

1 WILLIAM F. SALLE (#124498)
2 LAW OFFICES OF WILLIAM F. SALLE
3 425 E. Colorado St., Suite 755
4 Glendale, CA 91205
5 Telephone: (818) 543-1900
6 Facsimile: (818) 543-1550
7 wfslaw@yahoo.com

8 Attorneys for Plaintiff Claude A. Reese

9 UNITED STATES DISTRICT COURT
10 CENTRAL DISTRICT OF CALIFORNIA

11 CLAUDE A. REESE, Individually and On
12 Behalf of All Others Similarly Situated,

13 Plaintiff,

14 v.

15 INDYMAC FINANCIAL, INC., RICHARD
16 H. WOHL and SCOTT KEYS,

17 Defendants.

No.

CV 07-01635 JFW (VBK)

BREACH OF FIDUCIARY DUTY AND
CLASS ACTION COMPLAINT
FOR VIOLATIONS OF FEDERAL
SECURITIES LAWS

JURY TRIAL DEMANDED

18 SUMMARY OF ACTION

19 1. This is a breach of fiduciary duty and securities class action on behalf of all
20 persons who purchased or otherwise acquired the common stock of IndyMac Bancorp, Inc.
21 ("IndyMac" or the "Company") between May 4, 2006 and March 1, 2007 (the "Class Period"),
22 against IndyMac and certain of its officers and/or directors for violations of the Securities
23 Exchange Act of 1934 ("1934 Act").

24 2. IndyMac Bancorp, Inc. operates as the holding company for IndyMac Bank,
25 F.S.B., a thrift/mortgage bank, which provides mortgage products and services, including
26 adjustable-rate mortgages, fixed-rate mortgages, construction-to-permanent loans, subprime
27 mortgages, and reverse mortgages.

ORIGINAL

11/5-20

1 3. During the Class Period, defendants issued materially false and misleading
2 statements concerning the Company's business and financial results. As a result of defendants'
3 failure to fully disclose problems with the Company's internal controls and loan loss provisions,
4 IndyMac stock traded at artificially inflated prices during the Class Period, reaching a high of
5 \$50.11 per share in May 2006.
6

7 4. Throughout the Class Period, defendants issued public statements which touted
8 the Company's business and financial performance, but which failed to fully disclose problems
9 with the Company's internal controls and underwriting practices and that the Company
10 maintained inadequate provisions for loan losses. These partial disclosures only hinted at the
11 Company's problems, and had the effect of maintaining IndyMac's stock price at inflated levels
12 during the Class Period. At the end of the Class Period, as the news of the Company's problems
13 seeped into the market, IndyMac's share price dropped following each revelation.
14

15 5. On March 1, 2007, IndyMac issued a press release in which a "Letter to
16 Shareholders" acknowledged, among other thing, problems with the Company's underwriting
17 practices and loan delinquencies. The press release stated in relevant part as follows:
18

19 Dear Shareholders:

20 2006 was a challenging year in the mortgage banking industry. Industry loan
21 volumes of \$2.5 trillion were 34 percent below 2003's historic high level and 17
22 percent lower than in 2005. Mortgage banking revenue margins declined further
23 after sharp declines in 2005, and net interest margins continued to compress, as the
24 yield curve inverted with the average spread between the 10-year Treasury yield
25 and the 1-month LIBOR declining from 89 basis points in 2005 to negative 31
26 basis points in 2006. To cap it off, the housing industry slowed down significantly,
27 increasing loan delinquencies and non-performing assets and driving up credit
28 costs for all mortgage lenders.

26 Yet, despite these challenges, Indymac again reached new performance heights in
27 2006, achieving:
28

1 -- Record mortgage loan production of \$90 billion, a 48 percent increase over
2 2005;

3 -- Record mortgage market share of 3.58 percent, a 78 percent gain over the 2.01
4 percent share we had in 2005;

5 -- Record net revenues of \$1.3 billion, a 22 percent increase over 2005;

6 -- Record earnings-per-share (EPS) of \$4.82, a 9 percent gain;

7 -- Record growth in total assets, which increased by \$8 billion, or 37 percent, to
8 \$29.5 billion;

9 -- Record growth in our portfolio of loans serviced for others, which increased by
10 \$55 billion, or 65 percent, to \$140 billion;

11 -- Strong return on equity (ROE) of 19 percent, slightly lower than last year's 21
12 percent level.

13 Notwithstanding our solid results for the year in the face of challenging market
14 conditions, our year ended on a disappointing note. Our fourth quarter EPS
15 declined both sequentially and versus the fourth quarter of 2005, and we fell short
16 of EPS expectations for the quarter. Also, our ROE of 14.6 percent for the quarter,
17 while solid, was at the lowest level in 23 quarters. While I am disappointed with
18 how we finished 2006 and with our outlook for 2007, where EPS will likely be
19 down from 2006 given tough conditions in the mortgage market, I believe we will
20 emerge from this difficult mortgage environment a stronger and more competitive
21 company.

22 We remain fundamentally committed to our hybrid thrift/mortgage banking
23 business model and our strategies inasmuch as we are outperforming most of our
24 mortgage banking and thrift peers, are earning a solid return on our shareholders'
25 capital (at what we hope is the low point of our cyclical business) and believe
26 strongly in the long-term opportunities presented in the housing and mortgage
27 markets. Nonetheless, in our constant drive to improve our business, we have
28 taken a fresh look at our hybrid model and decided to fine tune it in ways we feel
will make us stronger.

Hybrid Thrift/Mortgage Banking Business Model - Updated for the New Market Reality

As you know, our hybrid business model balances our mortgage production and servicing businesses with thrift investing. On the mortgage banking side, we

1 generate earnings largely by originating, securitizing and selling loans and
2 securities at a profit and by servicing loans for others. On the thrift side, we
3 generate core spread income from our investment portfolio of prime SFR
4 mortgages, home equity loans, consumer and builder construction loans and
5 mortgage-backed securities (MBS). The combination of mortgage banking and
6 thrift investing has proven to be a powerful business model for Indymac, and,
7 given our strong execution in the past, we have been able to outperform our peers
8 and produce both strong and relatively stable returns on our shareholders' equity.

9 An important tool in understanding our strong financial performance has been our
10 detailed segment reporting, where we allocate capital to different segments of our
11 business, calculate ROEs for each segment every quarter and then adjust our
12 capital allocations according to where we can earn the best returns for our
13 shareholders. In the fourth quarter of 2006, we saw a fairly dramatic decrease in
14 the ROE in our thrift segment, mostly caused by net interest margin erosion in our
15 whole loan and MBS portfolios. Of greatest concern to me is that I see this as part
16 of a broader trend, the continuation of which is inevitable. Let me explain.

17 First, there is fierce competition for consumer deposits, particularly as Wall Street
18 firms and other non-bank entities have over the years made significant inroads in
19 attracting deposits away from banks and thrifts by paying high rates on money
20 market funds. In addition, consumers, assisted by the Internet and deposit
21 insurance, are getting more savvy and efficient with their deposit funds, moving
22 them to the highest yielding options. Both of these factors are driving up deposit
23 costs relative to market funding sources and reducing the funding advantage and
24 net interest margins of depository institutions. Second, spreads to Treasury
25 securities on financial assets that can be securitized (home loans and most other
26 consumer loan types) continue to tighten given the efficiency of the secondary
27 market, reducing asset yields and further compressing net interest margins for
28 depository institutions. While there may be temporary periods where asset spreads
widen in the secondary market - such as what we are experiencing as I write this
letter - the long-term inevitable trend is toward continued increases in market
efficiency and generally tighter asset spreads. Third, the regulatory capital
requirements for holding these assets (mortgage and home equity loans, in
particular) generally exceed those of the secondary market.

As a result of the above, we have seen the ROEs we are earning on our whole loan
and MBS portfolios decline, and even fall below our cost of capital at times for
some assets, such that it does not make economic sense for us to grow these
portfolios to the extent that we had previously planned. Frankly, we have also not
received the price/earnings multiple increase we had expected from growing our
investment portfolio and building more "stable, core" spread income into our
overall earnings picture. Accordingly, our capital deployment and profit growth

1 will be more focused in the future on the two broad segments of our mortgage
2 banking business:

3 -- Mortgage Production - our core business where, as the 9th largest originator and
4 2nd largest independent mortgage banker in the nation, we have strong focus,
5 industry leading expertise, operational scale and consistently earn very strong
6 ROEs; and

7 -- Mortgage Servicing - where, with a portfolio of loans serviced for others now
8 exceeding \$140 billion, we have achieved strong economies of scale and earn
9 solid ROEs. Importantly, unlike our other business segments, servicing is not
10 subject to the competitive margin pressures and credit risks that come with the
11 housing and mortgage production cycles.

12 While we will continue to maintain some level of investments in our whole loan
13 and MBS portfolios, going forward, the growth of these portfolios will be based
14 on the extent to which (1) their ROEs exceed our cost of both core and risk-based
15 capital or (2) they are needed to support our core mortgage banking investments in
16 mortgage servicing rights and residual and non-investment grade securities, if
17 their ROEs are below our cost of capital.

18 These changes in our business model and strategy represent fine-tuning more than
19 a major strategic shift. The new reality of narrowing net interest margins actually
20 favors Indymac from a competitive standpoint in that, unlike many other
21 depository institutions, we already have a relatively high, market-based cost of
22 funds and have learned, through trading assets and loans in the secondary market,
23 how to earn strong overall ROEs despite that fact. Other financial institutions rely
24 on their low cost of funds to achieve the same or lower ROEs as Indymac, and, as
25 their cost of funds advantage erodes, I believe they will struggle to sustain their
26 performance levels. At Indymac, understanding the nuances of the capital
27 requirements for assets both on-balance-sheet and in the secondary market and
28 knowing how to effectively trade assets into the secondary market gives us a
competitive advantage that should not be underestimated.

With these adjustments to our business model, the real question is, what is the
outlook for Indymac long and short term?

Long-term Outlook

Everyone knows that the housing and mortgage industries are cyclical and can
produce volatile economic results. But, as I have said many times before, the
market for mortgages is huge, and long-term, mortgage lending is a great business
with U.S. mortgage debt outstanding growing by eight to 10 percent per year. And

1 over the long-term Indymac has produced great results, with the bottom line being
2 that, over the fourteen years through December 31, 2006 since the current
3 management team has been in place, Indymac has delivered a compounded annual
4 rate of return to its shareholders of 23 percent versus 12 percent for the Dow
5 Jones Industrial Average and 11 percent for the S&P 500. We can accept some
6 short-term earnings volatility with long-term performance like what we have
7 achieved, and in this respect I like to quote Warren Buffet when he says, "Charlie
8 (Munger) and I would much rather earn a lumpy 15 percent over time than a
9 smooth 12 percent."

10 Over the long run I have confidence in our business model, our strategic plans,
11 our management team and our ability to execute on our plans and adapt as
12 necessary to continue performing for shareholders. In this respect, based on our
13 long-term experience over the housing and mortgage cycles, during the trough
14 periods such as what we are currently experiencing, I would expect Indymac to be
15 able to achieve, roughly speaking, an ROE in the 10 percent to 15 percent range,
16 similar to what traditional thrifts achieve over the long term. When the mortgage
17 and housing markets stabilize, I would expect that Indymac's ROE could improve
18 to the 15 percent to 20 percent level, and during boom times for our business, our
19 ROEs could exceed 20 percent.

20 Short-Term Game Plan

21 While we run Indymac with a vision for the long-term, I am acutely aware that we
22 must also deliver results short-term, especially in today's environment, where
23 many shareholders own our stock for relatively brief time periods and, overall, our
24 shares turn over six times per year. Given that reality, here is what we will do to
25 improve performance for our shareholders right now:

26 ***1. Manage our credit risks by being smart and prudent in adjusting our
27 mortgage underwriting guidelines, setting our risk-based pricing, making
28 decisions as to what assets go into our investment portfolio and/or distributing
29 our risk into the secondary market, and executing on best in class loss
30 prevention and loss mitigation practices.*** [Emphasis added.]

31 ***2. Control our costs with our current hiring freeze on non-revenue-generating
32 personnel, base salary freeze company-wide, significant variable compensation
33 tied to revenue and EPS growth, and goals to significantly increase outsourcing of
34 our workforce by year-end and cut our non-labor expenses from our fourth quarter
35 run rate; in general, get more out of the infrastructure we have built up in the last
36 several years as we continue to grow our business. With respect to the hiring
37 freeze, given our normal employee attrition rate of roughly 20 percent per year, we
38 expect to be able to reduce our administrative headcount and overhead while still***

1 being able to stick to our stated goal of avoiding mass layoffs except under the
2 most extreme circumstances. Our estimate is that all these measures combined
3 could produce up to \$60 million in pre-tax cost savings annually.

4 3. Focus our capital expenditures and the activities of our new business incubator
5 and M&A group on investments that have lower execution risk and produce both
6 attractive short- and long-term paybacks. For example, in support of our
7 production growth/market share strategy, we will pursue "make sense"
8 acquisitions of mortgage operations, such as our recently announced purchase of
9 the retail mortgage platform of the New York Mortgage Co., LLC.

10 4. Continue to profitably grow mortgage production and gain market share by
11 taking advantage of the difficulties experienced by our competitors and
12 aggressively growing our sales force with top producers.

13 5. Spur on our production growth by having healthy, internal competition within
14 our sales forces, leading to better penetration of our existing wholesale and
15 correspondent customers, both with increased volume of products they currently
16 deliver to us and new volume of products they do not currently deliver to us, i.e.,
17 reverse mortgages and certain other specialty products.

18 6. Support our shareholders by working extremely hard to return to higher levels
19 of profitability. Maintain our dividend at its current level, in all but the most
20 extreme circumstances, which results in a current annual yield in excess of five
21 percent. Explore issuing non-cumulative perpetual preferred stock and
22 repurchasing our common stock to enhance EPS, although this strategy could
23 change based on the market for our preferred stock as well as investment
24 opportunities that present themselves other than buying back our own stock.

25 Even with these measures, 2007 will likely be a down year for our EPS, although
26 our ROE should still be solid, in a broad range of 10 percent to 15 percent.
27 Factored into this forecast is a continuation of tough conditions for loan
28 originations, credit performance and in the secondary market. Our more detailed
internal forecast shows that our ROEs for the early quarters of the year will be at
the low end of the range above; however, during the second half of the year, if we
execute on our plans as we expect, and with a little luck, our ROEs could be at or
even somewhat above the high end of the range. With all of that said, if market
conditions deteriorate significantly from what we are forecasting today ... which is
always a possibility ... there could be some downside to the above ROE range.

* * *

Michael W. Perry
Chairman and Chief Executive Officer

1 small-to-medium size mortgage bankers and brokers to finance mortgage loans. IndyMac is
2 headquartered in Pasadena, California.

3 13. Defendant Michael W. Perry (“Perry”) is Chairman of the Board of Directors and
4 Chief Executive Officer of Indymac and IndyMac Bank, F.S.B., a wholly owned subsidiary of
5 Indymac (“Indymac Bank”). He has been a director of Indymac since October 1997 and served as
6 Vice Chairman of the Board of Directors of Indymac and Indymac Bank from March 2000 until
7 February 2003 when he was appointed Chairman of the Board of Directors of Indymac and
8 Indymac Bank. During the Class Period, Perry was responsible for the Company’s false
9 financial statements.
10

11 14. Defendant Scott Keys (“Keys”) is Executive Vice President, Chief Financial
12 Officer of Indymac and Indymac Bank. Keys is responsible for financial and managerial
13 accounting, financial reporting, strategic and financial planning, investor relations and tax.
14 During the Class Period, Keys was responsible for the Company’s false financial statements.
15

16 15. Defendant Richard H. Wohl (“Wohl”) is President of Indymac Bank. He became a
17 director of Indymac Bank in July 2005. Wohl oversees the primary business divisions of Indymac
18 Bank in both its thrift and mortgage banking segments. He previously served Indymac in several
19 capacities, including as Chief Executive Officer of Indymac Mortgage Bank from February 2000
20 to July 2005, Chief Operating Officer in charge of various financial and administrative functions
21 from February 1999 to February 2000, and as general counsel and secretary from April 1994 to
22 February 1999.
23

24 16. Defendants Perry, Wohl and Keys (collectively, the “Individual Defendants”),
25 because of their positions with the Company, possessed the power and authority to control the
26

1 contents of IndyMac's quarterly reports, press releases and presentations to securities analysts,
2 money and portfolio managers and institutional investors, *i.e.*, the market. They were provided
3 with copies of the Company's reports and press releases alleged herein to be misleading prior to
4 or shortly after their issuance and had the ability and opportunity to prevent their issuance or
5 cause them to be corrected. Because of their positions with the Company, and their access to
6 material non-public information available to them but not to the public, Hartman, Anderson and
7 Metz knew that the adverse facts specified herein had not been disclosed to and were being
8 concealed from the public and that the positive representations being made were then materially
9 false and misleading. Hartman, Anderson and Metz are liable for the false statements pleaded
10 herein.
11

12 **FRAUDULENT SCHEME AND COURSE OF BUSINESS**

13
14 17. Defendants are liable for: (i) making false statements; or (ii) failing to disclose
15 adverse facts known to them about IndyMac. Defendants' fraudulent scheme and course of
16 business that operated as a fraud or deceit on purchasers of IndyMac common stock was a
17 success, as it: (i) deceived the investing public regarding IndyMac's business, prospects and
18 financial performance; (ii) artificially inflated the price of IndyMac's common stock; and (iii)
19 caused plaintiff and other members of the Class to purchase IndyMac common stock at inflated
20 prices.
21

22 **SUBSTANTIVE ALLEGATIONS**

23 **Background**

24
25 18. IndyMac Bancorp, Inc. operates as the holding company for IndyMac Bank,
26 F.S.B., a thrift/mortgage bank, which provides mortgage products and services. The bank
27

1 operates through two segments: Mortgage Banking and Thrift. The Mortgage Banking segment
2 offers various products, such as adjustable-rate mortgages, fixed-rate mortgages,
3 construction-to-permanent loans, subprime mortgages, and reverse mortgages. It originates or
4 purchases mortgage loans through its relationships with mortgage brokers, mortgage bankers,
5 and financial institutions. This segment offers its products to consumers through direct mail,
6 Internet leads, online advertising, affinity relationships, and real estate professionals, as well as
7 through its southern California retail banking branches. The Thrift segment principally invests in
8 single-family residential mortgage loans; construction financing for single-family residences or
9 lots provided directly to individual consumers; builder construction financing facilities for larger
10 residential subdivision loans; home equity lines of credit; and mortgage-backed securities. It also
11 provides short-term revolving warehouse lending facilities to small-to-medium size mortgage
12 bankers and brokers to finance mortgage loans. IndyMac is headquartered in Pasadena,
13 California.

14
15
16 **Defendants' False and Misleading Statements Issued During the Class Period**

17
18 19. On January 26, 2006, IndyMac issued a press release entitled "Indymac
19 Announces FY 2005 EPS of \$4.54, Up 34% and Fourth Quarter EPS of \$1.09, Up 20%,"
20 announcing the Company's results of operations and financial condition for the full year and
21 quarter ended December 31, 2005. The press release stated in part:

22 PASADENA, Calif.--(BUSINESS WIRE)--Jan. 26, 2006--IndyMac Bancorp, Inc.
23 (NYSE:NDE):

24 -- Record Quarterly Mortgage Production of \$18.0 Billion Drives
25 72% Growth in Market Share to 2.85%

26 -- Board of Directors Increases Quarterly Cash Dividend to \$0.44,
27

1 up 22%

2 IndyMac Bancorp, Inc. (NYSE:NDE) ("Indymac" or the "Company"), the holding
3 company for IndyMac Bank(R) F.S.B. ("Indymac Bank"), today reported earnings
4 of \$300.2 million or \$4.54 per share for full year 2005. This represents increases
5 of 42 percent and 34 percent, respectively, compared with pro forma net earnings
6 of \$211.3 million or \$3.40 per share for the full year of 2004. On a GAAP basis,
Indymac earned \$170.5 million or \$2.74 per share in 2004 (a reconciliation
between GAAP and pro forma results is found at the end of this release).

7 "Indymac delivered outstanding results in 2005. This performance was achieved
8 despite less than favorable conditions for mortgage lenders including the flat yield
9 curve and industry volumes and declining profit margins," said Michael W. Perry,
10 Indymac's Chairman and Chief Executive Officer. "Indymac set all time records in
11 virtually all of its key financial metrics including earnings per share and mortgage
12 production and market share. Two milestones were particularly noteworthy as
13 annual revenues surpassed \$1 billion for the first time in the Company's history
and we became one of the nation's top ten mortgage lenders. These results
demonstrate the soundness of Indymac's hybrid thrift/mortgage banking model,
and even more importantly, strong execution and dedication by Indymac's
employees."

14 Indymac also reported earnings of \$72.3 million, or \$1.09 per share in the fourth
15 quarter of 2005 representing increases of 24 percent and 20 percent over pro
16 forma earnings of \$58 million, or \$0.91 per share in the fourth quarter of 2004.
GAAP earnings in the fourth quarter of 2004 were \$56 million, or \$0.87 per share.

17 The fourth quarter 2005 earnings exclude economic earnings of \$9.7 million or
18 \$0.09 per share due to the impact of financial accounting standards that require
19 mortgage servicing rights (MSRs) to be valued at the lower of cost or market
20 value. Absent this impact, earnings per share would have been \$1.18 for the fourth
21 quarter. The Financial Accounting Standards Board has issued an exposure draft
22 providing an option to account for mortgage servicing rights at fair value.
Although still not in final form, Indymac supports the proposed standard, which is
23 expected to become effective in the first quarter of 2006, eliminating the potential
for a similar impact on future earnings, and allowing our economic and
accounting results to be in synch.

24 Indymac has filed a Form 8-K with the Securities and Exchange Commission
25 which is intended to provide similar review and analysis of Indymac's financial
26 position and results of operations to the information generally provided in
Indymac's quarterly Form 10-Q filings. The Form 8-K is available on Indymac's
Website at www.indymacbank.com.

1 Quarterly Cash Dividend Increased

2 Based on Indymac's strong operating performance and financial position,
3 including earnings, capital and liquidity, and its commitment to shareholder value,
4 Indymac's Board of Directors increased the cash dividend to \$0.44 per share. This
5 represents a rise of 22 percent from the dividend declared and paid in the first
6 quarter last year, and is Indymac's eleventh consecutive increase in the quarterly
7 dividend. The cash dividend is payable March 9, 2006 to shareholders of record
8 on February 9, 2006.

9 Highlights of the Full Year 2005 Compared with 2004 Pro forma

- 10 -- Record net revenues of \$1.1 billion, up 35 percent.
- 11 -- Record net earnings of \$300.2 million, up 42 percent.
- 12 -- Record average earning assets for the year of \$19.6 billion,
13 up 27 percent.
- 14 -- Record ROE of 22 percent for 2005, up 20 percent.
- 15 -- Record mortgage loan production of \$60.8 billion, up 60
16 percent.
- 17 -- Record mortgage market share of 2.18 percent for the full
18 year, up 59 percent based on the Mortgage Bankers Association
19 (MBA)'s January 2006 Mortgage Finance Forecast.
- 20 -- Efficiency ratio improved to 54 percent from 57 percent and
operating expenses to loan production improved to 96 basis
points from 120 basis points.

21 Highlights of the Fourth Quarter of 2005 Compared with Fourth Quarter 2004 Pro
22 forma

- 23 -- Net revenues of \$281.0 million, up 21 percent.
- 24 -- Net earnings of \$72.3 million, up 24 percent.
- 25 -- EPS of \$1.09, up 20 percent.
- 26 -- ROE of 19 percent.

- 1 -- Record total assets of \$21.5 billion, up 27 percent.
- 2 -- Record mortgage loan production of \$18.0 billion, up 60
- 3 percent.
- 4 -- Indymac's mortgage market share of 2.85 percent is up
- 5 approximately 72 percent based on the MBA's January 2006
- 6 Mortgage Finance Forecast.
- 7 -- Indymac's pipeline of mortgage loans in process totaled a
- 8 record \$9.2 billion at Dec. 31, 2005, up 46 percent.
- 9 -- Indymac's portfolio of loans serviced for others increased 68
- 10 percent to \$84 billion at Dec. 31, 2005.
- 11 -- Strong credit performance with non-performing assets down 41
- 12 percent and representing 0.34 percent of total assets compared
- 13 with 0.73 percent of total assets at Dec. 31, 2004.
- 14 -- Efficiency ratio improved to 57 percent from 58 percent and
- 15 operating expenses to loan production improved to 86 basis
- 16 points from 117 basis points.

17 "The 2005 fourth quarter results clearly demonstrated the power of our hybrid

18 thrift/mortgage bank business model. Of our \$1.5 billion of average capital during

19 the fourth quarter, we allocated 34 percent to our mortgage production divisions,

20 20 percent to our MSR division and 45 percent to our Thrift segment with each

21 providing strong returns on equity in line with our established targets. Our Thrift

22 segment and MSR division are structured through our interest rate risk

23 management practices to provide stable returns on equity in a variety of interest

24 rate environments. These two combined utilized 65 percent of our average capital

25 and provided a ROE of 22 percent in the fourth quarter of 2005 up from 19

26 percent in the fourth quarter of 2004. Remarkably, our mortgage production

27 divisions, which are expected to have higher but more volatile returns, produced

28 very stable ROEs of 48 percent and 49 percent, in the fourth quarters of 2005 and

2004, respectively, in an industry environment where volumes were down 6

percent, profit margins declined substantially and the yield curve reflected nearly

200 basis points of flattening. I am incredibly proud of the performance of our

Indymac team for the results produced in this environment," commented Perry.

"With respect to our mortgage production divisions, we were able to deploy more

capital and maintain a consistently strong ROE as a result of the following key

items," said Richard Wohl, Indymac Bank's President. "First, we grew our loan

1 production 60 percent in the fourth quarter of 2005 from the fourth quarter of
2 2004. Our strong performance in mortgage production and market share continues
3 to be driven by our strategies to offer a broad and diverse product mix and to
4 expand our sales force and geographic presence, with an emphasis on building
5 relationships with mortgage professionals across the country that are experts in
6 marketing loans to consumers. Some of this production growth was driven by our
7 conduit and correspondent channels which have lower revenue margins. However
8 these channels also have correspondingly lower costs and therefore provide strong
9 returns on capital. In addition, our reverse mortgage subsidiary, Financial
10 Freedom, grew its loan production 86 percent as its commanding market presence
11 and the strong demographics for its product continue to drive results. Second, the
12 operating costs in our mortgage production divisions relative to mortgage loans
13 produced declined 32 percent to 44 basis points in the fourth quarter of 2005 from
14 65 basis points in the fourth quarter of 2004. As noted a portion of this decline is
15 attributed to the growth in our correspondent and conduit channels and the
16 remainder was achieved by further scaling our core business. Finally, we
17 increased the velocity at which we sell our mortgage production to more
18 efficiently utilize our capital. The average number of days we held a loan declined
19 22 percent in the fourth quarter of 2005 to an average hold period of 43 days from
20 55 days in the fourth quarter of 2004," concluded Wohl.

21 Commenting on the Company's outlook for 2006, Chief Financial Officer Scott
22 Keys noted, "We currently expect EPS to range from \$4.50 to \$5.20 per share,
23 which includes the implementation of Statement of Financial Accounting
24 Standards (SFAS) No. 123R (revised 2004), Share-Based Payment, requiring the
25 expensing of stock options. We estimate that the implementation of SFAS No.
26 123R will reduce EPS by approximately \$0.10 in 2006. Had SFAS No. 123R been
27 effective in 2005, reported EPS of \$4.54 would have been reduced by \$0.12 to
28 \$4.42. The underlying assumptions imbedded in our EPS outlook for 2006 include
the MBA's forecast of \$2.2 trillion for industry-wide mortgage volumes, mortgage
banking revenue margins of 115 to 125 basis points, average earning assets of
approximately \$25 billion, an average 10 year Treasury rate of approximately 4.8
percent, and an average 1-month LIBOR of approximately 4.6 percent. This
forecast assumes that we will deploy \$1.7 billion of capital on average in 2006,
with 70 percent of the capital deployed in the relatively stable Thrift segment and
MSR division at an expected combined ROE of 20 percent and 30 percent of the
capital deployed in the mortgage production divisions at an expected ROE of 46
percent. Overall ROE including corporate overhead is expected to be
approximately 21 percent, versus 22 percent ROE in 2005. This EPS forecast is
considered our best estimation in light of current market expectations for interest
rates and industry volumes in 2006. However, the economy, interest rates and our
industry remain volatile and as a result, our actual results could vary significantly
from this forecast," said Keys.

1 20. On April 25, 2006, IndyMac issued a press release entitled "IndyMac Bancorp
2 Announces Quarterly EPS of \$1.18, up 20%," announcing the Company's results of operations
3 and financial condition for the first quarter of 2006. The press release stated in part:
4

5 PASADENA, Calif., Apr 25, 2006 (BUSINESS WIRE) -- IndyMac Bancorp, Inc.
6 (NYSE:NDE):

7 -- Record Quarterly Mortgage Production of \$20 Billion Drives Doubling of
8 Market Share to 3.89%

9 -- Board of Directors Increases Quarterly Cash Dividend 21% to \$0.46

10 IndyMac Bancorp, Inc. (NYSE:NDE) ("Indymac(R)" or the "Company"), the
11 holding company for IndyMac Bank, F.S.B. ("Indymac Bank(R)"), today reported
12 net earnings of \$80 million, or \$1.18 per share, for the first quarter of 2006,
13 compared with net earnings of \$63 million, or \$0.98 per share, in the first quarter
14 of 2005, representing increases of 26 percent in net earnings and 20 percent in
15 earnings per share. The 2005 amounts have been retrospectively adjusted for
16 Statement of Financial Accounting Standard 123(R), Share-Based Payments (a
17 table reporting the impact of this accounting change is located at the end of this
18 release). Indymac has also filed its Form 10-Q for the first quarter with the
19 Securities and Exchange Commission. The Form 10-Q is available on Indymac's
20 Website at www.indymacbank.com.

21 "The first quarter demonstrated the dynamism and resiliency of Indymac's hybrid
22 thrift/mortgage banking business model," commented Michael W. Perry,
23 Indymac's Chairman and Chief Executive Officer. "Several factors negatively
24 impacted our industry this quarter: mortgage industry volume was 17 percent
25 lower than both Q4 05 and the first quarter of last year(1), and mortgage banking
26 profit margins declined significantly across the industry. Additionally, the Federal
27 Reserve continued to raise short-term rates, resulting in an even flatter yield curve.
28 Despite these negative trends, Indymac grew its EPS by 20 percent over Q1 05
and 11 percent on a sequential quarterly basis to \$1.18. We accomplished these
results by: (1) growing mortgage production 72 percent over Q1 05 to an all-time
record of \$20 billion, (2) growing our average interest earning assets 41 percent,
(3) profitably deploying \$505 million more in capital, a 55 percent increase, and
reducing our undeployed capital from \$346 million to \$169 million, and (4)
leveraging our overhead areas, with combined overhead increasing by 11 percent,
considerably lower than the percentage gains we achieved in volume, assets and
revenue.

1 "We are constantly examining how we are deploying our capital and the returns
2 we earn by business segment," continued Perry. "In the first quarter, we deployed
3 a total of \$509 million of our capital in our mortgage production divisions, an 83
4 percent increase over last year. However, given mortgage industry margin
5 pressures and our lower-margin conduit operations comprising a higher
6 percentage of our production volume, the ROE on this capital declined from 97
7 percent last year to 51 percent this quarter, still a strong return on our capital. We
8 deployed a total of \$640 million in our thrift segment, a 39 percent increase over
9 last year. This segment continued to earn a solid, stable ROE, earning 25 percent
10 for the quarter.

11 "Finally, we deployed 15 percent of our capital, or \$237 million, in MSRs and
12 other retained assets, up from 12 percent one year ago. This division saw a strong
13 increase in ROE from 17 percent to 29 percent, which we believe to be a more
14 normal rate of return for this business, as we have been able to achieve significant
15 scale in our mortgage servicing operations and improved effectiveness at hedging
16 this asset, including the use of 'Value-at-Risk' (VAR) modeling, which we
17 implemented last year. Importantly, the ROE improvement in MSRs and retained
18 assets was not achieved simply by writing up the value of the MSRs. The
19 weighted average multiple on the MSR asset remained relatively stable at 3.82
20 this quarter and 3.64 a year ago.

21 "With respect to scaling this business, the average cost per loan serviced declined
22 to \$83 in the first quarter from \$99 a year ago, while average ancillary income per
23 loan serviced rose to \$99 in the first quarter from \$96 a year ago. Importantly, our
24 marginal servicing cost per loan is approximately \$39, resulting in approximately
25 \$60 of incremental pre-tax profit per loan serviced, on average, before taking into
26 consideration the servicing strip revenue," concluded Perry.

27 Quarterly Cash Dividend Increased

28 Based on Indymac's strong operating performance and financial position --
including earnings, capital and liquidity -- and its commitment to shareholder
value, Indymac's Board of Directors increased the cash dividend to \$0.46 per
share. This represents an increase of 21 percent from the dividend declared and
paid in the second quarter last year. The cash dividend is payable June 8, 2006 to
shareholders of record on May 11, 2006.

29 Highlights of the First Quarter of 2006 Compared with First Quarter 2005

30 -- Record net revenues of \$304.5 million, up 20 percent.

31 -- Net earnings of \$79.8 million, up 26 percent.

1 -- EPS of \$1.18, up 20 percent.

2 -- ROE of 20 percent, consistent with last year.

3 -- Record total assets of \$24 billion, up 35 percent.

4 -- Record mortgage loan production of \$20 billion, up 72 percent.

5 -- Record mortgage market share of 3.89 percent, up approximately 108 percent
6 based on the MBA's April 2006 Mortgage Finance Long-Term Forecast.

7 -- Record pipeline of mortgage loans in process of \$10.4 billion at March 31,
8 2006, up 39 percent.

9 -- Record portfolio of loans serviced for others of \$96.5 billion at March 31, 2006,
10 up 72 percent.

11 -- Record total number of consumer customers of 635,850, up 44 percent.

12 -- Strong credit performance, with non-performing assets of \$103 million,
13 compared to \$96 million a year ago, representing 0.43 percent of total assets,
14 compared to 0.54 percent of total assets last year, and net charge-offs of \$1.7
15 million, the second-lowest quarterly amount in six years.

16 -- Efficiency ratio of 56 percent, improving from 58 percent, and total expenses to
17 loan production of 84 basis points, improving from 124 basis points.

18 "We are pleased with our mortgage production gains, which enabled us to more
19 than double our market share, from 1.87 percent in Q1 last year to 3.89 percent in
20 Q1 this year," noted Richard H. Wohl, Indymac Bank's President. "This was
21 accomplished through our continued drive to leverage our mortgage banking
22 platform, as year-over-year, we increased our regional mortgage centers from 10
23 to 13, our sales staff by 27% to 811 and our active customers in the mortgage
24 professionals divisions by 33% to 7,174.

25 "However, our goal is to grow our profits and maximize returns on capital",
26 continued Wohl, "but for the quarter, net income for our production divisions was
27 down 3 percent year-over-year, and ROE, while still strong at 51 percent, declined
28 from 97 percent in Q1 05. This was primarily the result of narrowing mortgage
banking revenue margins in the industry, and, indeed, our revenue margin, which
was also impacted by our conduit volumes increasing from 22 percent of total
volume to 31 percent, declined by 39 percent year-over-year. Nonetheless, we
believe that the financial results for our production divisions for the quarter will

1 compare favorably to our competitors as a result of three key factors: the breadth
2 that we have in our mortgage origination channels, the resiliency of our specialty
3 niche products and the efficiencies we have gained as we have leveraged our
mortgage banking platform."

4 * * *

5 "Four of our five production divisions showed year-over-year improvements in
6 their net income performance," continued Wohl. "Short term, we have allocated
7 more of our capital to our conduit and correspondent divisions and will continue
8 to do so. While the ROEs for these divisions declined year-over-year and are
9 lower than for wholesale, they are above our threshold ROE, and these divisions
10 produce earnings growth which is also accretive to the Company's EPS. The
11 wholesale division's net income is down year-over-year, as this division has been
12 most impacted by industry margin compression, but its ROE of 82% still must be
13 considered very strong. This business is critical to our long-term strategy, and we
14 are confident we can return it to solid earnings growth while maintaining strong
ROEs, as we continue to capture market share and leverage our infrastructure
more fully and as margins stabilize and improve. Finally, we are very pleased with
both the 90 percent net income growth and 72 percent ROE improvement at
Financial Freedom. Given the growth prospects for the reverse mortgage market
and our industry-leading position, we are very excited about the future of this
business."

15 Regarding the implementation of SFAS 156, Accounting for Mortgage Servicing
16 Rights at Fair Value, Scott Keys, Indymac's Chief Financial Officer, stated, "We
17 made a one-time election to account for all mortgage servicing rights at fair value.
18 This election resulted in a \$17.6 million increase to MSRAs as of January 1, 2006,
19 an increase in deferred tax liability of \$7.0 million and an increase in beginning
20 retained earnings for the first quarter of 2006 of \$10.6 million, on an after-tax
21 basis. Indymac's first quarter income statement reflects changes in the fair market
22 value of the mortgage servicing rights from January 1, 2006, to March 31, 2006.
We believe applying fair value accounting to the mortgage servicing rights aligns
the economic performance of this asset more closely with our GAAP results and
thereby reduces volatility in earnings as our hedge has always been focused on
protecting the economic value of the MSRAs.

23 "Looking ahead, four key factors will continue to drive our earnings growth,"
24 added Keys. "First, we will continue to leverage our mortgage banking platform,
25 growing production and gaining market share. Second, we will increase the
26 velocity of our loan sales. This quarter we only sold 84 percent of our loan
production as compared to our 87 percent historical average. Speeding up our
turnover will increase our ROEs in this business and also make room on the

1 balance sheet for the third part of the strategy, which is to opportunistically grow
2 the thrift investment portfolio, where we are confident we can earn solid and
3 stable returns on capital. Finally, our production growth will lead to continued
4 growth in the servicing portfolio, where, again, we will continue to realize scale
economies and ROEs similar to the 29% achieved this quarter.

5 "In light of our strong performance in the first quarter of 2006 and the outlook for
6 the remainder of the year, we are raising our earnings guidance for the year to a
7 range between \$5.00 and \$5.40 per share, up from our prior range of \$4.50 to
8 \$5.20. This EPS forecast is considered our best estimation in light of current
market expectations for interest rates and industry volumes in 2006. However, the
economy, interest rates and our industry remain volatile and, as a result, our actual
results could vary significantly from this forecast."

9 * * *

10 21. Also on April 25, 2007, the Company filed its Form 10-Q for the ended March
11 31, 2006, which included the Company's previously reported financial results. The Form 10-Q
12 was signed by defendants Perry and Keys, who also signed certifications pursuant to Section 302
13 of the Sarbanes-Oxley Act of 2002 and certifications pursuant to 18 U.S.C. Section 1350 stating
14 that they reviewed the Form 10-Q, that the report did not contain any untrue statements of
15 material fact, and that the financial statements presented in all material respects the financial
16 condition, results or operations and cash flows of the Company.
17
18

19 22. On June 13, 2006, the Company issued a press release entitled "IndyMac Bancorp
20 Ranked Seventh Largest Mortgage Originator in the Nation." The press release stated in part:

21 PASADENA, Calif.--(BUSINESS WIRE)--June 13, 2006--IndyMac Bancorp, Inc.
22 (NYSE:NDE) ("Indymac(R)" or the "Company"), the holding company for
23 IndyMac Bank, F.S.B. ("Indymac Bank(R)"), today announced that, based on its
24 mortgage loan production of \$20 billion for the first quarter of 2006, it has been
25 ranked the seventh largest mortgage originator in the nation, according to the
26 quarterly rankings published by the National Mortgage News. Indymac's
27 production was up 72 percent from the first quarter of 2005, when the publication
28 ranked the Company 13th.

1 "We broke into the top 10 in the third quarter of last year, and this quarter's #7
2 ranking puts us well on the way to our goal of being a top six originator by 2010,"
3 commented Michael W. Perry, Indymac's Chairman and Chief Executive Officer.
4 "While we consider this a significant achievement, given the tight band of
5 production for those ranked seventh through 10th, we are well aware that we
6 could move down before we move up further. Our real focus is not on whether we
7 are ranked seventh or 10th, but on how we can profitably get to sixth sooner than
8 2010. It's a big leap to sixth--originations totaled over \$35 billion for the sixth
9 largest originator compared to our \$20 billion last quarter. With that said, it is
10 gratifying to think we started Indymac with four employees in 1993, and we are
11 now successfully competing in the mortgage business with the largest financial
12 institutions in the USA," added Perry.

9 Of the top 25 mortgage lenders in the National Mortgage News survey, Indymac
10 was one of only three companies that achieved sequential quarterly growth,
11 growing its production 11 percent from the fourth quarter of 2005 to the first
12 quarter of 2006. Commenting on this, Richard Wohl, Indymac's President, noted,
13 "The primary factors driving Indymac's growth in production volumes and market
14 share are the following:

13 1. Continued leveraging of our mortgage lending platform through geographic
14 expansion of our regional centers and sales force growth;

15 2. Improved marketing, sales and operational execution with our existing
16 products and channels;

17 3. New product development. We have had significant success in entering the
18 option arm market and enhancing that product line, as well as entering the reverse
19 mortgage business through the acquisition of Financial Freedom two years ago.
20 We continue to have substantial room for growth through product expansion,
21 particularly given that conforming and government lending products are as yet a
22 relatively small component of our production volumes; and

21 4. The continued growth of our conduit and correspondent divisions, which
22 contributed significantly to our attainment of the #7 ranking. This expansion has
23 served us well in the near term; however, longer-term, we will need to drive
24 stronger growth in our wholesale and retail channels to move up in the rankings."

24 23. Defendants knew or recklessly disregarded that the June 13, 2006, press release
25 was materially misleading because it failed to disclose the Company inadequate internal controls
26 or that IndyMac's underwriting guidelines and loss provisions were inadequate to manage the
27

1 risk of loan delinquencies.

2 24. On July 27, 2006, the Company issued a press release entitled "IndyMac Bancorp
3 Announces Record Quarterly EPS of \$1.49, Up 20%, " announcing the Company's results of
4 operations and financial condition for second quarter 2006. The press release stated in part:
5

6 PASADENA, Calif.--(BUSINESS WIRE)--July 27, 2006--IndyMac Bancorp, Inc.
7 (NYSE:NDE):

- 8 * Company Reports Record Quarterly Mortgage Production of \$20.1 Billion
9 * Board of Directors Increases Quarterly Cash Dividend 20% to \$0.48

10 IndyMac Bancorp, Inc. (NYSE:NDE) ("Indymac®" or the "Company"), the
11 holding company for IndyMac Bank, F.S.B. ("Indymac Bank®"), today reported
12 net earnings of \$105 million or \$1.49 per share for the second quarter of 2006,
13 compared with net earnings of \$82 million, or \$1.24 per share in the second
14 quarter of 2005, representing increases of 28 percent in net earnings and 20
15 percent in earnings per share. The 2005 amounts have been retrospectively
16 adjusted to reflect stock option expenses due to the adoption of Statement of
Financial Accounting Standards No. 123 ®, Share-Based Payment. Indymac has
also filed its quarterly report on Form 10-Q for the second quarter with the
Securities and Exchange Commission. The Form 10-Q is available on Indymac's
Website at www.indymacbank.com.

17 Highlights of the Second Quarter 2006 Compared with Second Quarter 2005

- 18 * Record net revenues of \$377.1 million, up 31 percent.
19 * Record net earnings of \$104.7 million, up 28 percent.
20 * Record EPS of \$1.49, up 20 percent.
21 * ROE of 24 percent, compared to 25 percent last year.
22 * Total assets of \$23.8 billion, up 22 percent.
23 * Record mortgage loan production of \$20.1 billion, up 41 percent.
24 * Mortgage market share of 2.96 percent, up approximately 64 percent based on
the MBA's July 2006 Mortgage Finance Forecast.
25 * Record pipeline of mortgage loans in process of \$12.5 billion at June 30,
2006, up 29 percent.
26 * Record portfolio of loans serviced for others of \$110 billion at June 30, 2006,
up 73 percent.
27 * Record total number of consumer customers of 702,000, up 46 percent.
28 * Non-performing assets as a percent of total assets of 0.49 percent compared to

1 0.38 percent a year ago, and net charge-offs of \$1.6 million, down from \$1.8
2 million last year.

3 * Efficiency ratio of 54 percent, compared to 53 percent a year ago, and total
4 expenses to loan production of 99 basis points, improving from 104 basis points
5 last year.

6 "We are very pleased to have achieved a number of records this quarter,
7 particularly in relation to the second quarter of 2005, given that over the last year
8 the operating environment has become more challenging for mortgage lenders as
9 the Federal Reserve has raised short-term rates 200 basis points and mortgage
10 rates climbed to their highest level since 2002. Our ability to achieve record
11 results despite these adverse trends again demonstrates the strength of our hybrid
12 thrift/mortgage banking business model and our ability to execute on it," said
13 Michael W. Perry, Indymac's Chairman and Chief Executive Officer.

14 "The key to our success has been our ability to grow production and assets with
15 accretive deployment of capital, principally from retained earnings and excess
16 capital. Over the last year we deployed an additional \$557 million of capital into
17 our profit generating businesses, a 53 percent increase in comparison with the
18 second quarter of last year, from \$1.05 billion to \$1.61 billion. This generated a
19 strong return on equity of 24 percent," stated Perry.

20 "While our mortgage volumes were at a record level for the ninth consecutive
21 quarter, they were essentially flat compared with the first quarter and we are
22 redoubling our efforts to profitably gain market share," noted Richard Wohl,
23 Indymac's President. "In keeping with this goal, our mortgage pipeline was at an
24 all-time record level of \$12.5 billion as of June 30, up 7 percent from the first
25 quarter of 2006 and up 29 percent year over year, boding well for our mortgage
26 production volumes and profits for the third quarter."

27 With respect to 2006 earnings guidance, Indymac's Chief Financial Officer Scott
28 Keys added, "In light of our continued strong performance this quarter, we are
reiterating our previously issued forecast of earnings of \$5.00 to \$5.40 per share,
although we feel more confident that we will finish the year above the mid-point
of this range."

29 Quarterly Cash Dividend Increased

30 Based on Indymac's strong operating performance and financial position -
31 including earnings, capital and liquidity - and its commitment to shareholder
32 value, Indymac's Board of Directors increased the cash dividend to \$0.48 per
33 share. This represents an increase of 20 percent from the dividend declared and
34 paid in the third quarter last year. The cash dividend is payable Sept. 7, 2006, to

1 shareholders of record on Aug. 10, 2006.

2 25. Also on July 27, 2006, the Company filed its Form 10-Q for the quarterly period
3 ended June 30, 2006, which included the Company's previously reported financial results. The
4 Form 10-Q was signed by defendants Perry and Keys, who also signed certifications pursuant to
5 Section 302 of the Sarbanes-Oxley Act of 2002 and certifications pursuant to 18 U.S.C. Section
6 1350 stating that they reviews the Form 10-Q, that the report did not contain any untrue
7 statements of material fact, and that the financial statements presented in all material respects the
8 financial condition, results or operations and cash flows of the Company.
9

10 26. On November 2, 2006, the Company issued a press release entitled "IndyMac
11 Bancorp Announces Third Quarter EPS of \$1.19, up 3%," announcing the Company's results of
12 operations and financial condition for third quarter 2006. The press release stated in part:
13

14 Company Reports Record Quarterly Mortgage Production of \$24 Billion; Market
15 Share Increases to 3.87%

16 PASADENA, Calif.--(BUSINESS WIRE)--Nov. 2, 2006--IndyMac Bancorp, Inc.
17 (NYSE:NDE) ("Indymac(R)" or the "Company"), the holding company for
18 IndyMac Bank, F.S.B. ("Indymac Bank(R)"), today reported net earnings of \$86
19 million, or \$1.19 per share, for the third quarter of 2006, compared with net
20 earnings of \$78 million, or \$1.16 per share, in the third quarter of 2005,
21 representing increases of 11 percent in net earnings and three percent in earnings
22 per share. The 2005 amounts have been retrospectively adjusted to reflect stock
23 option expenses due to the adoption of Statement of Financial Accounting
24 Standards No. 123R, Share-Based Payment. Indymac has also filed its quarterly
25 report on Form 10-Q for the third quarter with the Securities and Exchange
26 Commission. The Form 10-Q is available on Indymac's Website at
27 www.indymacbank.com.

24 Highlights of the Third Quarter 2006 Compared with Third Quarter 2005

25 -- Net revenues of \$345.6 million, up 22 percent.

26 -- Net earnings of \$86.1 million, up 11 percent.

- 1 -- EPS of \$1.19, up 3 percent.
- 2 -- \$1.6 billion in capital deployed in operating segments, up
3 \$448 million, or 39 percent, representing 86 percent of total
4 capital versus 82 percent in the third quarter of 2005.
- 5 -- ROE of 18 percent, compared to 22 percent.
- 6 -- Record total assets of \$27.4 billion, up 40 percent.
- 7 -- Record mortgage loan production of \$24 billion, up 41 percent.
- 8 -- Record mortgage market share of 3.87 percent based on the
9 MBA's October 2006 Mortgage Finance Forecast, up 98 percent
10 from 1.95 percent in the third quarter of 2005.
- 11 -- Record pipeline of mortgage loans in process of \$14.6 billion
12 at Sept. 30, 2006, up 41 percent.
- 13 -- Record portfolio of loans serviced for others of \$124 billion
14 at Sept. 30, 2006, up 69 percent.
- 15 -- Record total number of consumer customers of 763,000, up 44
16 percent.
- 17 -- Non-performing assets as a percent of total assets of 51 basis
18 points compared to 36 basis points a year ago, and net
19 charge-offs of \$1.9 million, down from \$2.1 million.
- 20 -- Efficiency ratio of 58 percent, compared to 54 percent a year
21 ago, and total expenses to loan production of 83 basis points,
22 compared to 88 basis points.

23 **Strong Net Income and EPS Performance Despite Loan Sales Percentage Being
24 Well Below Historical Average**

25 "We are very pleased to have again achieved a number of records this quarter,"
26 said Michael W. Perry, Indymac's Chairman and Chief Executive Officer. "Even
27 though mortgage industry loan volumes were down 29 percent this quarter versus
28 one year ago and the industry faced narrower revenue margins, Indymac was able
to achieve the third highest EPS in our history and a solid 18 percent ROE. These
results were even more impressive given the fact that we sold only 81 percent of
third quarter loan production. As a result, we grew our balance sheet to a record

1 \$27.4 billion, a 15 percent increase over the previous quarter and 40 percent over
2 last year, and we delayed substantial loan sales and gain-on-sale revenue to the
3 fourth quarter. Had we sold a more normal 92 percent of our production at the
4 same margins as the product we did sell, EPS would have been \$0.17 higher than
reported, or \$1.36, the second best quarter in our history and up 17 percent
year-over-year, and ROE would have been a strong 20 percent."

5 * * *

6 "Once again, our results demonstrate the strength of our hybrid thrift/mortgage
7 banking business model, strong execution of our strategy related to it, and the
8 power and stability of the earnings this produces," continued Perry.

9 Capital Allocations and Performance by Business Segment

10 "Underlying our strong third quarter performance, we fired on all three cylinders
11 with respect to our main business segments - mortgage production, mortgage
12 servicing rights, and the thrift - deploying significantly more capital in each
year-over-year and earning strong returns on this capital," continued Perry.

13 Mortgage Production

14 Mortgage production earned \$69 million, up six percent over 2005. "The ROE
15 from mortgage production was a strong 53 percent, although this was down from
16 65 percent last quarter and 62 percent one year ago," noted Richard Wohl,
17 Indymac Bank's President. "The ROE declined because we sold only 81 percent of
18 the quarter's production and our mortgage banking revenue margin declined from
19 122 basis points to 103 basis points year-over-year, primarily due to the lower
margin conduit channel providing a higher percentage of total mortgage volume
20 than one year ago. Although conduit production has lower revenue margins than
other channels, this division produced net income of \$17.3 million, up almost
four-fold year-over-year, and a strong 46 percent ROE, its highest ever."

21 "While mortgage industry volumes continued to decline, our mortgage production
22 hit a record level for the eleventh consecutive quarter, growing 19 percent over the
23 prior quarter," continued Wohl. "As a result, our market share nearly doubled over
24 last year to an estimated 3.87 percent, an all-time high for Indymac, demonstrating
strong progress in our core strategy of leveraging our mortgage banking
infrastructure."

25 Financial Freedom, the Company's reverse mortgage subsidiary, made a strong
26 contribution to the mortgage production segment's performance, with record
earnings of \$16.3 million, more than double one year ago, and a 56 percent ROE.

1 "While we had a great quarter, our earnings were positively impacted by unusually
2 high revenue margins - 4.52 percent this quarter versus 2.90 percent one year ago
3 - which we believe are not sustainable going forward given increased competition
4 in this business," stated James Mahoney, Chairman and co-CEO of Financial
5 Freedom. "However, as the reverse mortgage industry leader with a market share
6 greater than 50 percent in this rapidly growing business, we see strong future
7 volume growth and, as we continue to scale our operations, strong earnings
8 growth and ROEs long-term."

9 Mortgage Servicing Rights (MSR)

10 The Company more than doubled the capital deployed in MSRs and other retained
11 assets year-over-year to \$402 million in the third quarter. This segment earned a
12 strong ROE of 30 percent versus 20 percent one year ago, with the result that net
13 income tripled to \$30 million. "We have been able to achieve significant scale in
14 this business by growing our servicing portfolio 180 percent over the last two
15 years, from \$45 billion to \$124 billion today," noted John Olinski, EVP in charge
16 of Secondary Marketing and Retained Assets. "Importantly, our hedge
17 performance for the MSR asset was outstanding during a quarter when interest
18 rates declined and portfolio run-off was substantial. Valuation losses of \$134
19 million were offset by hedge gains of \$138 million during the quarter, enabling
20 the strong growth in earnings and ROE brought on by the growth of this
21 portfolio."

22 Thrift Portfolio

23 Net income for the thrift portfolio, which consists of single family residential
24 mortgage loans, consumer and subdivision construction loans, and mortgage
25 backed securities, was down \$1 million year-over-year to \$35 million, even
26 though the Company deployed 26 percent more in capital in this segment. While
27 the ROE was a solid 20 percent, it declined from 26 percent one year ago. "The
28 thrift continues to be a solid performer for Indymac despite the inverted yield
curve that has developed as the Fed has increased rates by 150 basis points to 5.25
percent year-over-year," stated Blair Abernathy, EVP and Chief Investment
Officer. "While the spread between the 10-year Treasury rate and the Fed Funds
rate has gone from a positive 58 basis points to a negative 62 basis points during
this period, we have achieved a remarkably stable consolidated thrift net interest
margin during this period - hovering near the 2.01 percent level achieved during
the last quarter. Nonetheless, the thrift segment ROE declined year-over-year, as
the year-ago quarter was positively impacted by a non-recurring gain-on-sale of
loans, and the current quarter segment-level net interest margin was negatively
impacted by increased intercompany premium amortization due to the decline in
rates during the quarter. Heading into the fourth quarter, this portfolio - including

1 \$10 billion in loans held for investment and \$4 billion in securities - is at a record
2 high level and should produce a growing earnings stream and ROEs consistent
3 with our targeted level of 20 to 25 percent based on our current forecasts of
interest rates and credit losses."

4 Non-performing Assets Increase from Historic Low Levels. Net Charge-offs
5 Remain Low.

6 Industry data shows that the housing market has been slowing and mortgage loan
7 delinquencies have been on the rise. Consistent with these trends, Indymac's
8 non-performing assets (NPAs) as a percentage of total assets increased to 51 basis
9 points during the quarter, from 49 basis points last quarter and 36 basis points a
10 year ago. "Our increase in NPAs was anticipated, as credit performance metrics in
11 the industry had reached a level that was clearly unsustainable in the long-term,"
stated Indymac's Chief Financial Officer, Scott Keys. "Our NPA ratio continues to
12 be well below historical levels; this ratio reached as high as 3.50 percent in 1999,
13 and we expect to see continued increases from the current level as the credit cycle
14 evolves.

15 "Net charge-offs remained low at \$1.9 million for the quarter, or 1.31 percent of
16 pre-tax income, down from \$2.1 million, or 1.60 percent of pre-tax income, last
17 year," continued Keys. "However, we do anticipate that charge-offs will increase
18 substantially from these low levels, with the result that our full year loan loss
19 provision for 2006 is forecasted to be \$16 million, up from \$10 million in 2005,
20 and is forecasted to more than double in 2007 to \$35 million. Notwithstanding
21 this, 94 percent of the balance sheet consists of low credit risk assets (cash and
22 FHLB stock, investment grade MBS securities, mortgage loans held for sale,
23 mortgage loans held for investment, MSRs and consumer construction loans). In
24 addition, our single-family mortgage held-for-investment loan portfolio is of
25 strong credit quality, with original average combined loan-to-value ratios
26 (CLTVs) of 73 percent, current average CLTV ratios estimated to be 59 percent,
27 and an average FICO score of 716."

28 Operating Expenses

Operating expenses grew by 32 percent year-over-year, driven by growth in the
Company's three business segments and the continued build-out of the nationwide
network of mortgage production centers. "We were able to grow our mortgage
production volumes, servicing portfolio and thrift assets more rapidly than our
expenses, and this was key to our being able to continue to grow earnings in the
face of considerably narrower mortgage banking revenue margins," stated Keys.
"This was particularly the case in comparing this quarter with last, as loan volume
and assets grew by 19 percent and 15 percent, respectively, while operating

1 expenses remained flat. Aiding with this was a hiring freeze on all non
2 revenue-generating personnel that was instituted at the beginning of the quarter
3 and continues today. Looking ahead, it will be important for us to focus on
4 reaping more operating leverage from our infrastructure and growing revenues
5 more rapidly than expenses in order to continue growing our EPS."

6 Future Outlook

7 With respect to 2006 earnings guidance, Keys added, "We now expect full year
8 2006 earnings per share in an approximate range of \$5.16 to \$5.26, reflecting
9 continued strength in our production operations and the growth and stable returns
10 in our thrift and servicing segments. Looking ahead to 2007, the MBA is
11 projecting that industry volume will fall a further 14 percent to \$2.1 trillion before
12 stabilizing in 2008. In addition, while interest rates remain low, there is
13 considerable concern over competition and the impact of a slowing housing
14 market. Given the above, combined with the fact that in our industry - which has
15 significant operating leverage - actual earnings and future prospects can change
16 rapidly, predicting future earnings is a challenge. That said, given our hybrid
17 thrift/mortgage banking business model and the dynamic allocation of capital to
18 our three business segments, as well as our past track record of growing net
19 income and EPS in the face of declining market conditions, we expect to again
20 achieve record EPS in 2007 and currently forecast that EPS will be within a range
21 of 10 percent to 15 percent higher than in 2006."

22 Quarterly Cash Dividend Increased

23 Based on Indymac's strong operating performance and financial position -
24 including earnings, capital and liquidity - and its commitment to shareholder
25 value, Indymac's Board of Directors increased the cash dividend to \$0.50 per
26 share. This represents an increase of 19 percent from the dividend declared and
27 paid in the fourth quarter last year. The cash dividend is payable Dec. 7, 2006, to
28 shareholders of record on Nov. 9, 2006.

27 27. Also on November 2, 2006, the Company filed its Form 10-Q for the quarterly
28 period ended September 30, 2006, which included the Company's previously reported financial
results. The Form 10-Q was signed by defendants Perry and Keys, who also signed certifications
pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and certifications pursuant to 18
U.S.C. Section 1350 stating that they reviews the Form 10-Q, that the report did not contain any

1 untrue statements of material fact, and that the financial statements presented in all material
2 respects the financial condition, results or operations and cash flows of the Company.

3 **Disclosures at the End of the Class Period**

4
5 28. On January 16, 2007, the Company issued a press release entitled "IndyMac
6 Provides Update on 2006 Results." The press release stated in part:

7 PASADENA, Calif.--(BUSINESS WIRE)--Jan. 16, 2007--The following is a
8 letter to shareholders of Indymac and other Indymac stakeholders from Michael
9 W. Perry, Chairman and Chief Executive Officer:

10 Dear Shareholders and other Indymac Stakeholders:

11 Unfortunately, we are starting the year off with some bad news.

12 Based on the earnings forecast we provided after the end of last quarter, we
13 anticipated that our EPS for the fourth quarter would be \$1.35 (in a range of \$1.30
14 to \$1.40). However, last week, as we began to complete our quarterly accounting
15 "roll-up," it became clear that our Q4 earnings would be substantially below our
16 forecast. While our internal quarterly accounting certification process is not yet
complete and adjustments could still be made as we finalize our accounting, we
now expect to report approximately \$0.97 EPS for the quarter when we release
earnings as scheduled on January 25th.

17 This shortfall reflects the challenging times being faced by the mortgage and
18 housing industries and the difficult nature of forecasting earnings in our business.
19 I have stated many times before that Indymac is not immune to deteriorating
20 mortgage industry conditions, and it is clear now that during the fourth quarter
21 industry conditions continued to erode. While we have not yet completed our
detailed analysis of all of the variances, our assessment as of today is that the main
differences between our prior forecast of \$1.35 and what looks to be our earnings
of \$0.97 are the following:

22 ***1. An increase in credit costs related to the loan loss provision, secondary***
23 ***market reserve, and marking-to-market delinquent loans held-for-sale and***
24 ***residuals and non-investment grade securities;***

25 ***2. A reduction in net interest margin related to loans held-for-sale and the thrift***
26 ***investment portfolio due to yield curve inversion and the fact that our loan***
27 ***production mix shifted more toward fixed rate and intermediate term fixed rate***

1 *loans;*

2 3. A decline of the servicing/interest-only securities portfolio return on equity
3 (ROE) from a high level of 30 percent last quarter to a more normalized level, in
4 addition to a forecasted sale of some securities (at a gain) that did not occur; and

5 4. As an offset to the above shortfalls, a tax benefit, reflecting the reduction of our
6 annual effective tax rate from 39.5 percent to 39.1 percent. The effective rate
7 declined as a result of doing more business in lower tax-rate states than in
8 California.

9 While I and the rest of Indymac's management team are clearly disappointed with
10 our shortfall from expectations, stepping back from this situation ... if we do
11 report EPS of \$0.97 for the quarter, this would represent a 14.6 percent ROE ... in
12 a very challenging market for housing and the mortgage business. This ROE
13 would still be significantly better than the average ROE reported for the third
14 quarter for the top ten thrifts, excluding Indymac, of 10.3 percent, while at the
15 same time many mortgage companies and mortgage divisions of major financial
16 institutions reported losses.

17 In addition, if we report \$0.97 for the fourth quarter as now anticipated, we would
18 still earn an all-time record \$4.82 for 2006, representing a 19.1 percent ROE and a
19 9 percent increase from 2005 ... in a year where industry volumes were down 17
20 percent, the third year in a row of down industry volumes. In comparison, our
21 research indicates that a majority of the top ten thrifts will report EPS declines for
22 2006, while only Indymac and a few others will grow EPS for the year.

23 Despite our solid performance in a tough market, I understand that Indymac's
24 reputation has been hurt by this earnings miss, and I take full responsibility for
25 this situation. While our internal forecasting processes have been generally
26 predictive of actual earnings in the past and we have had few earnings surprises
27 prior to this quarter, as we have stated in past press releases, in our industry -
28 which has significant operating leverage - actual earnings and future prospects can
29 change rapidly, making it a challenge to forecast future earnings. Nonetheless, we
30 feel strongly that management has a responsibility to provide earnings forecasts to
31 its shareholders to the best of its ability. Accordingly, we will have an updated
32 2007 forecast when we formally release earnings on January 25th, and, at that
33 time, we will present an action plan of key steps we will take to improve our
34 prospects and continue to outperform our peers in the current market environment.
35 As one of these steps, I will be recommending to our board of directors that we
36 not increase our quarterly dividend but maintain it at the current level of \$0.50 per
37 share for this quarter. We also plan to explore stock repurchases, a step we have
38 successfully used in the past, as a way to enhance shareholder value.

1 Thank you again for the trust and confidence you have placed in Indymac and its
2 team. We will continue to work tirelessly to ensure that your trust and confidence
3 are justified.

4 Very truly yours,

5 Michael W. Perry
6 Chairman and Chief Executive Officer

7 * * *

8 29. Defendants knew or recklessly disregarded that the January 16, 2007,
9 press release did not fully disclose problems with the Company's inadequate internal controls
10 and the failure of the Company's underwriting guidelines to adequately manage the risk of loan
11 delinquencies.

12 30. Approximately one week later, on January 25, 2007, the Company issued a press
13 release entitled "IndyMac Bancorp Announces Fourth Quarter EPS of \$0.97, Down 8%, "
14 announcing the Company's results of operations and financial condition for fourth quarter 2006.
15 The press release stated in part:

17 -- Company Reports Record Quarterly Mortgage Production of \$26 Billion and
18 Record Quarterly Mortgage Market Share of 4.51%, Up 80% --

19 -- 2006 EPS at All-Time Record of \$4.82, up 9% Over 2005 --

20 -- Board of Directors Declares Quarterly Cash Dividend of \$0.50 --

21 PASADENA, Calif.--(BUSINESS WIRE)--Jan. 25, 2007--IndyMac Bancorp, Inc.
22 (NYSE:NDE) ("Indymac(R)" or the "Company"), the holding company for
23 IndyMac Bank, F.S.B. ("Indymac Bank(R)"), today reported net earnings of \$72
24 million, or \$0.97 per share, for the fourth quarter of 2006, compared with net
25 earnings of \$70 million, or \$1.06 per share, in the fourth quarter of 2005,
26 representing a 3 percent increase in net earnings and an 8 percent decrease in
27 earnings per share (EPS). The 2005 amounts have been retrospectively adjusted to
28 reflect stock option expenses due to the adoption of Statement of Financial
Accounting Standards No. 123R, Share-Based Payment. Indymac has filed a Form

1 8-K with the Securities and Exchange Commission, which is intended to provide
2 review and analysis of Indymac's financial position and results of operations
3 similar to the information generally provided in Indymac's quarterly Form 10-Q
4 filings. The Form 8-K is available on Indymac's Website at
5 www.indymacbank.com.

6 Highlights of Fourth Quarter 2006 Compared with Fourth Quarter 2005

7 -- Net revenues of \$319.5 million, up 14 percent.

8 -- Net earnings of \$72 million, up from \$70 million.

9 -- EPS of \$0.97, down 8 percent.

10 -- \$1.8 billion in capital deployed in operating segments, up \$561 million, or 44
11 percent, representing 93 percent of total capital versus 84 percent in the fourth
12 quarter of 2005.

13 -- ROE of 15 percent, compared to 19 percent.

14 -- Record total assets of \$29.5 billion, up 37 percent.

15 -- Record mortgage loan production of \$26 billion, up 44 percent.

16 -- Record mortgage market share(1) of 4.51 percent based on the MBA's January
17 2007 Mortgage Finance Forecast, up 80 percent from 2.51 percent in the fourth
18 quarter of 2005.

19 -- Pipeline of mortgage loans in process of \$11.8 billion at Dec. 31, 2006, up 13
20 percent.

21 -- Record portfolio of mortgage loans serviced for others of \$140 billion at Dec.
22 31, 2006, up 65 percent.

23 -- Record total number of consumer customers of 829,000, up 43 percent.

24 -- Efficiency ratio of 64 percent, compared to 58 percent one year ago, and total
25 expenses to loan production of 80 basis points, compared to 88 basis points one
26 year ago.

27 Highlights of Full Year 2006 Compared with Full Year 2005

28 -- Record net revenues of \$1.3 billion, up 22 percent.

- 1 -- Record net earnings of \$343 million, up 17 percent.
- 2 -- Record EPS of \$4.82, up 9 percent.
- 3 -- ROE of 19 percent, compared to 21 percent.
- 4 -- Record average earning assets of \$26 billion, up 32 percent.
- 5 -- Record mortgage loan production of \$90 billion, up 48 percent.
- 6 -- Record mortgage market share(1) of 3.59 percent based on the MBA's January
- 7 2007 Mortgage Finance Forecast, up 79 percent from 2.01 percent last year.
- 8 -- Efficiency ratio of 58 percent, compared to 55 percent a year ago, and total
- 9 expenses to loan production of 86 basis points, compared to 99 basis points.

10 Solid Fourth Quarter and Full Year 2006 Results in the Face of Challenging

11 Times

12 "For the quarter, we earned \$72 million, or \$0.97 per share, which represents a

13 solid 14.6 percent ROE, in a challenging market for housing and the mortgage

14 business," commented Michael W. Perry, Indymac's Chairman and Chief

15 Executive Officer. "However, I and the rest of Indymac's management team are

16 clearly disappointed with these results because they were considerably below our

17 normal earnings growth and ROE levels and fell far short of what we had

18 forecasted for the quarter. In response, I want to assure our shareholders that we

19 are redoubling our efforts to both improve our earnings and tighten up our

20 forecasting processes.

21 "Notwithstanding our earnings shortfall for the fourth quarter," continued Perry,

22 "for the full year 2006, we achieved record mortgage loan production, net income

23 and EPS and earned a strong 19 percent ROE, reflecting the strength of our hybrid

24 thrift/mortgage banking business model and solid execution against our strategic

25 plan.

26 "Tough times, like what we are now facing, are when companies like Indymac can

27 gain ground on the competition - and that is exactly what we are doing. We had a

28 strong quarter for loan production, with \$26 billion in total loans produced, up 8

percent over the prior quarter and 44 percent over Q4-05. With these production

gains, we grew our estimated market share(1) to 4.51 percent in the fourth quarter

versus 3.83 percent in the third quarter and 2.51 percent one year ago.

"At the same time, we maintained reasonable and prudent credit quality in our

1 mortgage loan production. Our fourth quarter production consisted of 97 percent
2 prime loans and 3 percent subprime. The \$22 billion of our loan production that
3 we were able to evaluate using S&P's LEVELS model had an estimated lifetime
4 loss percentage of 84 basis points, average FICO of 703 and average combined
5 loan-to-value (CLTV) ratio of 81 percent, as compared to 82 basis points lifetime
6 loss, 702 FICO and 81 percent CLTV in the prior quarter, and 74 basis points
lifetime loss, 700 FICO and 78 percent CLTV in Q4-05. Also, our mortgage
production segment was solidly profitable for the quarter, earning \$71 million, up
slightly over the prior quarter and up 17 percent over the fourth quarter of 2005.

7 "Bottom line, we are gaining market share, maintaining reasonable credit quality
8 in our mortgage production and earning solid profits, while the mortgage industry,
9 as a whole, is struggling. While no one knows for sure how long the current
10 downturn will last and how severe it will get, when the mortgage business does
turns around, I am confident that Indymac will come out of this down cycle
stronger than ever."

11 Capital Allocations and Performance by Business Segment

12 "We deployed a record \$1.8 billion in capital during the quarter in our main
13 business segments - mortgage production, mortgage servicing rights, and the
14 thrift," continued Perry. "While for the third quarter I reported that 'we fired on all
15 three cylinders' with respect to these segments, this quarter saw erosion in the
16 ROEs of each, given the challenging market conditions which have resulted in
increased credit costs and narrower net interest and mortgage banking revenue
margins."

17 Mortgage Production

18 "While we achieved records for loan production and market share, we are not
19 happy with the fact that earnings from the mortgage production segment did not
20 grow this quarter versus last," commented Richard Wohl, Indymac Bank's
21 President. "Our mortgage banking revenue margin declined to 91 basis points
22 during the fourth quarter from 103 basis points in the prior quarter and 110 basis
23 points in Q4-05. Market conditions contributed to the margin erosion in the form
24 of a shift in our production mix from higher margin ARM loans to lower margin
25 fixed rate loans and increased credit costs related to marking-to-market delinquent
26 loans held for sale and increasing our secondary marketing loan repurchase
reserve. In addition, our less predictable Conduit business accounted for 39
percent of our production volume during the quarter versus 31 percent one year
ago. While the Conduit may have lower profit margins, it earned a solid 29
percent ROE for the quarter on net earnings of \$17 million, up 56 percent from
one year ago. Contributing strongly again was Financial Freedom, the Company's

1 reverse mortgage subsidiary, which had record net earnings of \$18.7 million, up
2 15 percent from the prior quarter and more than double Q4-05, and achieved an
3 ROE of 58 percent. Overall, the mortgage production segment earned a 42 percent
4 ROE, which was down from 53 percent in the third quarter and 54 percent in
5 Q4-05. Looking ahead, there will likely be further erosion in mortgage banking
6 revenue margins and overall profitability before the current down cycle eventually
7 turns up."

6 Mortgage Loan Servicing

7 The Company's portfolio of loans serviced for others increased to \$140 billion in
8 the fourth quarter, up 12 percent over the third quarter and 65 percent year over
9 year. However, net earnings for the segment were \$14.8 million, down 26 percent
10 from the prior quarter and 5 percent from the same quarter last year. The ROE was
11 also down, to 20 percent for the fourth quarter from 30 percent in the third quarter
12 and 38 percent one year ago.

13 Commenting on the earnings and ROE declines, John Olinski, EVP in charge of
14 Secondary Marketing and Retained Assets, stated, "While we hedge the servicing
15 asset very well, hedging is not a perfect science, and the imprecision associated
16 with hedging can cause a certain level of quarterly earnings volatility. For the
17 fourth quarter the ROE fell to 20 percent, which is a more realistic level than the
18 outsized and unsustainable ROE levels we achieved in the third quarter and one
19 year ago. Over time we have managed the interest rate risk of the servicing asset
20 well, as illustrated by our year over year performance. For all of 2006, a year
21 which had considerable interest rate risk and volatility, we had strong
22 performance, earning \$66 million, up 120% from 2005, and achieving a 26
23 percent ROE versus a 22 percent ROE in 2005.

24 "While we will likely see continued quarterly earnings volatility from the
25 servicing asset going forward, we should be able to achieve stable earnings
26 growth over time if we hedge this asset correctly. Growth will come from
27 continued strong growth in the servicing portfolio as we continue to grow our
28 production volumes. Stability will come from the fact that, unlike our other
business segments, servicing is not subject to the competitive margin pressures
and credit risks that come with the housing and mortgage production cycles. Over
time we expect our ROEs from the servicing asset to be in the range of 18 percent
to 23 percent."

24 Residuals and Non-Investment Grade Securities

25 This asset class, which totaled \$331 million as of December 31, 2006 and 1.1
26 percent of the Company's total assets, includes prime and subprime mortgage
27

1 residuals and non-investment grade securities, as well as HELOC and lot loan
2 residuals which are accounted for in the Thrift segment.

3 The combined net earnings for this portfolio were \$1.7 million for the fourth
4 quarter, down 85 percent from the prior quarter and 76 percent from the same
5 quarter last year. These earnings translated into an ROE of 3.6 percent for the
6 quarter, down from 24 percent in the third quarter and 23 percent one year ago.

7 "We are clearly not satisfied with the performance of these portfolios during the
8 quarter, but we feel that this quarter's performance was an aberration that will
9 likely not recur in the future," continued Olinski. "Two main factors drove the
10 earnings decline. First, we implemented a new, more refined prepayment model
11 for our residual securities that resulted in a one-time downward valuation
12 adjustment of \$5 million. Going forward the new model will enable us to hedge
13 these assets more effectively, improving our performance. Second, HELOC
14 residual securities from 2004 incurred a \$6.5 million write-down for credit
15 impairment required by GAAP accounting that we feel does not reflect the true
16 economics of these securities. These securities are callable over the next 4-24
17 months, and, accordingly, we expect to book gains during this time period more
18 than offsetting the fourth quarter write-downs, such that we expect strong overall
19 returns on our 2004 HELOC residual securities over their lives.

20 "Looking at the portfolio of residuals and non-investment grade securities over a
21 longer time period, our performance has been strong. ROEs for 2004 and 2005
22 were 27 percent and 26 percent, respectively, and 2006's full year ROE of 17
23 percent was significantly impacted by the fourth quarter's poor performance. In
24 coming quarters, we expect the ROE will return to a more normal range of 15
25 percent to 20 percent."

26 Thrift Portfolio

27 Net earnings for the thrift portfolio, which consists of single-family residential
28 mortgage loans (whole loans), consumer and subdivision construction loans, and
mortgage backed securities (MBS), were \$25 million, down 30 percent from the
third quarter and 23 percent from one year ago. "Even though we increased our
average earning assets in the thrift investment portfolio, our net interest margin
declined substantially to 1.64 percent in the fourth quarter from 2.02 percent both
in the third quarter and one year ago," noted Blair Abernathy, Indymac's Chief
Investment Officer. "The compression in net interest margin was due primarily to
an increased cost of funds for our whole loan and MBS portfolios. Longer term,
fixed-rate funding for these portfolios of approximately \$1.5 billion at roughly a
2.95 percent cost of funds matured during the quarter and was replaced at a
significantly higher funding cost. This has resulted in a more permanent shift in

1 our net interest margin, such that the 1.64 percent margin realized during the
2 quarter is likely what we can expect going forward. In retrospect, we should have
3 more properly planned for this happening.

4 "Net earnings for the fourth quarter were also negatively impacted by a GAAP
5 \$6.5 million credit-related valuation write-down on HELOC residual securities
6 (noted above) and an increase in the loan loss provision to \$9 million from \$5
7 million in the prior quarter and \$1.6 million in Q4-05. As a result of the earnings
8 decline, the thrift portfolio produced an ROE of 14 percent, below our
9 expectations, versus 20 percent in the prior quarter and 22 percent one year ago.
10 Going forward, we believe the ROE for this portfolio should be in a range of 15
11 percent to 20 percent. We are clearly not happy about the fact that the fourth
12 quarter's performance fell below this range, and we will provide updates on steps
13 we are taking to improve performance as the year progresses."

14 Non-performing Assets and Charge-offs Increase from Historic Low Levels

15 *Non-performing assets to total assets increased to 63 basis points during the*
16 *quarter from 51 basis points in the third quarter and 34 basis points in Q4-05.*
17 *Net charge-offs increased to \$7.6 million during the quarter from \$1.9 million*
18 *both in the prior quarter and one year ago. "We have previously noted that the*
19 *historically low NPAs and charge-offs we have experienced over the last few*
20 *years were unsustainable, and, indeed, we saw erosion in our credit metrics*
21 *during the fourth quarter. In light of this, we are increasing our provision for*
22 *loan losses," commented Scott Keys, Indymac's Chief Financial Officer. "We*
23 *expect current credit conditions to worsen further in 2007 in connection with*
24 *the housing market cycle and therefore are planning for significant increases*
25 *in loan loss provisions and charge-offs in 2007 versus 2006.* Nonetheless, we
26 believe that our credit losses will remain manageable inasmuch as 94 percent of
27 our assets consists of low credit risk assets (cash and FHLB stock, investment
28 grade MBS securities, mortgage loans held-for-sale, mortgage loans
held-for-investment, MSRs and consumer construction loans). In addition, our
\$6.5 billion single-family mortgage held-for-investment loan portfolio is of prime
credit quality, with original average combined loan-to-value ratios (CLTVs) of 73
percent, current average CLTV ratios estimated to be 61 percent, and an average
FICO score of 716."

29 Operating Expenses

30 Total operating expenses of \$211 million were up 4 percent over the third quarter
31 and 29 percent year over year. "Operating expenses were driven by continued
32 growth in the Company's three business segments and the continued build-out of
33 the nationwide network of mortgage production centers," continued Keys. "While
34

1 our ratios of expenses to total loan production, to the loan servicing portfolio and
2 to average earning assets all improved, erosion in our revenue margins led to a
3 worsening of the efficiency ratio to 64 percent versus 58 percent both in the prior
4 quarter and in the fourth quarter of 2005. This ratio is disappointing, and we will
5 be taking a number of steps to remedy this situation in 2007."

6 Action Plan for 2007 and Future Outlook

7 In response to the current market environment, the Company has developed an
8 action plan to improve its efficiency and operating performance that includes the
9 following elements:

10 1. Control over labor costs

- 11 -- Continue the hiring freeze on non-revenue generating personnel
- 12 -- Freeze base salaries company-wide
- 13 -- Continue to employ significant variable compensation tied to revenue and EPS
14 growth, which automatically reduces compensation expense as revenue and EPS
15 decline
- 16 -- Increase outsourcing from 9 percent of workforce to 13.5 percent by 2007
17 year-end

18 2. Control over non-labor costs - initial goal to cut expenses 5 percent from Q4-06

19 3. Incubator initiatives

- 20 -- Reprioritize Incubator initiatives to ideas with immediate payback opportunities
- 21 -- Establish "SWAT" team to help improve existing business execution

22 "Notwithstanding our plan to improve our overall efficiency and performance, we
23 anticipate that 2007 will be a very challenging year," stated Perry. "The MBA is
24 forecasting a 5 percent decline in industry mortgage originations to \$2.4 trillion,
25 following 2006's 17 percent decline. While we expect to continue to capture
26 market share, we also believe that competition will be fierce and the housing
27 market will be challenging. As a result, we believe that in 2007 our revenue
28 margins will remain under pressure and credit quality will likely worsen to more
normalized levels. We are working on an updated forecast for 2007, but this is not
yet completed to our new, more rigorous standards. At this point we are only
comfortable giving broad guidance. With this caveat, we anticipate that our ROE
for 2007 will range from 12.5 percent to 17.5 percent, with a base case of 15
percent, equating to EPS of roughly \$4.15. As the operating environment for our
business becomes clearer and we complete our more rigorous forecasting process,
we plan to provide updated guidance during the year. Finally, I want to reiterate

1 that neither I nor the rest of Indymac's management team are happy with our
2 fourth quarter performance. We are also not pleased with our earnings guidance
3 for 2007, and I can assure you that we will be doing everything possible to
improve our results going forward."

4 * * *

5 31. Defendants knew or recklessly disregarded that the January 25, 2007 press release
6 was materially misleading because it failed to fully disclose IndyMac's problems with loan
7 delinquencies and its inadequate loan loss provisions. Nevertheless, this partial disclosure drove
8 IndyMac's share price downward, to close that same day at \$31.71, or 7.35% below the previous
9 day's closing price of \$40.70 per share.
10

11 32. Finally, on March 1, 2007, the Company issued a press release entitled "IndyMac
12 Issues 2006 Annual Shareholder Letter, Updating 2007 Forecast." The press release stated in
13 part:
14

15 PASADENA, Calif.--(BUSINESS WIRE)--March 1, 2007--IndyMac Bancorp,
16 Inc. (NYSE: NDE) ("Indymac(R)" or the "Company"), the holding company for
17 IndyMac Bank, F.S.B. ("Indymac Bank(R)"), today released its annual letter to
18 shareholders from Chairman and CEO Michael W. Perry, that will be contained in
19 the Company's annual report, which will be issued as scheduled at the end of
20 March. The purpose of releasing the letter today is to provide an update on the
21 Company to shareholders in light of the current volatile conditions in the
mortgage market. Indymac has also filed a Form 8-K containing the annual
shareholder letter with the Securities and Exchange Commission. The Form 8-K
is available on Indymac's Website at www.indymacbank.com. The text of the
letter is contained below.

22 Dear Shareholders:

23 2006 was a challenging year in the mortgage banking industry. Industry loan
24 volumes of \$2.5 trillion were 34 percent below 2003's historic high level and 17
25 percent lower than in 2005. Mortgage banking revenue margins declined further
26 after sharp declines in 2005, and net interest margins continued to compress, as
the yield curve inverted with the average spread between the 10-year Treasury
yield and the 1-month LIBOR declining from 89 basis points in 2005 to negative

1 31 basis points in 2006. To cap it off, the housing industry slowed down
2 significantly, increasing loan delinquencies and non-performing assets and driving
3 up credit costs for all mortgage lenders.

4 Yet, despite these challenges, Indymac again reached new performance heights in
5 2006, achieving:

6 -- Record mortgage loan production of \$90 billion, a 48 percent increase over
7 2005;

8 -- Record mortgage market share of 3.58 percent, a 78 percent gain over the 2.01
9 percent share we had in 2005;

10 -- Record net revenues of \$1.3 billion, a 22 percent increase over 2005;

11 -- Record earnings-per-share (EPS) of \$4.82, a 9 percent gain;

12 -- Record growth in total assets, which increased by \$8 billion, or 37 percent, to
13 \$29.5 billion;

14 -- Record growth in our portfolio of loans serviced for others, which increased by
15 \$55 billion, or 65 percent, to \$140 billion;

16 -- Strong return on equity (ROE) of 19 percent, slightly lower than last year's 21
17 percent level.

18 Notwithstanding our solid results for the year in the face of challenging market
19 conditions, our year ended on a disappointing note. Our fourth quarter EPS
20 declined both sequentially and versus the fourth quarter of 2005, and we fell short
21 of EPS expectations for the quarter. Also, our ROE of 14.6 percent for the quarter,
22 while solid, was at the lowest level in 23 quarters. While I am disappointed with
23 how we finished 2006 and with our outlook for 2007, where EPS will likely be
24 down from 2006 given tough conditions in the mortgage market, I believe we will
25 emerge from this difficult mortgage environment a stronger and more competitive
26 company.

27 We remain fundamentally committed to our hybrid thrift/mortgage banking
28 business model and our strategies inasmuch as we are outperforming most of our
mortgage banking and thrift peers, are earning a solid return on our shareholders'
capital (at what we hope is the low point of our cyclical business) and believe
strongly in the long-term opportunities presented in the housing and mortgage
markets. Nonetheless, in our constant drive to improve our business, we have
taken a fresh look at our hybrid model and decided to fine tune it in ways we feel

1 will make us stronger.

2 Hybrid Thrift/Mortgage Banking Business Model - Updated for the New Market
3 Reality

4 As you know, our hybrid business model balances our mortgage production and
5 servicing businesses with thrift investing. On the mortgage banking side, we
6 generate earnings largely by originating, securitizing and selling loans and
7 securities at a profit and by servicing loans for others. On the thrift side, we
8 generate core spread income from our investment portfolio of prime SFR
9 mortgages, home equity loans, consumer and builder construction loans and
10 mortgage-backed securities (MBS). The combination of mortgage banking and
11 thrift investing has proven to be a powerful business model for Indymac, and,
12 given our strong execution in the past, we have been able to outperform our peers
13 and produce both strong and relatively stable returns on our shareholders' equity.

14 An important tool in understanding our strong financial performance has been our
15 detailed segment reporting, where we allocate capital to different segments of our
16 business, calculate ROEs for each segment every quarter and then adjust our
17 capital allocations according to where we can earn the best returns for our
18 shareholders. In the fourth quarter of 2006, we saw a fairly dramatic decrease in
19 the ROE in our thrift segment, mostly caused by net interest margin erosion in our
20 whole loan and MBS portfolios. Of greatest concern to me is that I see this as part
21 of a broader trend, the continuation of which is inevitable. Let me explain.

22 First, there is fierce competition for consumer deposits, particularly as Wall Street
23 firms and other non-bank entities have over the years made significant inroads in
24 attracting deposits away from banks and thrifts by paying high rates on money
25 market funds. In addition, consumers, assisted by the Internet and deposit
26 insurance, are getting more savvy and efficient with their deposit funds, moving
27 them to the highest yielding options. Both of these factors are driving up deposit
28 costs relative to market funding sources and reducing the funding advantage and
29 net interest margins of depository institutions. Second, spreads to Treasury
30 securities on financial assets that can be securitized (home loans and most other
31 consumer loan types) continue to tighten given the efficiency of the secondary
32 market, reducing asset yields and further compressing net interest margins for
33 depository institutions. While there may be temporary periods where asset spreads
34 widen in the secondary market - such as what we are experiencing as I write this
35 letter - the long-term inevitable trend is toward continued increases in market
36 efficiency and generally tighter asset spreads. Third, the regulatory capital
37 requirements for holding these assets (mortgage and home equity loans, in
38 particular) generally exceed those of the secondary market.

1 As a result of the above, we have seen the ROEs we are earning on our whole loan
2 and MBS portfolios decline, and even fall below our cost of capital at times for
3 some assets, such that it does not make economic sense for us to grow these
4 portfolios to the extent that we had previously planned. Frankly, we have also not
5 received the price/earnings multiple increase we had expected from growing our
6 investment portfolio and building more "stable, core" spread income into our
overall earnings picture. Accordingly, our capital deployment and profit growth
will be more focused in the future on the two broad segments of our mortgage
banking business:

7 -- Mortgage Production - our core business where, as the 9th largest originator and
8 2nd largest independent mortgage banker in the nation, we have strong focus,
9 industry leading expertise, operational scale and consistently earn very strong
ROEs; and

10 -- Mortgage Servicing - where, with a portfolio of loans serviced for others now
11 exceeding \$140 billion, we have achieved strong economies of scale and earn
12 solid ROEs. Importantly, unlike our other business segments, servicing is not
13 subject to the competitive margin pressures and credit risks that come with the
housing and mortgage production cycles.

14 While we will continue to maintain some level of investments in our whole loan
15 and MBS portfolios, going forward, the growth of these portfolios will be based
16 on the extent to which (1) their ROEs exceed our cost of both core and risk-based
17 capital or (2) they are needed to support our core mortgage banking investments in
mortgage servicing rights and residual and non-investment grade securities, if
their ROEs are below our cost of capital.

18 These changes in our business model and strategy represent fine-tuning more than
19 a major strategic shift. The new reality of narrowing net interest margins actually
20 favors Indymac from a competitive standpoint in that, unlike many other
21 depository institutions, we already have a relatively high, market-based cost of
22 funds and have learned, through trading assets and loans in the secondary market,
23 how to earn strong overall ROEs despite that fact. Other financial institutions rely
24 on their low cost of funds to achieve the same or lower ROEs as Indymac, and, as
their cost of funds advantage erodes, I believe they will struggle to sustain their
performance levels. At Indymac, understanding the nuances of the capital
requirements for assets both on-balance-sheet and in the secondary market and
knowing how to effectively trade assets into the secondary market gives us a
competitive advantage that should not be underestimated.

25 With these adjustments to our business model, the real question is, what is the
26 outlook for Indymac long and short term?

1 Long-term Outlook

2 Everyone knows that the housing and mortgage industries are cyclical and can
3 produce volatile economic results. But, as I have said many times before, the
4 market for mortgages is huge, and long-term, mortgage lending is a great business
5 with U.S. mortgage debt outstanding growing by eight to 10 percent per year. And
6 over the long-term Indymac has produced great results, with the bottom line being
7 that, over the fourteen years through December 31, 2006 since the current
8 management team has been in place, Indymac has delivered a compounded annual
9 rate of return to its shareholders of 23 percent versus 12 percent for the Dow
10 Jones Industrial Average and 11 percent for the S&P 500. We can accept some
11 short-term earnings volatility with long-term performance like what we have
12 achieved, and in this respect I like to quote Warren Buffet when he says, "Charlie
13 (Munger) and I would much rather earn a lumpy 15 percent over time than a
14 smooth 12 percent."

15 Over the long run I have confidence in our business model, our strategic plans,
16 our management team and our ability to execute on our plans and adapt as
17 necessary to continue performing for shareholders. In this respect, based on our
18 long-term experience over the housing and mortgage cycles, during the trough
19 periods such as what we are currently experiencing, I would expect Indymac to be
20 able to achieve, roughly speaking, an ROE in the 10 percent to 15 percent range,
21 similar to what traditional thrifts achieve over the long term. When the mortgage
22 and housing markets stabilize, I would expect that Indymac's ROE could improve
23 to the 15 percent to 20 percent level, and during boom times for our business, our
24 ROEs could exceed 20 percent.

25 Short-Term Game Plan

26 While we run Indymac with a vision for the long-term, I am acutely aware that we
27 must also deliver results short-term, especially in today's environment, where
28 many shareholders own our stock for relatively brief time periods and, overall, our
shares turn over six times per year. Given that reality, here is what we will do to
improve performance for our shareholders right now:

1. ***Manage our credit risks by being smart and prudent in adjusting our mortgage underwriting guidelines, setting our risk-based pricing, making decisions as to what assets go into our investment portfolio and/or distributing our risk into the secondary market, and executing on best in class loss prevention and loss mitigation practices.*** [Emphasis added.]

2. Control our costs with our current hiring freeze on non-revenue-generating personnel, base salary freeze company-wide, significant variable compensation

1 tied to revenue and EPS growth, and goals to significantly increase outsourcing of
2 our workforce by year-end and cut our non-labor expenses from our fourth quarter
3 run rate; in general, get more out of the infrastructure we have built up in the last
4 several years as we continue to grow our business. With respect to the hiring
5 freeze, given our normal employee attrition rate of roughly 20 percent per year, we
6 expect to be able to reduce our administrative headcount and overhead while still
being able to stick to our stated goal of avoiding mass layoffs except under the
most extreme circumstances. Our estimate is that all these measures combined
could produce up to \$60 million in pre-tax cost savings annually.

7 3. Focus our capital expenditures and the activities of our new business incubator
8 and M&A group on investments that have lower execution risk and produce both
9 attractive short- and long-term paybacks. For example, in support of our
10 production growth/market share strategy, we will pursue "make sense"
acquisitions of mortgage operations, such as our recently announced purchase of
the retail mortgage platform of the New York Mortgage Co., LLC.

11 4. Continue to profitably grow mortgage production and gain market share by
12 taking advantage of the difficulties experienced by our competitors and
13 aggressively growing our sales force with top producers.

14 5. Spur on our production growth by having healthy, internal competition within
15 our sales forces, leading to better penetration of our existing wholesale and
16 correspondent customers, both with increased volume of products they currently
deliver to us and new volume of products they do not currently deliver to us, i.e.,
reverse mortgages and certain other specialty products.

17 6. Support our shareholders by working extremely hard to return to higher levels
18 of profitability. Maintain our dividend at its current level, in all but the most
19 extreme circumstances, which results in a current annual yield in excess of five
20 percent. Explore issuing non-cumulative perpetual preferred stock and
21 repurchasing our common stock to enhance EPS, although this strategy could
change based on the market for our preferred stock as well as investment
opportunities that present themselves other than buying back our own stock.

22 Even with these measures, 2007 will likely be a down year for our EPS, although
23 our ROE should still be solid, in a broad range of 10 percent to 15 percent.
24 Factored into this forecast is a continuation of tough conditions for loan
25 originations, credit performance and in the secondary market. Our more detailed
26 internal forecast shows that our ROEs for the early quarters of the year will be at
27 the low end of the range above; however, during the second half of the year, if we
28 execute on our plans as we expect, and with a little luck, our ROEs could be at or
even somewhat above the high end of the range. With all of that said, if market

1 conditions deteriorate significantly from what we are forecasting today ... which is
2 always a possibility ... there could be some downside to the above ROE range.

3 In addition to tough market conditions, mortgage lenders will also be facing
4 scrutiny from Congress and regulators on "non-traditional" mortgage products, so
let me say a few words about that.

5 Non-traditional Mortgage Products - The Current Climate

6 Our industry has come into some criticism recently, some warranted and some
7 not, over the proliferation of "non-traditional" mortgage products, such as Option
8 ARMs and Interest-Only mortgages, as well as limited documentation
9 underwriting. While these loans do contain more risk for lender and borrower
alike, when they are offered by lenders and used by consumers responsibly, they
10 bring great value to both. We believe we are a prudent and responsible lender with
these products and also believe that they have been a key contributor to the
11 increase in the homeownership rate in America from 64 percent to 69 percent in
the last twelve years. The increase in the homeownership rate alone has allowed
12 six million additional Americans to make the dream of homeownership a reality in
the last twelve years, significantly increasing their personal wealth as home values
13 have increased, as well as strengthening communities and stimulating the national
and local economies.

14
15 Our industry needs to do a much better job of telling the story of the benefits that
innovative mortgage products have brought to the country, and later on in this
16 report we address this issue in greater depth, including a number of profiles of
customers whom we have helped with our array of mortgage products. Certainly,
17 mortgage foreclosures and credit losses will increase in the current environment,
and the percentage increases will look extremely high and get headlines in the
18 press. But, we need to remember that foreclosures and credit losses are increasing
19 off of record and unsustainably low levels and are returning to more normal levels
now. As long as we have properly priced for credit risk and prudently distributed
20 the risk into the secondary market - both of which we feel we have largely done,
although not perfectly - our credit costs will continue to be manageable. The
21 bottom line is that we need to be more forceful in standing up for ourselves as an
industry. For Indymac in particular, we also need to dispel any misperceptions in
22 the market that we are a subprime lender when, in fact, subprime loans make up
23 only roughly 4 percent of our overall production.

24 Welcome Aboard

25 As we continue to build the capabilities of our team, I am pleased to welcome
26 Gabrielle E. Greene to the Board of Directors of Indymac Bank. Her experience

1 on both sides of a public company -- as a chief financial officer and a director, as
2 well as an investment manager -- will bring a broad and valuable perspective to
3 the Bank's Board. Ms. Greene is a General Partner of Rustic Canyon/Fontis
4 Partners, a private equity fund based in Pasadena, California, and also serves on
5 the boards of Bright Horizons, where she serves on the audit committee, and
6 Whole Foods, where she is chairman of the audit committee and a member of the
7 compensation committee.

8 In Closing ...

9 The current environment makes this a really good time to step back and take stock
10 of the mortgage banking industry and of Indymac Bank. We know our industry is
11 cyclical. During boom times, almost everyone makes money, and it is very
12 difficult to distinguish good management teams from bad. In fact, my view is that
13 weaker management teams can often outperform stronger teams in terms of
14 short-term earnings during boom times precisely because they are undisciplined,
15 cut corners and loosen controls in order to drive revenue in the door. Over the
16 long term, these same firms can suffer losses and reversals, causing many of them
17 to close their doors, unfortunately tainting the entire mortgage industry.

18 ***Given the robust housing market and highly liquid secondary markets (for even
19 the "riskiest loans") - both of which persisted for years longer than anticipated
20 - and given strong competition in a declining overall mortgage market,
21 Indymac, in order to compete and grow, also loosened its lending standards,
22 though in a much more responsible way.*** That we did not do this to the same
23 extent as many other lenders is evidenced by the fact that our mortgage production
24 in 2006 had an average FICO of 701 and average combined loan-to-value (CLTV)
25 ratio of 80 percent as compared to an average FICO of 702 and average CLTV of
26 76 percent in 2005. ***Though we suffered increased credit losses in the fourth
27 quarter even after we began tightening our lending standards early in 2006,
28 these losses in no way threaten the viability of our company.*** With the benefit of
hindsight, if I had to do it over again, I would not do anything materially different
for two important reasons: (1) Indymac's competitive position in the industry has
been significantly enhanced for the long-term by the market share we have gained
and will hold and grow as a result of our product innovation and reasonable
risk-taking, and (2) you don't just lose short-term profits if you do not meet the
competitive tactics of your major long-term competitors ... you lose customers and
you lose your sales force (to your competitors) ... which would, in my view, have
impaired Indymac more than the credit losses we will suffer over the next few
years. [Emphasis added.]

29 However, for many of our competitors in the mortgage and thrift industries who
30 took on too much risk, it is now time to "pay the piper," and now you can clearly

1 see the distinction between the strong and the weak management teams. While
2 there are low barriers to entry in the mortgage business, today's tough environment
3 clearly illustrates that there are many demanding requirements to succeed and
4 survive over the cycles. Long-term success in our business requires competence in
5 many, many areas ... product development; risk-based pricing; marketing and
6 sales management; scaling operations; automation, standardization and
7 outsourcing; interest rate, credit and liquidity risk management; talent recruitment
8 and management; detailed profitability analysis by business segment, product and
9 customer; management accountability systems and capital optimization ... to name
a few. Mastering all of these requires discipline and hard work. And given the
complexity of the mortgage business, it also helps immensely to have laser-like
focus. For Indymac, unlike some of our key competitors which are divisions of
much larger companies, our focus on home lending and mortgage banking is
undiluted, which I believe is an important and sustainable competitive advantage.

10 Once again, I'd like to thank all our customers, employees, shareholders and
11 business partners for their continuing support of Indymac. The difficult market
12 environment we are facing - though unpleasant now, particularly in its negative
13 impact on our stock price - will have longer term benefits as it separates the weak
14 from the strong, weeds out some of the more reckless competitors and causes us
to get better and better at everything we do. I am confident that we will emerge
from this environment in a stronger competitive position than ever before, which
makes me very optimistic about our future.

15 Michael W. Perry
16 Chairman and Chief Executive Officer

17 33. On this news, IndyMac's stock immediately collapsed to close on March 1, 2007
18 at \$32.16 per share, down from \$34.33 per share the prior day, on extremely heavy trading
19 volume.

20 34. The true facts, which were known by the defendants but concealed from
21 the investing public during the Class Period, were as follows:

22 (a) The Company lacked requisite internal controls, and, as a result, the
23 Company's projections and reported results issued during the Class Period were based upon
24 defective assumptions about loan delinquencies and the Company's loan loss provisions;
25
26

1 (b) The Company's financial statements were materially misstated due to its
2 failure to maintain adequate loan loss provisions;

3 (c) Given the deterioration and the increased volatility in the subprime
4 market, the Company would be forced to increase its loan loss provisions and tighten its
5 underwriting guidelines which would have a direct material negative impact on its loan
6 production going forward; and

7 (d) Given the increased volatility in the lending market generally, and the
8 subprime market specifically, the Company's financial projections issued during the Class Period
9 were at a minimum reckless.
10

11 **LOSS CAUSATION**

12 35. Defendants' wrongful conduct, as alleged herein, directly and proximately caused
13 the economic loss suffered by Plaintiff and the Class.
14

15 36. During the Class Period, Plaintiff and the Class purchased or otherwise acquired
16 IndyMac securities at artificially inflated prices and were damaged thereby. The price of
17 IndyMac common stock declined when the misrepresentations made to the market, and/or the
18 information alleged herein to have been concealed from the market, and/or the effects thereof,
19 were revealed, causing investors' losses.
20

21 **COUNT I**

22 **Breach of Fiduciary Duty** 23 **Against All Defendants**

24 37. Plaintiff repeats and realleges each and every allegation contained above as if fully
25 set forth herein.
26

1 integrity of the market, they paid artificially inflated prices for IndyMac common stock. Plaintiff
2 and the Class would not have purchased IndyMac common stock at the prices they paid, or at all,
3 if they had been aware that the market prices had been artificially and falsely inflated by
4 defendants' misleading statements.
5

6 **COUNT II**

7 **For Violation of §20(a) of the 1934 Act** 8 **Against All Defendants**

9 44. Plaintiff repeats and realleges each and every allegation contained above as if fully
10 set forth herein.

11 45. The Individual Defendants acted as controlling persons of IndyMac within the
12 meaning of §20(a) of the 1934 Act. By reason of their positions with the Company, and their
13 ownership of IndyMac stock, the Individual Defendants had the power and authority to cause
14 IndyMac to engage in the wrongful conduct complained of herein. IndyMac controlled the
15 Individual Defendants and all of its employees. By reason of such conduct, defendants are liable
16 pursuant to §20(a) of the 1934 Act.
17

18 **CLASS ACTION ALLEGATIONS**

19 46. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal
20 Rules of Civil Procedure on behalf of all persons who purchased or otherwise acquired IndyMac
21 common stock during the Class Period (the "Class"). Excluded from the Class are defendants.
22

23 47. The members of the Class are so numerous that joinder of all members is
24 impracticable. The disposition of their claims in a class action will provide substantial benefits to
25 the parties and the Court. As of February 16, 2007, IndyMac had more than 72 million shares of
26

1 stock outstanding, owned by hundreds if not thousands of persons.

2 48. There is a well-defined community of interest in the questions of law and
3 fact involved in this case. Questions of law and fact common to the members of the Class which
4 predominate over questions which may affect individual Class members include:
5

6 (a) whether the 1934 Act was violated by defendants;

7 (b) whether defendants omitted and/or misrepresented material facts;

8 (c) whether defendants' statements omitted material facts necessary to
9 make the statements made, in light of the circumstances under which they were made, not
10 misleading;
11

12 (d) whether defendants knew or deliberately disregarded that their
13 statements were false and misleading;

14 (e) whether the price of IndyMac's common stock was artificially inflated;
15 and

16 (f) the extent of damage sustained by Class members and the appropriate
17 measure of damages.
18

19 49. Plaintiff's claims are typical of those of the Class because plaintiff and the Class
20 sustained damages from defendants' wrongful conduct.

21 50. Plaintiff will adequately protect the interests of the Class and has retained counsel
22 who are experienced in class action securities litigation. Plaintiff has no interests which conflict
23 with those of the Class.
24

25 51. A class action is superior to other available methods for the fair and efficient
26 adjudication of this controversy.
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PRAYER FOR RELIEF

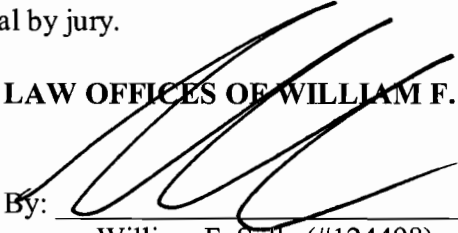
WHEREFORE, plaintiff prays for judgment as follows:

- A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. P. 23;
- B. Awarding plaintiff and the members of the Class damages, including interest;
- C. Awarding plaintiff's reasonable costs and attorneys' fees; and
- D. Awarding such equitable/injunctive or other relief as the Court may deem just and proper.

JURY DEMAND

Plaintiff hereby demands a trial by jury.

Dated: March 8, 2007

LAW OFFICES OF WILLIAM F. SALLE

By: _____
William F. Salle (#124498)
425 E. Colorado St., Suite 755
Glendale, CA 91205
Telephone: (818) 543-1900
Facsimile: (818) 543-1550

Attorneys for Plaintiff