

Consolidated balance sheets

DOLLARS IN THOUSANDS	December 31,	
	2001	2000
ASSETS		
Cash and cash equivalents	\$ 153,295	\$ 67,867
Investment securities available for sale, amortized cost of \$0 and \$18,298, respectively	—	18,387
Mortgage-backed securities classified as trading securities (\$182.5 million pledged as collateral for repurchase agreements at December 31, 2001)	215,200	—
Mortgage-backed securities available for sale, amortized cost of \$1,350,721 and \$1,147,376, respectively (\$81.6 million and \$387.2 million pledged as collateral for repurchase agreements at December 31, 2001 and 2000, respectively)	1,349,159	1,135,916
Loans receivable:		
Loans held for sale		
Prime	1,940,213	1,219,737
Subprime	140,550	201,035
Loans held for investment		
Mortgage	1,615,197	1,578,216
Builder construction	596,273	554,028
Consumer construction	725,200	372,394
Income property	58,616	57,717
Revolving warehouse lines of credit	1,071	57,492
Allowance for loan losses	(57,700)	(58,962)
Total loans receivable (\$2.0 billion pledged as collateral for repurchase agreements at December 31, 2001 and 2000, respectively)	5,019,420	3,981,657
Mortgage servicing rights	321,316	211,127
Investment in Federal Home Loan Bank stock, at cost	99,996	63,281
Interest receivable	52,172	51,432
Goodwill and other intangible assets	35,637	38,724
Foreclosed assets	19,372	16,265
Other assets	231,744	155,548
Total assets	\$7,497,311	\$5,740,204
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	\$3,238,864	\$ 797,935
Advances from Federal Home Loan Bank	1,999,378	1,264,457
Borrowings	1,053,670	2,850,189
Other liabilities	243,974	99,730
Total liabilities	6,535,886	5,012,311
Company obligated mandatorily redeemable preferred stock of the Company's subsidiary trust, holding solely Junior Subordinated Debentures of the Company	116,287	—
Shareholders' Equity		
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 83,312,516 shares (60,366,266 outstanding) at December 31, 2001 and issued 81,758,312 shares (62,176,316 outstanding) at December 31, 2000	833	818
Additional paid-in-capital	996,649	920,205
Accumulated other comprehensive income (loss)	570	(2,603)
Retained earnings	234,314	117,926
Treasury stock, 22,946,250 shares and 19,581,996 shares, respectively	(387,228)	(308,453)
Total shareholders' equity	845,138	727,893
Total liabilities and shareholders' equity	\$7,497,311	\$5,740,204

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 and supplementary data.

Consolidated statements of earnings

	For the year ended December 31,		
	2001	2000	1999 Pro forma ⁽¹⁾
DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA			
INTEREST INCOME			
Mortgage-backed and other securities	\$121,867	\$ 84,529	\$ 67,170
Loans held for sale			
Prime	158,202	82,547	63,161
Subprime	19,780	22,401	9,960
Income property	—	2,111	—
Manufactured housing	—	—	14,329
Home improvement	—	—	20,203
Loans held for investment			
Mortgage	137,987	123,455	80,563
Builder construction	53,650	76,157	78,292
Consumer construction	42,241	28,085	30,334
Income property	4,872	4,781	6,517
Revolving warehouse lines of credit	806	16,397	21,553
Other	5,535	2,287	1,049
Total interest income	544,940	442,750	393,131
INTEREST EXPENSE			
Deposits	98,781	16,245	—
Advances from Federal Home Loan Bank	95,222	13,559	—
Borrowings	146,938	253,551	216,580
Total interest expense	340,941	283,355	216,580
Net interest income	203,999	159,395	176,551
Provision for loan losses	22,022	15,974	17,473
Net interest income after provision for loan losses	181,977	143,421	159,078
OTHER INCOME			
Gain on sale of loans	229,444	123,637	101,515
Service fee income	28,963	41,145	27,172
Gain (loss) on mortgage-backed securities, net	7,097	417	(10,710)
Sale of other securities, net	—	—	(31,386)
Fee and other income	52,036	28,478	21,186
Total other income	317,540	193,677	107,777
Net revenues	499,517	337,098	266,855
OTHER EXPENSE			
Operating expenses	278,979	175,495	149,221
Amortization of goodwill and other intangible assets	3,392	2,266	58
Non-recurring and other charges (income)	(778)	18,257	—
Total other expense	281,593	196,018	149,279
TRUST PREFERRED EXPENSE			
	1,377	—	—
Earnings before provision for income taxes and cumulative effect of a change in accounting principle	216,547	141,080	117,576
Provision for income taxes	89,974	59,254	49,977
Income tax benefit from termination of REIT status	—	(36,100)	—
Earnings before cumulative effect of a change in accounting principle	126,573	117,926	67,599
Cumulative effect of a change in accounting principle	(10,185)	—	—
Net earnings	\$116,388	\$ 117,926	\$ 67,599
Earnings per share before cumulative effect of a change in accounting principle			
Basic	\$ 2.07	\$ 1.73	\$ 0.87
Diluted	\$ 2.00	\$ 1.69	\$ 0.86
Earnings per share from cumulative effect of a change in accounting principle			
Basic	\$ (0.16)	\$ —	\$ —
Diluted	\$ (0.16)	\$ —	\$ —
Net earnings per share			
Basic	\$ 1.91	\$ 1.73	\$ 0.87
Diluted	\$ 1.84	\$ 1.69	\$ 0.86
Weighted average shares outstanding			
Basic	60,927	68,343	77,596
Diluted	63,191	69,787	78,290

⁽¹⁾ Pro forma gives effect to the change in the Company's structure to a fully taxable entity, assuming an effective tax rate of 42.5%, and the buyout of the 1% minority interest in IndyMac, Inc. as if the buyout occurred effective January 1998.

Consolidated statements of shareholders' equity and comprehensive income

DOLLARS IN THOUSANDS	Shares Outstanding	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Cumulative Earnings	Total Comprehensive Income	Cumulative Distributions to Shareholders	Treasury Stock	Total Shareholders' Equity
Balance at									
December 31, 1998	74,693,565	\$758	\$1,018,859	\$(18,776)	\$277,220		\$(442,896)	\$(13,062)	\$822,103
Common stock									
options exercised	159,938	2	1,779	—	—	\$ —	—	—	1,781
Directors' and officers' notes receivable	—	—	8,503	—	—	—	—	—	8,503
Deferred compensation, restricted stock	234,661	2	2,543	—	—	—	—	—	2,545
401(k) contribution	56,126	1	704	—	—	—	—	—	705
Net gain on mortgage securities available for sale	—	—	—	26,209	—	26,209	—	—	26,209
Dividend reinvestment plan	4,474,969	44	47,939	—	—	—	—	—	47,983
Purchases of common stock	(4,542,391)	—	—	—	—	—	—	(63,316)	(63,316)
Net earnings	—	—	—	—	115,929	115,929	—	—	115,929
Dividends paid	—	—	—	—	—	—	(134,912)	—	(134,912)
Net change	383,303	49	61,468	26,209	115,929	142,138	(134,912)	(63,316)	5,427
Balance at									
December 31, 1999	75,076,868	807	1,080,327	7,433	393,149		(577,808)	(76,378)	827,530
Common stock									
options exercised	874,836	7	18,785	—	—	—	—	—	18,792
Directors' and officers' notes receivable	—	—	506	—	—	—	—	—	506
Deferred compensation, restricted stock	79,038	3	3,982	—	—	—	—	—	3,985
401(k) contribution	72,980	1	1,109	—	—	—	—	—	1,110
Net loss on mortgage securities available for sale	—	—	—	(10,036)	—	(10,036)	—	—	(10,036)
Dividend reinvestment plan	11,329	—	155	—	—	—	—	—	155
Purchases of common stock	(13,938,735)	—	—	—	—	—	—	(232,075)	(232,075)
Close-out of cumulative earnings and distributions to additional paid-in capital	—	—	(184,659)	—	(393,149)	—	577,808	—	—
Net earnings	—	—	—	—	117,926	117,926	—	—	117,926
Net change	(12,900,552)	11	(160,122)	(10,036)	(275,223)	107,890	577,808	(232,075)	(99,637)
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 securities available for sale	—	—	—	2,136	—	2,136	—	—	2,136
Net realized 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
Net change	(1,810,050)	15	76,444	3,173	116,388	\$119,561	—	(78,775)	117,245
Balance at									
December 31, 2001	60,366,266	\$833	\$996,649	\$570	\$234,314		\$ —	\$(387,228)	\$845,138

Consolidated statements of cash flows

DOLLARS IN THOUSANDS	For the year ended December 31,		
	2001	2000	1999
			Pro forma ⁽¹⁾
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	\$ 116,388	\$ 117,926	\$ 67,599
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities:			
Amortization of securities and mortgage servicing rights	172,144	165,773	149,529
Amortization of goodwill and other intangible assets	3,392	2,266	58
Other depreciation and amortization	14,927	3,932	387
Gain on sale of loans	(229,444)	(123,637)	(101,515)
(Gain) loss on securities	(7,097)	(417)	42,096
Provision for loan losses	22,022	15,974	17,473
Non-cash compensation expense	3,416	16,904	3,250
Cumulative effect of a change in accounting principle	10,185	—	—
Income tax benefit from termination of REIT status	—	(36,100)	—
Net decrease (increase) in other assets and liabilities	61,497	32,390	43,020
Payments from trading mortgage securities	1,512	—	—
Net cash provided by operating activities before mortgage loans held for sale activity	168,942	195,011	221,897
Purchases and originations of mortgage loans held for sale	(15,327,316)	(8,424,714)	(5,900,265)
Sales of and payments from mortgage loans held for sale	13,979,274	7,366,317	6,698,582
Net cash (used in) provided by operating activities	(1,179,100)	(863,386)	1,020,214
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of mortgage loans held for investment	(226,628)	(156,279)	(11,824)
Sales of and payments from mortgage loans held for investment	821,234	520,276	310,249
Net (increase) decrease in construction loans receivable	(402,745)	(199,203)	173,576
Net decrease in revolving warehouse lines of credit	54,610	174,762	202,381
Purchases of mortgage securities available for sale	(1,475,574)	(728,001)	(656,157)
Sales of and payments from mortgage securities available for sale	1,049,931	342,171	799,068
Net purchases of mortgage servicing rights	(3,063)	(564)	(37,801)
Purchase of SGV Bancorp, Inc.	—	(53,357)	—
Purchase of PNB Mortgage	—	(35,291)	—
Net increase in investment in Federal Home Loan Bank stock, at cost	(36,715)	(57,767)	—
Net cash (used in) provided by investing activities	(218,950)	(193,253)	779,492
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in deposits	2,440,731	442,438	—
Net increase in advances from Federal Home Loan Bank	734,307	1,170,520	—
Net decrease in borrowings	(1,802,279)	(276,858)	(1,655,036)
Net proceeds from issuance of trust preferred securities and warrants	168,564	—	—
Net proceeds from issuance of common stock and exercise of stock options	20,930	15,993	57,703
Purchases of common stock	(78,775)	(232,075)	(63,316)
Cash dividends paid	—	—	(134,912)
Net cash provided by (used in) financing activities	1,483,478	1,120,018	(1,795,561)
Net increase in cash and cash equivalents	85,428	63,379	4,145
Cash and cash equivalents at beginning of period	67,867	4,488	815
Cash and cash equivalents at end of period	\$ 153,295	\$ 67,867	\$ 4,960
Supplemental cash flow information:			
Cash paid for interest	\$ 351,911	\$ 264,028	\$ 238,862
Cash paid for income taxes	\$ 2,777	\$ 27,854	\$ 122
Supplemental disclosure of non-cash investing and financing activities:			
Fair value of non-cash assets acquired in the purchases of IndyMac, Inc. and SGVB	\$ —	\$ 868,000	\$ —
Fair value of non-cash liabilities assumed in the purchases of IndyMac, Inc. and SGVB	\$ —	\$ 783,000	\$ —
Transfer of loans held for sale to loans held for investment	\$ 638,000	\$ 424,000	\$ 405,000
Retirement of collateral for collateralized mortgage obligations	\$ —	\$ —	\$ 16,000

⁽¹⁾ Pro forma gives effect to the change in the Company's structure to a fully taxable entity, assuming an effective tax rate of 42.5%, and the buyout of the 1% minority interest in IndyMac, Inc. as if the buyout occurred effective January 1998.

Reports 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 as of December 31, 2001, and the related consolidated statements of earnings, shareholders' equity and comprehensive income, and cash flows for the year then ended (not presented herein), and in our report dated January 22, 2002, 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 22, 2002



Board of Directors
IndyMac Bancorp, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of IndyMac Bancorp, Inc. and subsidiaries as of December 31, 2000, and related consolidated statements of earnings, shareholders' equity and comprehensive income, and cash flows for the year then ended (not presented herein); and in our report dated January 22, 2001, we expressed an unqualified opinion on those consolidated financial statements.

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

We have also examined the pro forma adjustments reflecting the transaction described in note (1) and the application of those adjustments to the historical amounts in the accompanying pro forma statements of earnings of IndyMac Bancorp, Inc. and subsidiaries for the year ending December 31, 1999. The historical financial statements are derived from the historical financial statements of IndyMac Bancorp, Inc. (formerly IndyMac Mortgage Holdings, Inc.) and IndyMac, Inc., that were audited by us, which are incorporated by reference. Such pro forma adjustments are based upon management's assumptions described in note (1). Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary in the circumstances.

The objective of this pro forma financial information is to show what the significant effects on the historical financial information might have been had the transactions occurred at an earlier date. However, the pro forma financial statements are not necessarily indicative of the results of operations that would have been attained had the above-mentioned transaction actually occurred earlier.

In our opinion, management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned transactions described in note (1), the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma columns reflect the proper application of those adjustments to the historical financial statement amounts in the pro forma statement of earnings for the year ended December 31, 1999.



Los Angeles, California
January 22, 2001 except for the paragraphs regarding pro forma financial information as to which the date is March 2, 2001.

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 "believe," "expect," "forecast," "anticipate," "estimate," "project," "plan," and similar expressions identify forward-looking statements that are inherently subject to risks and uncertainties, some 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 accuracy of subjective estimates used in determining the fair value of certain financial assets of IndyMac; the impact of recently issued financial accounting standards; the actions undertaken by both current and potential new competitors; the availability of funds from IndyMac's lenders to fund future mortgage loan originations or portfolio investments; the execution of IndyMac's growth plans related to the consumer banking operation; the impact of current, pending or future legislation and regulations; and other risk factors outlined in the reports that IndyMac files with the Securities and Exchange Commission, including its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and its reports on Form 8-K.

Report of management

Financial Statements


IndyMac Bank, F.S.B. (the “Bank”) is responsible for the preparation, integrity and fair presentation of its published consolidated financial statements as of December 31, 2001, and for the year then ended included in the December 31, 2001 consolidated financial statements of IndyMac Bancorp, Inc. and the Bank’s Thrift Financial Report. The consolidated financial statements of the Bank 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 management of the Bank, are responsible for establishing and maintaining effective 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 Office of Thrift Supervision Instructions for Thrift Financial Reports (TFR instructions). Internal control is designed to provide reasonable assurance to the Bank’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 are 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 Bank’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, 2001. This assessment was based on criteria for effective internal control over financial reporting described in the “Internal Control — Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, we assert that the Bank maintained effective 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, 2001 based on the specific criteria.




Michael Perry
*Vice-Chairman and
Chief Executive Officer*

January 22, 2002



Carmella Grah
*Executive Vice President and
Chief Financial Officer*



Jeff Lankey
*Senior Vice President and
Chief Accounting Officer*

Report of independent accountants — Ernst & Young LLP

Board of Directors and Shareholders
IndyMac Bank, F.S.B.

We have examined management’s assertion, included in the accompanying Report of Management, that IndyMac Bank, F.S.B. (the “Bank”) maintained effective internal control over financial reporting as of December 31, 2001 based on criteria established in the “Internal Control — Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Bank 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 Bank, F.S.B. maintained effective internal control over financial reporting as of December 31, 2001, 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 22, 2002

