?

A. When I was brought aboard, in January of 1993, we were a mortgage REIT with \$714 million in assets, \$119 million in equity capital and we were trading at a \$75 million market cap, or 63% of book value. This low price/book was due to the fact that \$74 million of that capital was tied up in assets that were losing money, and the other \$45 million was in cash. We also had four employees and no customers. Today, we have more than \$13 billion in assets, over \$1 billion of equity, annual loan production of \$30 billion and 3,883 employees. We're now the largest depository in Los Angeles County and the 14th largest thrift in the country based on assets. In the fourth quarter of 2003, the National Mortgage News ranked us as the 19th largest mortgage originator and the 20th largest mortgage servicer in the nation. We are members of the S&P 400 and Russell 1000 indices. We got to where we are through hard work and an ability to adapt to a variety of challenges with entrepreneurial thinking.

### Q. HOW DOES YOUR HYBRID THRIFT/ MORTGAGE BANKING BUSINESS MODEL POSITION YOU FOR GROWTH?

A. IndyMac's hybrid model makes the Company both a portfolio lender and a trader/mortgage banker of mortgage loans. As such, IndyMac can deploy more capital into the sector that is performing the strongest at any given time, maximizing return on equity and shareholder value. The two activities—portfolio lending and mortgage banking—complement each other and act to stabilize earnings in varying interest rate environments.

**Q. THE MORTGAGE BANKERS ASSOCIATION PREDICTS MORTGAGE ORIGINATIONS WILL DROP BY 47% IN 2004. WHAT ARE THE RAMIFICATIONS FOR INDYMAC IF THIS HAPPENS?**

**A.** Much of the impact of this decline was already evident in the fourth quarter of 2003. Industry production decreased 49% from the third to the fourth quarter. IndyMac's fourth quarter reflected market share gains of 44% and improved returns in our investing activities with the result that we earned \$0.75 per share, our second highest quarter on record. The MBA's full year 2004 projection of \$2.0 trillion of mortgage production represents an additional decline of 19% off the fourth quarter run rate. In this environment, we are projecting that EPS will remain relatively flat to 2003 EPS. Frankly, we are pleased that the market transition is taking place, since we believe it will highlight the strong, well-positioned companies such as IndyMac from the weaker players.

**Q. YOU OFTEN REFER TO INDYMAC AS A MERITOCRACY, OR PERFORMANCE-BASED CULTURE. CAN YOU ELABORATE ON HOW THAT CULTURE IS REFLECTED IN YOUR BUSINESS MODEL, AND WHAT EFFECT IT HAS ON THE BOTTOM LINE?**

**A.** A meritocracy rewards achievement. If you don't have a meritocracy, the only alternative is a politically driven system, which rewards employees unevenly and creates morale issues for the top performers versus the top politicians. Rewarding people for hard work also helps to manage risk and keep employees' interests aligned with the owners'. Cost is a competitive advantage in the mortgage business, and compensation programs that are more performance-based help the Company to manage costs efficiently and effectively.

To be sure, these are big goals. But based on our growth and effective execution over the last decade, we think these targets are achievable. To be successful in this industry, companies must have scale in their mortgage originations and diversified earnings streams. Our strategies are designed to capitalize on the strengths of our hybrid model to gain market share, increase profitability, and ultimately enhance shareholder returns.

These strategies are as follows:

1. Leverage our mortgage lending infrastructure to expand our marketing and sales efforts, our geographic presence, and to create specialty niche mortgage lending businesses.
2. Balance earnings and enhance franchise value by:
  - a. Establishing a Southern California retail banking franchise.
  - b. Building our investment portfolio.
3. Support the above strategies:
  - a. Investing in a strong team and state-of-the-art capabilities in mortgage manufacturing, risk-based lending, trading and investing.
  - b. Enhancing our performance culture to out-execute the competition.

**Leveraging our Mortgage Lending Infrastructure**

Geographic expansion to leverage our core mortgage lending business is key to building scale in our business. As we open new regional centers and expand our sales and marketing efforts in these areas, we not only attract new mortgage broker customers but also obtain a greater share of business from existing customers in those locations. To this end, in 2003 we opened two new regional sales and operations centers—one in Dallas and one in Seattle—for a total of seven today. Our plan is to increase the number of regional centers across the country from 15 to 20 by 2008 and to add sales and marketing personnel accordingly. During 2003, we increased our sales and marketing personnel by 78% for a total of 848 across our channels of business.

In addition to mortgage brokers and bankers, IndyMac has established relationships with other real estate professionals such as Realtors and homebuilders who have close associations with consumers in the market for a new home. During 2003, our Realtor and homebuilder channels produced \$970 million and \$508 million of mortgage loans, respectively. While still relatively small, these numbers reflect growth of 81% and 306%, respectively, from 2002, demonstrating the strong potential that these lines of business hold.

We have also begun an initiative to reestablish correspondent relationships with mid to large size mortgage bankers and financial institutions on a delegated basis. These institutions can effectively use our technology and broad product line to expand their business. We believe that the correspondent market offers an efficient way of increasing market share and shareholder returns due to its lower cost structure. We expect this initiative to approximate 10% of our mortgage production in 2004.

#### Establishing a Southern California Retail Banking Franchise

Taking advantage of our location in Southern California, one of the strongest consumer and housing markets in the nation, we have made a commitment to increase our retail banking presence. We plan to expand our current 10-branch system to 40 branches by the end of 2006, and possibly to 100 branches by 2008. These branches will be focused on providing mortgage and home equity loans and raising deposits throughout Los Angeles and Orange Counties. Our projections show that a larger branch network with an emphasis on mortgage lending will better leverage our retail banking general and administrative costs and lower the cost of deposits, thus enabling the retail branch system to make a meaningful contribution to the bottom line. We believe this strategy will also work to create more shareholder value, as thrifts with retail franchises tend to command higher price/earnings multiples.

#### Q. IS INDYMAC AN ACQUISITION TARGET?

A. IndyMac is for sale every day on the New York Stock Exchange. With that said, we are stewards of our shareholders' capital. We will evaluate any offer in light of our fiduciary responsibility to our shareholders. However, as we look at our business plan, we believe we have tremendous prospects on our own. We have a relatively young management team and we have the capability of leveraging our significant investment in our mortgage banking/thrift infrastructure to grow IndyMac to an institution many times our size. This creates tremendous opportunity to improve returns over the long term.

#### Q. YOU REESTABLISHED DIVIDEND PAYMENTS LAST YEAR. WHAT'S YOUR PHILOSOPHY REGARDING THAT?

A. We inherited our mortgage REIT structure that required us to pay 95% of our earnings in the form of dividends. When we began our transition to become a depository institution, we stopped our dividend payments and believed that as we grew, we would provide returns to our shareholders in the form of increased price appreciation in our shares. In fact, I swore that I would never pay dividends again. Well, the world changed and our views have changed with it. As the tech boom collapsed and old-fashioned stock valuations, including dividends, returned to prominence, accompanied with favorable changes in the tax law for dividends, we began to see investors paying higher multiples for companies providing dividends, particularly among our thrift peers. As a result, we reestablished our dividend and believe that providing returns to shareholders in the form of dividends is appropriate.

## Q. WHAT IS YOUR CURRENT OUTLOOK FOR THE DIVIDEND RATE?

A. We reestablished quarterly dividend payments in the first quarter of 2003 with a quarterly payment of \$0.10 per share. We increased that dividend three times since, leading to our current rate of \$0.25 for the first quarter of 2004—an increase of 150% over our first quarter 2003 dividend. With interest rates expected to rise this year and mortgage production levels expected to fall, we're forecasting little change in earnings per share for 2004, in contrast to the 27% compounded annual growth rate we recorded over the previous 11 years. Given this outlook, I favor continued strong increases in the dividend rate during this period to reward our loyal shareholders, at least until we begin to resume EPS growth at a more normalized rate. With our current payout ratio under 35%, we still have a lot of room to grow. And IndyMac's current dividend yield of approximately 3% is very attractive compared to the 1.5% yield of the S&P 500 Index.

### Building our Investment Portfolio

As noted earlier, our investing activities serve a strategic function in our hybrid thrift/mortgage banking business model to help stabilize earnings when mortgage production declines. Total loans held for investment increased 89% to \$7.4 billion. The primary driver of this increase was a 136% increase in SFR mortgage loans held for investment, which more than doubled to \$4.9 billion. In addition, the portfolio of mortgage loans that we service both on balance sheet and for others increased 27% to \$37 billion. With a targeted return of 15% to 20% on our investing activities, we expect that the growth in these portfolios will provide balance to our rapidly growing, but cyclical mortgage banking activities in a post refinance boom environment.

### Other Initiatives

We have made a significant investment in both our mortgage banking and thrift infrastructure including an investment in a strong team and state-of-the-art technologies. Our existing infrastructure is capable of managing an institution many times our current asset and loan volume size with marginal investments in sales, marketing and operational costs. This is a key driver of earnings enhancement over time.

To enhance our technology infrastructure and improve efficiencies in our core business, we are currently focused on digitizing and imaging the middle tier processing of our mortgage manufacturing activities. This will close the gap between our strong automated front-end underwriting and pricing systems and our back-end automated servicing capabilities. As we complete the full automation of mortgage processing from front to back, we will have the ability to perform many of the routine tasks of mortgage processing from anywhere in the world and achieve significant cost savings.

I'd like to take this opportunity to welcome Terrance G. Hodel to our Board of Directors. Terry has more than three decades of senior management experience in mortgage banking and financial institutions management, including his service as President and Chief Operating Officer of North American Mortgage Company, one of the top mortgage bankers in the

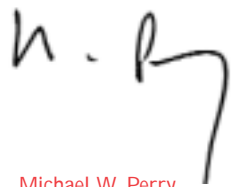
Country prior to its acquisition by Dime Bancorp, Inc. He brings a wealth of mortgage banking expertise and insight into the industry and fills a big gap created by the loss of our Founder and Honorary Chairman Emeritus David S. Loeb.

Earlier this year we marked the passing of David. I was one of many young business people who had the benefit of David's mentoring and I will miss his vision, intelligence and wise counsel. We will never forget him and all that he taught us. We will honor David's memory by continually striving to make IndyMac one of the most ethical, profitable and innovative thrifts/mortgage bankers in the business.

### In Closing

There's a great deal of work to do this year and beyond to achieve the goals we have set for ourselves. I'm optimistic that we will succeed because of the caliber of leadership and dedication I see in our employees. We are at the very early stages of reaping the benefits of the infrastructure and team that we have put in place and I see a strong and bright future for IndyMac.

And on behalf of all our employees and directors, I'd like to thank you, our shareholders, for your continuing support of and interest in IndyMac.

A handwritten signature in black ink, appearing to read "M. Perry".

Michael W. Perry  
Chairman and Chief Executive Officer

# THINK INDYMAC.



## Business Model

IndyMac's hybrid thrift/mortgage banking business model provides a strong framework for growth over the long-term and the flexibility to operate in a wide variety of interest rate environments. Within this model we are focused on providing the financing for the acquisition, development and improvement of single-family homes.

As a mortgage banker, we originate mortgage loans for sale to investors. Our mortgage banking activities are characterized by a higher asset turnover rate than a traditional savings and loan and more efficient utilization of capital. Revenues generated by our mortgage banking activities include gain on sale of mortgage loans, fee income and net interest income during the period of time loans are held pending sale. Mortgage banking activities are characterized by higher returns on invested equity, but can be cyclical in nature. Mortgage loans may be sold as whole loans to other financial institutions, sold in bulk to government sponsored enterprises—such as Freddie Mac and Fannie Mae—or securitized and sold to investors in mortgage-backed securities.

As a thrift, we also originate loans to be held for investment on our balance sheet, which capitalizes on our ability to raise deposits and access the Federal Home Loan Bank system to finance these assets efficiently. Such investing activities provide a source of revenues that is generally counter-cyclical to mortgage banking revenues. These revenues consist primarily of interest income and servicing fees over the life of the loans. IndyMac is strategically focused on increasing the relative size of our portfolios of prime mortgage and home equity loans, as well as mortgage servicing rights, to achieve greater balance between our

mortgage banking activities and our investing activities. We believe that our investing activities will increasingly act to stabilize IndyMac's core income.

Prudent allocation of capital between our mortgage banking and investing activities in varying interest rate environments tends to stabilize earnings through the mortgage cycles. In periods of declining interest rates, we allocate more capital to our mortgage banking activities as lower interest rates create increased demand by consumers to refinance higher rate mortgage loans. In such periods, we would expect to see stronger revenues and returns on invested equity from our mortgage banking activities and lower relative returns on our investing activities as prepayments resulting from the refinancing trends that are occurring shorten the lives of these assets. Conversely, in periods of stable to rising rates, we tend to allocate more capital to our investing activities as mortgage refinancing activities slow. During this time we would expect to see improved returns on equity in our investing activities as the duration of our investments extends with lower prepayments while the returns in our mortgage banking activities would be expected to decline.

IndyMac's three main segments, IndyMac Mortgage Bank, IndyMac Consumer Bank and the Investment Portfolio Group, each have operations that encompass our mortgage banking activities and investing activities as shown on the following page.

During 2003, the mortgage industry produced \$3.8 trillion of mortgage loans, an all-time high, as interest rates touched 40-year lows. A transition back to more normal mortgage production levels began late in 2003 as interest rates began to rise. The Mortgage Bankers Association of America forecasts that industry-wide mortgage production will decline 47% in 2004 to \$2 trillion.

The table below illustrates IndyMac's strategy to allocate capital to its investing and mortgage banking activities to achieve balanced results in the face of a very significant transition in the industry. Our outlook currently anticipates relatively stable results through the transition in 2004. We would then expect to continue to grow our EPS at our targeted 15% or better annual rate after this transition is completed.

PRODUCTS BY SEGMENT AND ACTIVITY			
ACTIVITIES	RELATIONSHIP BUSINESSES IndyMac Mortgage Bank	CONSUMER-DIRECT BUSINESSES IndyMac Consumer Bank	Investment Portfolio Group
Mortgage Banking	Mortgage loans held for sale produced via relationships with mortgage brokers, mortgage bankers, Realtors, homebuilders, and financial institutions	Mortgage loans held for sale produced directly with consumers via the Internet, over the phone or through our Southern California retail branch network	Mortgage loans held for sale produced via relationships with existing mortgage customers whose loans we service
Investing	Commercial loans to homebuilders to finance the subdivision development of single-family homes and consumer construction loans that are sourced through all of IndyMac's channels, both relationship and consumer direct	Home equity lines of credit—this product focused division supports the production of HELOCs through all of IndyMac's channels, both relationship and consumer direct	Mortgage loans held for investment, mortgage securities, mortgage servicing rights and the related derivative investments used to hedge such items
Financing		Retail deposit products including checking, savings, certificates of deposit, IRAs and online bill payment services	

(\$ in millions except per share amounts)	Earnings	2003 ACTUAL		2004 FORECAST <sup>1</sup>		
		Average Capital	ROE	Earnings	Average Capital	ROE
<b>Pre-tax Earnings, Capital and ROE by Business Activity</b>						
Mortgage banking	\$ 405	\$213	115%	\$ 245	\$ 201	74%
Investing	26	517	3%	175	712	15%
Corporate and other net items	(148)	206	—	(121)	164	—
<b>Total Pre-tax Income, Capital and ROE</b>	<b>283</b>	<b>\$936</b>	<b>18%</b>	<b>299</b>	<b>\$1,077</b>	<b>17%</b>
Net income	\$ 171	—	—	\$ 181	—	—
EPS	\$3.01	—	—	\$3.07	—	—

<sup>1</sup> Range for 2004 is \$2.90 to \$3.25 per share. This range does not yet take into account the potential SEC change in accounting discussed in a speech by an SEC staff member in December 2003 which could impact timing of income recognition. Please refer to IndyMac's Form 10-K for additional information.

## Segments

IndyMac operates through three main divisions—IndyMac Mortgage Bank, IndyMac Consumer Bank and the Investment Portfolio Group. Through these divisions, IndyMac offers highly competitive mortgage products and services that are tailored to meet the needs of both businesses and consumers:

IndyMac Mortgage Bank is our relationship business that serves a wide range of business customers nationwide, including mortgage brokers, mortgage bankers, financial institutions (our B2B channel), Realtors® (our B2R channel) and homebuilders (our HBD division). It also includes our Home Construction Lending division (our HCL division).

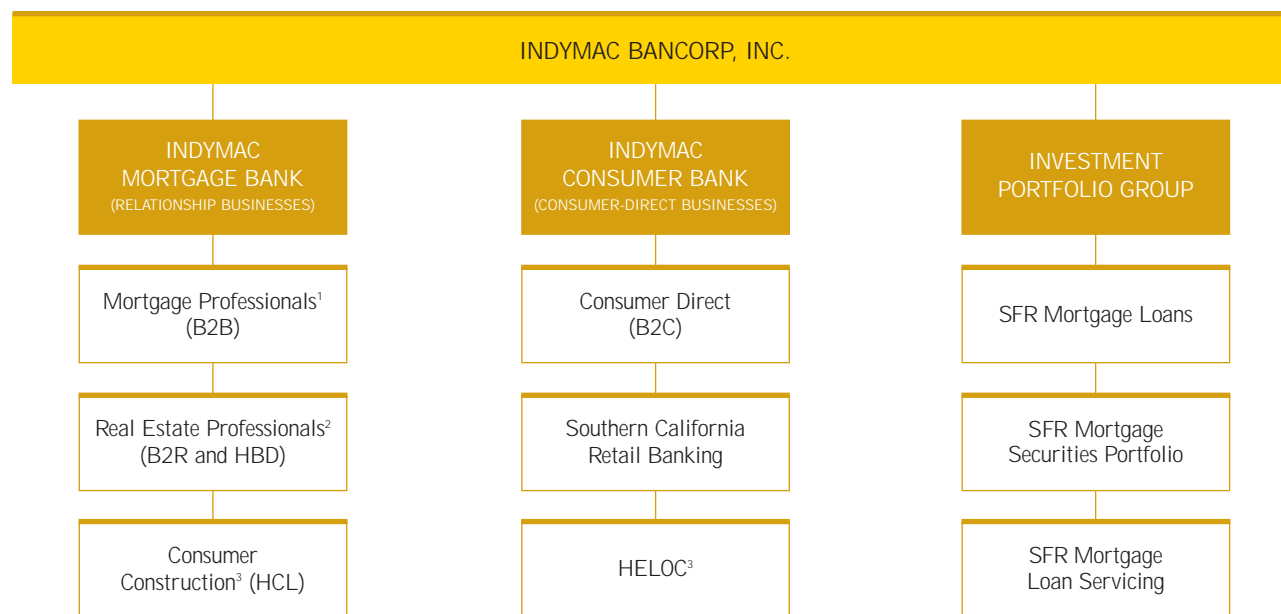
IndyMac Consumer Bank provides consumers a wide range of single-family residential mortgage and retail banking products using a centralized, technology-based approach and branch locations in Southern California.

The Investment Portfolio Group consists predominately of prime, single-family residential mortgage loans, mortgage securities and mortgage loan servicing.

### IndyMac Mortgage Bank

#### MORTGAGE PROFESSIONALS (B2B)

Our B2B channel was responsible for 62% of our total mortgage production during 2003. B2B acquires mortgage loans from mortgage brokers, mortgage bankers and financial institutions. Strong teams of professionals work closely with our B2B customers to ensure exceptional customer service that fosters a mutually rewarding relationship extending from us to our business customers and on to their retail clients.



<sup>1</sup> Includes mortgage brokers, mortgage bankers and financial institutions.

<sup>2</sup> Realtors and homebuilders.

<sup>3</sup> Products that are sourced through all channels.

#### REALTORS (B2R)

Through our LoanWorks® brand, we serve real estate professionals who are interested in cross-selling mortgage loans as an additional service to their home purchase clients. Having the Realtor as a single point of contact eliminates the confusion surrounding the status and consummation of the home purchase for many homebuyers.

LoanWorks.com allows real estate agents to utilize our web-based e-MITS technology as their in-house mortgage processing center and their online origination management system. As industry trends change and mortgages to facilitate home purchases again become the dominant transaction in the mortgage business, this channel offers an opportunity to connect with a primary source of new revenue, while allowing Realtors to provide more value to their customers.



#### **HOMEBUILDERS (HBD)**

The primary focus of our homebuilder division is to generate single-family residential mortgage loans through our business of lending to subdivision developers. Our strategy includes developing relationships with homebuilders through direct customer contact and program presentations, as well as drawing upon existing construction lending builder relationships and industry contacts. Similar to our B2R channel, the generation of mortgage loans through homebuilders provides a strong growth opportunity in the home purchase loan market.

#### **HOME CONSTRUCTION LENDING (HCL)**

IndyMac Bank Home Construction Lending (HCL) is one of the largest consumer construction lenders in the nation, offering a variety of residential construction loan programs and lot loan financing through brokers and directly to consumers. Through our streamlined e-MITS online application process, HCL offers a single-close construction-to-permanent loan that provides borrowers with the funds to build a primary residence or vacation home. HCL customers have convenient online access to construction funds and loan information at any time.

#### **IndyMac Consumer Bank CONSUMER DIRECT (B2C)**

Our highly rated B2C website offers a wide range of home loan products directly to consumers nationwide. This site enables consumers to apply for a mortgage loan, obtain loan approvals, lock in an interest rate and receive a printable approval letter, all online, and within minutes. The website also features online loan status information, daily rate comparisons to major competitors, and a quick mortgage rate pricing tool. Through B2C's telemarketing operations and our Southern California retail banking branch network, loan consultants counsel consumers with respect to the loan application process, process loan applications utilizing our e-MITS technology, and make lending decisions.

#### **SOUTHERN CALIFORNIA RETAIL BANKING**

Through our website at [www.indymacbank.com](http://www.indymacbank.com), consumers can access their accounts 24-hours a day, seven days a week. Online banking allows customers to access their accounts, view balances, transfer funds between accounts, view transactions, download account information and pay their bills conveniently from any computer terminal. Consumers can also conduct transactions through our telebanking operation or in one of our Southern California branches. Our deposit products include regular savings accounts, demand deposit accounts, money market accounts, certificate of deposit accounts and individual retirement accounts.

#### **HELOC**

IndyMac's Home Equity Division specializes in providing second mortgages and Home Equity Lines of Credit (HELOCs) nationwide through direct marketing to homeowners. With a streamlined application process and competitive pricing, this division provides homeowners the ability to easily tap the excess equity in their homes for a variety of uses. With the HELOC product, homeowners have convenient access using equity checks or a Visa® credit card. IndyMac's home equity products are available across all IndyMac's mortgage channels to new and existing mortgage or banking customers.

#### **Investment Portfolio Group**

Our Investment Portfolio Group complements the Company's mortgage banking activities and serves to diversify the Company's revenue stream through its investments in single-family mortgage loans, mortgage-backed securities and mortgage servicing rights. In addition to generating revenue for the Company, the Investment Portfolio Group performs the mortgage servicing function. This creates an additional opportunity to recapture current customers when the interest rate environment makes it attractive for them to refinance. Servicing customers can also be cross-marketed with other Company products such as HELOCs or other banking services. Our policy is that all of our investment portfolio assets, including assets acquired from the Mortgage Bank or Consumer Bank, must meet or exceed minimum targeted return requirements.

THINK INTEGRITY.



### Corporate Governance

At IndyMac, sound judgment, strong leadership and a solid enterprise risk management system help to mitigate the risks inherent in our business. In response to questionable behavior by some corporate stewards in recent years, the U.S. Congress, the Securities and Exchange Commission and the New York Stock Exchange have all implemented programs to ensure that corporate directors and officers are carrying out their fiduciary duties and that there are adequate internal controls to protect shareholder interests.

IndyMac welcomes this increased scrutiny. Over the past several years as we have made our transition to a federally regulated depository institution, corporate governance—in tandem with solid enterprise risk management—has been a key focus. To this end, we have instituted a number of important governance changes reinforcing our commitment to our shareholders, the public markets, our regulators and our employees.

The philosophy of our corporate governance policy centers on the fiduciary duties of care and loyalty that must be exercised by the directors and officers of the Company. Care includes the responsibility to understand our business and review all reasonably available information before making decisions on behalf of the Company—to act in IndyMac's best interests. Loyalty calls for the settlement of conflicts

of interest to be resolved in the Company's favor. We have taken a number of proactive steps to see that these values are honored:

- > Seven of our eight holding company Board members are "independent" as defined by the New York Stock Exchange listing standards
- > Nine of our ten bank Board members are independent
- > We have a presiding independent director
- > All members of our Board committees are independent
- > The independent members of the Board meet regularly without the presence of management
- > All three members of our Audit Committee meet the Securities and Exchange Commission's definition of "audit committee financial experts"
- > We have stock ownership requirements for Board members and executive officers
- > IndyMac has a code of ethics and conflict of interest policy which is documented, updated and disseminated to employees regularly
- > A hotline is available to all employees to facilitate anonymous reporting of any questionable activities

### Corporate Governance Quotient

One of the most frequently cited evaluations of a company's corporate governance policies is the corporate governance quotient (CGQ), provided by Institutional Shareholder Services. The CGQ ranks a company against its index peer groups and industry peer groups. Since its initial rating in July 2002, IndyMac consistently ranks among the top companies in its S&P 400 and banking industry peer groups. The CGQ is a dynamic rating that is influenced

by the actions of the companies in our peer indices and can change daily. As of February 23, 2004, IndyMac was ranked in the top 3 percent of its banking industry peer group and in the top 12 percent of its S&P 400 peer group.

### Meritocracy

At IndyMac, we think the best way to foster an environment that supports the goals of corporate governance—to ensure a sense of responsibility to the Company and its shareholders—is to acknowledge and promote the best and brightest in our workforce. We believe that rewarding those who align their interests with those of the owners is the best way to eliminate needless risk and ensure loyalty to our mission and corporate values. Our aim is to build a “meritocracy,” where performance is the only criteria for advancement. With this in mind, many of our employees are under performance-based compensation programs that tie remuneration to results. A dedication to create shareholder value—and safeguard it—is reflected in a myriad of ways and through a variety of programs throughout the Company. The Company’s intent is to reward initiative, promote creativity, and create an environment where excellence can flourish at all levels.

**INDYMAC’S CGQ CONSISTENTLY RANKS AMONG THE TOP COMPANIES IN ITS S&P 400 AND BANKING INDUSTRY PEER GROUPS.**

### Corporate Giving

IndyMac’s values are also reflected in its dedication to the communities in which it does business. As a regulated financial institution, IndyMac is subject to the requirements of the Community Reinvestment Act (CRA). Through the structure of the CRA, IndyMac provides invaluable support to a variety of non-profit, community-based organizations that help to secure and preserve affordable housing. In conjunction with its CRA commitments, the Company supports organizations that have a positive impact on the quality of life in their communities, such as The Wellness Community, the YMCA, the American Red Cross and Kidspace Museum.

In addition to the Company’s financial contributions, IndyMac employees regularly give their time and enthusiasm to projects that help to renovate and rehabilitate housing with fresh paint and repairs. Others are involved in workshops and seminars that help promote the dream of home ownership by teaching the basics of getting a loan, obtaining down payment funds and maintaining good credit.

Through the Company’s “IndyMac Match” program, employees can have gifts to their favorite charities matched dollar-for-dollar by IndyMac. This year, in response to the Southern California wildfires, the Company doubled the amount it normally provides to this program, with the

### 2003 COMMUNITY INVOLVEMENT

Donations of computer-related equipment to educational programs	\$ 98,960
Pasadena Playhouse	50,000
Junior Achievement	36,000
YMCA of Pasadena	30,000
Hope Through Housing	25,000
KCET-PBS Affiliate	25,000
Wellness Community	25,000
American Red Cross	20,000
Kidspace Museum	20,000
San Gabriel Valley Boy Scouts	20,000
Housing California	15,000
L.A. Neighborhood Housing Services	15,000
All other gifts	368,102
<b>Total Corporate Giving</b>	<b>\$748,062</b>
<b>Total Employee Giving</b>	<b>\$149,963</b>

caveat that the extra contributions would match gifts that were earmarked for groups that provided relief services to those affected by the wildfires. IndyMac employees stepped up to lend a hand with an additional \$20,000 for wildfire relief efforts.

Through exceptional customer service, devotion to shareholder value, and a strong commitment to their neighbors, IndyMac’s directors, officers and employees are dedicated to our customers, our shareholders and our communities.

## COMMITTEE COMPOSITION

### Audit Committee

Hugh M. Grant (chair)  
Robert L. Hunt II  
James R. Ukropina, Esq.

### Management Development and Compensation

James R. Ukropina, Esq. (chair)  
Louis E. Caldera  
Robert L. Hunt II

### Corporate Nominating and Governance

Patrick C. Haden (chair)  
Hugh M. Grant  
James R. Ukropina, Esq.

### Asset and Liability

Robert L. Hunt II (chair)  
Lyle E. Gramley  
Terrance G. Hodel  
Senator John Seymour (ret.)

### Community Lending, Compliance, Process and Technology

Senator John Seymour (ret.) (chair)  
Terrance G. Hodel  
Lydia H. Kennard

## Directors\*

### INDYMAC BANCORP AND INDYMAC BANK

#### Michael W. Perry, Chief Executive Officer and Chairman of the Board of Directors of IndyMac and IndyMac Bank

Mr. Perry has been leading the day-to-day operations of IndyMac since January 1993. Under his leadership, IndyMac has grown from four employees, \$714 million in assets and a market cap of \$75 million to 3,883 employees, total assets of \$13.2 billion and a market cap of \$1.7 billion, as of December 31, 2003. He has over 19 years of business experience with financial institutions, real estate firms and mortgage banking companies, including four years as a certified public accountant with KPMG LLP.

#### Louis E. Caldera, President, University of New Mexico

Mr. Caldera has an extensive background in public service including the following:

- > Appointed Secretary of the Army for the Clinton Administration
- > Appointed Managing and Chief Operating Officer of the Corporation for National and Community Service for the Clinton Administration
- > Three terms as a representative in the California State Assembly
- > Vice Chancellor for University Advancement of The California State University System

Mr. Caldera received a BS from the United States Military Academy, an MBA from Harvard Business School and a JD from Harvard Law School.

#### Lyle E. Gramley

Mr. Gramley is a former member of the Board of Governors of the Federal Reserve System. Since September 1985, he has been employed by the Mortgage Bankers Association of America as its chief economist and, more recently, as a consulting economist. Since June 2002, Mr. Gramley has been a Senior Economic Advisor with the Schwab Washington Research Group. He serves on the Board of Trustees of numerous mutual funds administered by Dreyfus Service Corporation. Mr. Gramley received his Doctorate from Indiana University.

#### Hugh M. Grant

Mr. Grant spent 38 years with Ernst & Young LLP (including service with Arthur Young & Company before its 1989 merger with Ernst & Whinney) where, among other things, he was Vice-Chairman and Regional Managing Partner-Western United States.

#### Patrick C. Haden

Mr. Haden has been a general partner of Riordan, Lewis & Haden, an equity investment firm, since 1987. Mr. Haden graduated Magna Cum Laude, Phi Beta Kappa from the University of Southern California and was awarded a Rhodes Scholarship to study Economics at Oxford University in England. Mr. Haden received a JD from Loyola Law School.

#### Terrance G. Hodel

Mr. Hodel most recently served as Chief Executive Officer of Paymap, Inc. Mr. Hodel has three decades of mortgage banking experience including service as President and Chief Operating Officer of North American Mortgage Company, from 1992 to 1997 when the company was acquired by

\* For more extensive biographies, please see IndyMac's 2004 proxy.

Dime Bancorp, Inc. Prior to his service at North American Mortgage Company, Mr. Hodel served as President and Chief Executive Officer of IMCO Realty Services, a large mortgage banking company, from 1985 to 1992, and was President and Chief Executive Officer of Wells Fargo Mortgage Company from 1979 to 1985. Mr. Hodel received an MBA from Stanford University.

#### Robert L. Hunt II

Mr. Hunt has three decades of experience working with regulated financial institutions, holding several senior executive-level positions, including 15 years at Coast Savings Financial, Inc., where he was President and Chief Operating Officer at the time of its acquisition in 1998. Prior to his service at Coast Savings, Mr. Hunt held the position of Vice President and Controller of Fidelity Federal Savings and Loan from 1980 to 1983 and was an audit manager at the public accounting firm of KPMG LLP where he served from 1972 to 1980.

#### James R. Ukropina, Chief Executive Officer of Directions, LLC

Mr. Ukropina served as senior partner with O'Melveny & Myers LLP from 1992 to February 2001 and remains Of Counsel to that firm. He has extensive legal and consulting experience in the area of corporate governance and has served on numerous boards, in both the private and public sector. Currently he is a director of Lockheed Martin Corporation and Pacific Life Insurance, and his former board affiliations include Stanford University, the California Business Roundtable and the California Economic Development Corporation. Mr. Ukropina received an MBA from Stanford University, and an LLB from the University of Southern California.



Standing, left to right:  
Sen. John Seymour (ret.)  
Robert L. Hunt II  
Lyle E. Gramley  
Terrance G. Hodel  
Michael W. Perry  
Patrick C. Haden  
Louis E. Caldera  
James R. Ukropina, Esq.

Seated:  
Lydia H. Kennard  
Hugh M. Grant

#### INDYMAC BANK

##### Lydia H. Kennard

Ms. Kennard served as Executive Director of Los Angeles World Airports (LAWA) until November 2003. She joined LAWA in 1994 as Deputy Executive Director for Design and Construction. Prior to this, she was President of KDG Development Construction Consulting (KDG), a Los Angeles-based firm specializing in land-use planning, development, programming and construction management for public and private sector clients. Ms. Kennard is currently serving KDG in a consultant capacity. Ms. Kennard received a Masters from the Massachusetts Institute of Technology and a JD from Harvard Law School.

##### Senator John Seymour (ret.)

Senator Seymour served as a California State Senator from 1982 to 1991 and as a United States Senator from 1991 to 1992 as a late-term replacement for California's newly elected Governor. Drawing on his extensive background spanning 40 years in the real estate industry, he is currently serving as the Chief Executive Officer of the Southern California Housing Development Corporation. Senator Seymour has served on a number of financial service boards including Los Angeles Federal Savings Bank and Countrywide Financial Services.

## CONSOLIDATED BALANCE SHEETS

Dollars in thousands, except per share data	2003	December 31 2002
<b>Assets</b>		
Cash and cash equivalents	\$ 115,485	\$ 196,720
Securities classified as trading (\$70.9 million and \$589.6 million pledged as collateral for borrowings at December 31, 2003 and 2002, respectively)	223,632	765,883
Mortgage-backed securities available for sale, amortized cost of \$1.6 billion (\$1.5 billion pledged as collateral for borrowings at December 31, 2003 and 2002)	1,613,974	1,573,210
Loans receivable:		
Loans held for sale		
Prime	2,196,488	1,939,780
Subprime	295,008	213,405
Consumer lot loans	81,752	74,498
Total loans held for sale	2,573,248	2,227,683
Loans held for investment		
SFR mortgage	4,945,439	2,096,517
Consumer construction	1,145,526	875,335
Builder construction	484,397	482,408
HELOC	711,494	312,881
Land and other mortgage	126,044	130,454
Income property	36,285	64,053
Allowance for loan losses	(52,645)	(50,761)
Total loans held for investment	7,396,540	3,910,887
Total loans receivable (\$7.6 billion and \$4.3 billion pledged as collateral for borrowings at December 31, 2003 and 2002, respectively)	9,969,788	6,138,570
Mortgage servicing rights	443,688	300,539
Investment in Federal Home Loan Bank stock, at cost	313,284	155,443
Interest receivable	51,758	47,089
Goodwill and other intangible assets	33,697	34,549
Foreclosed assets	23,677	36,526
Other assets	451,408	325,925
<b>Total assets</b>	<b>\$13,240,391</b>	<b>\$9,574,454</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
Deposits	\$ 4,350,773	\$3,140,502
Advances from Federal Home Loan Bank	4,934,911	2,721,783
Other borrowings	2,622,094	2,608,534
Other liabilities	315,182	253,670
Total liabilities	12,222,960	8,724,489
<b>Shareholders' Equity</b>		
Preferred stock — authorized, 10,000,000 shares of \$0.01 par value; none issued	—	—
Common stock — authorized, 200,000,000 shares of \$0.01 par value:		
issued 85,914,552 shares (56,760,313 outstanding) at December 31, 2003	859	840
and issued 83,959,547 shares (54,829,486 outstanding) at December 31, 2002	—	—
Additional paid-in-capital	1,043,856	1,007,936
Accumulated other comprehensive loss	(26,454)	(17,747)
Retained earnings	518,408	377,707
Treasury stock, 29,154,239 shares and 29,130,061 shares at December 31, 2003 and 2002, respectively	(519,238)	(518,771)
Total shareholders' equity	1,017,431	849,965
<b>Total liabilities and shareholders' equity</b>	<b>\$13,240,391</b>	<b>\$9,574,454</b>

Please refer to the complete set of financial statements and accompanying notes included in the Company's Annual Report on Form 10-K, Item 8: Financial Statements—Supplementary Data

## CONSOLIDATED STATEMENTS OF EARNINGS

Dollars in thousands, except per share data	Year ended December 31		
	2003	2002	2001
<b>Interest income</b>			
Mortgage-backed and other securities	\$ 83,903	\$112,065	\$121,867
Loans held for sale			
Prime	180,630	127,571	156,251
Subprime	26,009	12,416	19,780
HELOC	—	6,929	1,951
Consumer lot loans	7,699	1,582	—
Total loans held for sale	214,338	148,498	177,982
Loans held for investment			
SFR mortgage	140,588	89,864	110,004
Consumer construction	60,392	55,660	42,241
Builder construction	33,321	37,501	53,650
HELOC	21,885	3,124	1,145
Land and other mortgage	7,817	18,462	27,644
Income property	3,793	5,225	4,872
Total loans held for investment	267,796	209,836	239,556
Other	9,804	6,705	5,535
Total interest income	575,841	477,104	544,940
<b>Interest expense</b>			
Deposits	87,828	105,188	98,781
Advances from Federal Home Loan Bank	113,032	101,647	95,222
Other borrowings	64,044	60,981	148,315
Total interest expense	264,904	267,816	342,318
Net interest income	310,937	209,288	202,622
Provision for loan losses	19,700	16,154	22,022
Net interest income after provision for loan losses	291,237	193,134	180,600
<b>Other income</b>			
Gain on sale of loans	387,311	300,800	229,444
Service fee (loss) income	(16,081)	19,197	28,963
(Loss) gain on mortgage-backed securities, net	(30,853)	4,439	7,097
Fee and other income	76,525	57,736	52,036
Total other income	416,902	382,172	317,540
Net revenues	708,139	575,306	498,140
<b>Other expense</b>			
Operating expenses	424,605	344,058	278,201
Amortization of other intangible assets	852	1,088	3,392
Total other expense	425,457	345,146	281,593
Earnings before provision for income taxes and cumulative effect of a change in accounting principle	282,682	230,160	216,547
Provision for income taxes	111,379	86,767	89,974
Earnings before cumulative effect of a change in accounting principle	171,303	143,393	126,573
Cumulative effect of a change in accounting principle	—	—	(10,185)
Net earnings	\$171,303	\$143,393	\$116,388
Earnings per share before cumulative effect of a change in accounting principle			
Basic	\$ 3.10	\$ 2.47	\$ 2.07
Diluted	\$ 3.01	\$ 2.41	\$ 2.00
Earnings per share from cumulative effect of a change in accounting principle			
Basic	\$ —	\$ —	\$ (0.16)
Diluted	\$ —	\$ —	\$ (0.16)
Net earnings per share			
Basic	\$ 3.10	\$ 2.47	\$ 1.91
Diluted	\$ 3.01	\$ 2.41	\$ 1.84
Weighted average shares outstanding (in thousands)			
Basic	55,247	58,028	60,927
Diluted	56,926	59,592	63,191
Dividends paid per share	\$ 0.55	\$ —	\$ —

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

Dollars in thousands	Shares Outstanding	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Comprehensive Income	Treasury Stock	Total Shareholders' Equity
Balance at December 31, 2000	62,176,316	\$818	\$ 920,205	\$ (2,603)	\$117,926		\$(308,453)	\$ 727,893
Common stock options exercised	1,417,038	14	19,984	—	—	\$ —	—	19,998
Directors' and officers' notes receivable	—	—	(48)	—	—	—	—	(48)
Deferred compensation, restricted stock	62,189	—	2,318	—	—	—	—	2,318
401(k) contribution	73,453	1	1,876	—	—	—	—	1,877
Net gain on mortgage-backed securities available for sale	—	—	—	2,136	—	2,136	—	2,136
Net unrealized gain on derivatives used in cash flow hedges	—	—	—	1,037	—	1,037	—	1,037
Dividend reinvestment plan	1,524	—	37	—	—	—	—	37
Purchases of common stock	(3,364,254)	—	—	—	—	—	(78,775)	(78,775)
Issuance of warrants	—	—	52,277	—	—	—	—	52,277
Net earnings	—	—	—	—	116,388	116,388	—	116,388
Total comprehensive income	—	—	—	—	—	119,561	—	—
Balance at December 31, 2001	60,366,266	833	996,649	570	234,314		(387,228)	845,138
Common stock options exercised	617,243	7	9,803	—	—	—	—	9,810
Directors' and officers' notes receivable	—	—	(168)	—	—	—	—	(168)
Deferred compensation, restricted stock	28,447	—	1,619	—	—	—	—	1,619
Net gain on mortgage-backed securities available for sale	—	—	—	476	—	476	—	476
Net unrealized loss on derivatives used in cash flow hedges	—	—	—	(18,793)	—	(18,793)	—	(18,793)
Dividend reinvestment plan	1,341	—	33	—	—	—	—	33
Purchases of common stock	(6,183,811)	—	—	—	—	—	(131,543)	(131,543)
Net earnings	—	—	—	—	143,393	143,393	—	143,393
Total comprehensive income	—	—	—	—	—	125,076	—	—
Balance at December 31, 2002	54,829,486	840	1,007,936	(17,747)	377,707		(518,771)	849,965
Common stock options exercised	1,740,786	19	33,114	—	—	—	—	33,133
Directors' and officers' notes payments	—	—	502	—	—	—	—	502
Deferred compensation, restricted stock	214,219	—	2,304	—	—	—	—	2,304
Net loss on mortgage-backed securities available for sale	—	—	—	(5,414)	—	(5,414)	—	(5,414)
Net unrealized loss on derivatives used in cash flow hedges	—	—	—	(3,293)	—	(3,293)	—	(3,293)
Cash dividends paid - \$0.55 per common share	—	—	—	—	(30,602)	—	—	(30,602)
Purchases of common stock	(24,178)	—	—	—	—	—	(467)	(467)
Net earnings	—	—	—	—	171,303	171,303	—	171,303
Total comprehensive income	—	—	—	—	—	\$162,596	—	—
Balance at December 31, 2003	56,760,313	\$859	\$1,043,856	\$(26,454)	\$518,408		\$(519,238)	\$1,017,431



## CONSOLIDATED STATEMENTS OF CASH FLOWS

Dollars in thousands	Year ended December 31		
	2003	2002	2001
<b>Cash flows from operating activities:</b>			
Net earnings	\$ 171,303	\$ 143,393	\$ 116,388
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Total amortization and depreciation	186,801	139,850	139,543
Provision for valuation adjustment of mortgage servicing rights	5,543	107,387	50,920
Gain on sale of loans	(387,311)	(300,800)	(229,444)
Loss (gain) on mortgage-backed securities, net	30,853	(4,439)	(7,097)
Provision for loan losses	19,700	16,154	22,022
Cumulative effect of a change in accounting principle	—	—	10,185
Net increase (decrease) in deferred tax liability	57,942	(6,953)	101,549
Net decrease (increase) in mortgage servicing rights	7,527	(376)	(3,063)
Net decrease (increase) in other assets and liabilities	87,573	(79,897)	23,541
Net cash provided by operating activities before activity for trading securities, loans held for sale and premiums paid for derivative instruments	179,931	14,319	224,544
Net sales (purchases) of trading securities	597,848	(227,708)	1,512
Net acquisitions of loans held for sale	(237,154)	(723,617)	(1,348,042)
Net (increase) decrease on premiums paid for derivative instruments	(93,043)	23,856	(36,163)
Net cash provided by (used in) operating activities	447,582	(913,150)	(1,158,149)
<b>Cash flows from investing activities:</b>			
Net (purchases) sales of and payments from loans held for investment	(3,655,817)	(529,004)	246,471
Net purchases of and payments from mortgage-backed securities available for sale	(43,774)	(361,476)	(425,643)
Net increase in investment in Federal Home Loan Bank stock, at cost	(157,841)	(55,447)	(36,715)
Net purchases of property, plant and equipment	(102,600)	(37,425)	(27,430)
Net cash used in investing activities	(3,960,032)	(983,352)	(243,317)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in deposits	1,210,271	(98,368)	2,440,731
Net increase in advances from Federal Home Loan Bank	2,212,914	722,170	734,307
Net (decrease) increase in borrowings	(53,498)	1,436,374	(1,802,279)
Net proceeds from issuance of trust preferred securities and warrants	58,962	—	168,564
Net payments from stock options and notes receivable	33,635	11,294	24,346
Cash dividends paid	(30,602)	—	—
Purchases of common stock	(467)	(131,543)	(78,775)
Net cash provided by financing activities	3,431,215	1,939,927	1,486,894
Net (decrease) increase in cash and cash equivalents	(81,235)	43,425	85,428
Cash and cash equivalents at beginning of period	196,720	153,295	67,867
Cash and cash equivalents at end of period	\$ 115,485	\$ 196,720	\$ 153,295
<b>Supplemental cash flow information:</b>			
Cash paid for interest	\$ 262,518	\$ 268,842	\$ 351,911
Cash paid for income taxes	\$ 42,362	\$ 57,595	\$ 2,777
<b>Supplemental disclosure of noncash investing and financing activities:</b>			
Net transfer of loans held for sale to loans held for investment	\$ 2,794,344	\$ 473,959	\$ 638,216
Net transfer of mortgage-backed securities available for sale to trading	\$ —	\$ 219,749	\$ 263,274
Net transfer of mortgage-servicing rights to trading securities	\$ 47,311	\$ 75,371	\$ —

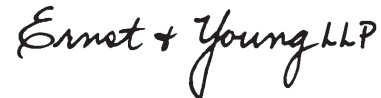
## REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders  
IndyMac Bancorp, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheets of IndyMac Bancorp, Inc. and Subsidiaries (the "Company") as of December 31, 2003 and 2002, and the related consolidated statements of earnings, shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2003 (not presented herein), and in our report dated January 23, 2004, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

Los Angeles, California  
January 23, 2004

The logo for Ernst & Young LLP, featuring the company name in a stylized, cursive script.

## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors  
IndyMac Bancorp, Inc.


We have examined management's assertion, included in the accompanying Report of Management on Internal Control Over Financial Reporting, that IndyMac Bancorp, Inc. (the Company) maintained effective internal control over financial reporting as of December 31, 2003 based on criteria established in the "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Company management has informed us that the scope of its assertion includes financial reporting presented in conformity with accounting principles generally accepted in the United States and the Thrift Financial Reports presented in conformity with the Office of Thrift Supervision Instructions for Thrift Financial Reports. Management is responsible for maintaining effective internal control over financial reporting. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of internal control over financial reporting, testing, and evaluating the design and operating effectiveness of the internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of internal control over financial reporting to future periods are subject to the risk that internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion, that IndyMac Bancorp, Inc. maintained effective internal control over financial reporting as of December 31, 2003, as described above, is fairly stated, in all material respects, based on criteria established in the "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Los Angeles, California  
January 23, 2004

The logo for Ernst & Young LLP, featuring the company name in a stylized, cursive script.

## REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

### Financial Statements

IndyMac Bancorp, Inc. (the Company) is responsible for the preparation, integrity and fair presentation of its published consolidated financial statements as of December 31, 2003, and for the year then ended. The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States and, as such, include some amounts that are based on judgments and estimates of management.

### Internal Control Over Financial Reporting

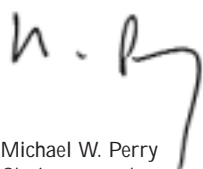
We, as members of management of the Company, are responsible for (i) preparing the consolidated financial statements of the Company, and (ii) establishing and maintaining effective internal control over financial reporting, including in connection with the preparation and reporting of the Company's consolidated financial statements presented in conformity with accounting principles generally accepted in the United States and the Office of Thrift Supervision Instructions for Thrift Financial Reports (TFR instructions). Internal control over financial reporting is designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation of reliable published financial statements. Internal control over financial reporting includes self-monitoring mechanisms and actions taken to correct deficiencies as they are identified.

Because of the inherent limitations in any internal control, no matter how well designed, misstatements due to error or fraud may occur and not be detected, including the possibility of the circumvention or overriding of controls. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, internal control effectiveness may vary over time.

Management assessed the Company's internal control over financial reporting as it relates to its consolidated financial statements presented in conformity with accounting principles generally accepted in the United States and the TFR instructions as of December 31, 2003. This assessment was based on criteria for effective internal control over financial reporting described in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, we assert that, as of December 31, 2003 and based on the specified criteria, the Company maintained effective internal control over financial reporting, including in connection with the preparation and reporting of the Company's consolidated financial statements presented in conformity with accounting principles generally accepted in the United States and the TFR instructions.

### Forward-Looking Statements

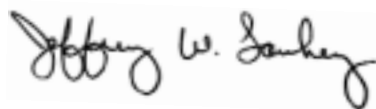
Certain statements contained herein may be deemed to be forward-looking statements within the meaning of the federal securities laws. The words "anticipate," "believe," "estimate," "expect," "project," "plan," "forecast," "intend," and similar expressions identify forward-looking statements that are inherently subject to risks and uncertainties, many of which cannot be predicted or quantified. Actual results and the timing of certain events could differ materially from those projected in or contemplated by the forward-looking statements due to a number of factors, including the effect of economic and market conditions; the level and volatility of interest rates; the Company's hedging strategies, hedge effectiveness and asset and liability management; the accuracy of subjective estimates used in determining the fair value of financial assets of IndyMac; credit risks with respect to our loans and other financial assets; the impact of changes in financial accounting standards; the actions undertaken by both current and potential new competitors; the availability of funds from IndyMac's lenders, and from loan sales and securitizations, to fund mortgage loan originations, and portfolio investments; the execution of IndyMac's growth plans and ability to gain market share in a significant market transition; the impact of current, pending or future legislation and regulations; and other risk factors described in the reports that IndyMac files with the Securities and Exchange Commission, including this Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and its reports on Form 8-K.



Michael W. Perry  
Chairman and  
Chief Executive Officer



Scott Keys  
Executive Vice President and  
Chief Financial Officer



Jeffrey W. Lankey  
Senior Vice President and  
Chief Accounting Officer

January 23, 2004

# THINK LEADERSHIP.

## Directors

### INDYMAC BANCORP & INDYMAC BANK

Michael W. Perry  
Chairman of the Board and  
Chief Executive Officer

James R. Ukropina, Esq. <sup>1, 3, 4, 6, 7</sup>  
Presiding Director  
Chief Executive Officer  
Directions, LLC

Louis E. Caldera <sup>3, 6</sup>  
President, University of New Mexico

Lyle E. Gramley <sup>2, 6</sup>  
Senior Economic Adviser  
Schwab Washington Research Group  
Washington, D.C.

Hugh M. Grant <sup>1, 4, 6, 7</sup>  
Retired Vice Chairman  
Ernst & Young, LLP

Patrick C. Haden <sup>4, 6</sup>  
General Partner  
Riordan, Lewis & Haden  
Equity Investments

Terrance G. Hodel <sup>2, 5, 6</sup>  
Independent Director

Robert L. Hunt II <sup>1, 2, 3, 6, 7</sup>  
Independent Director

### INDYMAC BANK

Lydia H. Kennard <sup>5, 6</sup>  
Independent Director

U.S. Senator John Seymour (ret.) <sup>2, 5, 6</sup>  
Chief Executive Officer  
Southern California Housing  
Development Corporation

### Directors Emeritus

Thomas J. Kearns

Frederick J. Napolitano

### Executive Committee

Michael W. Perry  
Chairman and Chief Executive Officer

Scott Keys  
Executive Vice President  
Chief Financial Officer

S. Blair Abernathy  
Secondary Marketing

Ashwin Adarkar  
Executive Vice President  
Corporate Strategy and Marketing

Raymond D. Matsumoto  
Executive Vice President  
Enterprise Process and Technology

Roger H. Molvar  
Chief Executive Officer  
IndyMac Consumer Bank

Grosvenor G. Nichols  
Executive Vice President  
Enterprise Risk Management

R. Patterson Jackson  
Chief Executive Officer  
Home Equity Division

John D. Olinski  
Executive Vice President  
Chief Investment Officer

Thomas H. Potts  
Executive Vice President  
Corporate Finance

Richard H. Wohl  
Chief Executive Officer  
IndyMac Mortgage Bank

### BOARD COMMITTEES & DESIGNATIONS

- <sup>1</sup> Audit Committee
- <sup>2</sup> Asset and Liability Committee
- <sup>3</sup> Management Development and Compensation Committee
- <sup>4</sup> Corporate Nominating and Governance Committee
- <sup>5</sup> Community Lending, Compliance, Process and Technology Committee
- <sup>6</sup> Independent Director
- <sup>7</sup> Audit Committee Financial Expert

### Executive Vice Presidents

James Banks  
Jill I. Barnes  
Drew Buccino  
Gary D. Clark  
Kevin D. Cochrane  
Sherry M. DuPont  
Anthony L. Ebers  
James A. Fraser  
Gulshan K. Garg  
Edward L. Goddin  
Carmella L. Grahn  
Charles T. Holroyd  
Kenneth R. Horner  
Patrick A. Hymel  
Stephanie S. Ireby  
James R. Jerwers  
J. Mark Kempton  
Richard C. Lieber

Pamela K. Marsh  
Michelle Minier  
Mark C. Nelson  
James D. Nichols, Jr.  
Joel M. Packer  
Dennis A. Shirley  
Frank M. Sillman  
Scott VanDellen  
Jules Vogel  
Charles A. Williams

### Senior Vice Presidents

Brent Anderson  
David M. Balsam  
William B. Barber  
Wendy Cariello  
Brian N. Carter  
Mohan Chhabra  
Christina Ching  
Marianne Churney

Joanne Droge  
Bruce Duclos  
Kathy L. Edwards  
Terrin U. Enssle  
Brent H. Frost  
Melissa K. Gerard  
Molly Jo Graham  
Samir Grover  
Steven A. Haegelin  
Lawrence V. Holguin  
Leonard Israel II  
Kurt G. Johnson  
Richard S. Koon II  
John Krantz  
Jeffrey W. Lankey  
John Lawrence  
Don E. Linde  
Karen M. Mastro  
Susan E. McGovney

Thomas E. McKnight  
Ellen F. Mochizuki  
Virginia Morse  
Mark A. Mozilo  
Francisco Nebot  
Sharad Nishith  
Barbara Perez  
Timothy D. Ray  
John J. Reed  
Michael Rich  
Maria A. Roa  
Andrew J. Sciandra  
Kenneth Shellem  
Richard L. Sommer  
Robert Suarez  
Walter Tharp  
Thomas Wagner  
Raedelle A. Walker  
Marie-Therese Wynne

## CORPORATE INFORMATION

### Independent Accountants

Ernst & Young LLP  
725 South Figueroa Street  
Los Angeles, CA 90017

### Registrar and Transfer Agent

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

### Mortgage Products

If you are in the process of purchasing a new home or interested in refinancing your current mortgage or obtaining a home equity line of credit, please contact us at (888) 321-FUND® or apply online at our direct lending website [www.IndyMacBank.com](http://www.IndyMacBank.com).

### Deposit Products and Services

IndyMac Bank offers competitive Web-enhanced deposit products. For more information, please contact us at (800) 998-2900 or online at [www.IndyMacBank.com](http://www.IndyMacBank.com).

### Stock Purchase Plan

IndyMac Bancorp has an online direct stock purchase plan that allows for the purchase of IndyMac shares online. Further information on this plan is available at <http://www.IndyMacBank.com/Investors/Shareholders>.

### Dividend Policy

IndyMac's Board of Directors reestablished a quarterly dividend in 2003, declaring a \$0.10 dividend on January 29, 2003 and again on April 29, 2003. Subsequently, the dividend was raised to \$0.15 in the third quarter and \$0.20 in the fourth quarter, for a total per share dividend of \$0.55 for 2003. The Company's goal is to continue increasing the dividend on a quarterly basis, pursuant to approval by the Board of Directors. On January 29, 2004, the Company declared a \$0.25 dividend for the first quarter of 2004.

### Form 10-K

For shareholders and others interested in information beyond that shown in this report, IndyMac Bancorp's Annual Report on Form 10-K for 2003, required to be filed with the Securities and Exchange Commission, may be obtained without charge at our website at [www.IndyMacBank.com](http://www.IndyMacBank.com), or by writing to:  
IndyMac Bancorp  
Investor Relations  
155 North Lake Avenue  
Pasadena, California 91101-7211

### Analyst Coverage

Crowell, Weedon & Company  
Friedman Billings Ramsey  
Jefferies & Company, Inc.  
JMP Securities  
Keefe, Bruyette & Woods, Inc.  
Lehman Brothers

Morgan Stanley  
Portales Partners, LLC  
Roth Capital Partners, Inc.  
Standard & Poor's Corporation

### Website Information

For more corporate information please visit us at <http://www.IndyMacBank.com/Investors/Shareholders>.  
> Officers & Directors  
> Corporate Governance  
> Stock Quote  
> Fact Sheet  
> Annual Reports  
> Quarterly Reports  
> SEC Filings  
> Stock Charts  
> Fundamentals  
> Earnings Estimates  
> Analyst Coverage  
> Stock Purchase Plan  
> Press Releases  
> Presentations  
> Calendar of Events  
> Audio Archives  
> FAQs  
> Information Requests  
> E-Mail Alerts  
Or call us at (800) 669-2300 ext. 5019 or (626) 535-5019

### Stock Information

IndyMac's common stock is traded on the New York Stock Exchange under the symbol NDE (NYSE: NDE).

The following table sets forth the high and low sales prices (as reported by Bloomberg Financial Services) for the common stock for the years ended December 31, 2003 and 2002.

Quarter	High	Low	Dividends
<b>2003</b>			
1	\$20.51	\$17.65	\$0.10
2	26.96	19.00	0.10
3	27.33	21.17	0.15
4	31.97	23.20	0.20
<b>2002</b>			
1	\$25.95	\$21.97	\$ —
2	26.89	22.16	—
3	23.85	17.55	—
4	20.20	16.14	—

As of February 23, 2004, 57,396,048 shares of IndyMac's common stock were held by 1,853 shareholders of record.

### Annual Meeting

The annual meeting of shareholders will be held at 9:00 a.m. (PDT) on Wednesday, April 28, 2004 at the IndyMac Mortgage Bank Headquarters at 3465 E. Foothill Blvd., Pasadena, CA 91107.



©2004 IndyMac Bank, F.S.B. Registered trade/service marks are the property of IndyMac Bank, F.S.B. and/or its subsidiaries.

# DAVID S. LOEB


1924-2003

WISDOM. EXPERIENCE. VISION.  
YOU WILL BE MISSED.

David, we will miss your vision, intelligence and savvy advice, but we will never forget you and what we learned from you. We will honor your memory by continuously striving to make IndyMac one of the most ethical, profitable and innovative thrifts/ mortgage bankers in the business.

- |             |   |
|-------------|---|
| 1969        | Co-founder Countrywide Credit Industries, Inc.<br>now Countrywide Financial Corporation |
| 1969 – 2000 | President and Chairman, Countrywide   |
| 1985        | Co-founder Countrywide Mortgage Investments<br>now IndyMac Bancorp, Inc.                |
| 1985 – 2003 | Chairman, IndyMac Bancorp, Inc.   |





THINK TOMORROW.  
THINK INDYMAC.

 **IndyMac Bank.**

155 North Lake Avenue  
Pasadena, California 91101