WASHINGTON MUTUAL INC
Form 8-K
January 22, 2003

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 8-K

**Current Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report: **January 21, 2003**

# Washington Mutual, Inc.

(Exact name of registrant as specified in its charter)

| **Washington** | **1-14667** | **91-1653725** |
|---|---|---|
| (State or other jurisdiction of incorporation) | (Commission File Number) | (I.R.S. Employer Identification No.) |

| **1201 Third Avenue, Seattle, Washington** | **98101** |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

**(206) 461-2000**
(Registrant's telephone number, including area code)

**ITEM 9. Regulation FD Disclosure.**

On January 21, 2003, Washington Mutual, Inc. issued a press release reporting its results of operations for the fourth quarter and the year ended December 31, 2002.

January 21, 2003
***FOR IMMEDIATE RELEASE***

**Washington Mutual's Record Quarterly EPS Driven by Record Loan Volume, Strong Account and Deposit Growth**

*Board of Directors Increases Cash Dividend*

SEATTLE Highlighting record levels of loan volume and organic deposit growth, Washington Mutual, Inc. (NYSE: WM) today announced further progress toward its goal of becoming the nation's leading growth retailer of financial services with strong fourth quarter earnings of $969 million, and record quarterly earnings per diluted share of $1.03 for the quarter ended December 31, 2002, up 6 percent on a per share basis from $842 million, or 97 cents per diluted share for the same period a year ago.

Earnings for 2002 were a record $3.90 billion, or $4.05 per diluted share versus $3.11 billion, or $3.59 per diluted share in 2001.

Comparatives for 2001 do not include results from the Dime Bancorp, Inc. (Dime) and HomeSide Lending, Inc. acquisitions in 2002, and new accounting rules which eliminated the amortization of goodwill in 2002. The adoption of the recently issued SFAS No. 147 increased full-year 2002 net income by $22 million or 2 cents per diluted share.

Highlights of the fourth quarter and the year included:

**Continued growth in checking accounts, which are one of the company's core relationship-building products**: The number of checking accounts increased by 166,987 during the quarter and by 1.4 million for the year, including 358,846 accounts acquired in the first quarter from the Dime acquisition. At year end, the average consumer banking household at Washington Mutual maintained more than five products and services with the company;

**Record depositor and other retail banking fees** of $449 million for the fourth quarter and $1.63 billion for the year were up 27 percent from both prior comparative periods;

**The opening of 68 new financial center stores during the quarter, including 20 in the company's newest retail banking market, Denver, Colorado:** The company opened or acquired a total of 266 stores in 2002 143 new stores and 123 as part of the Dime acquisition. As part of its strategy to overlay its retail banking operations in select metropolitan markets, Washington Mutual plans to open approximately 250 new financial center stores in 2003;

**Record loan volume** of $107 billion in the fourth quarter and $306 billion for the year, up 80 percent and 75 percent from the prior comparative periods: This strong performance was led by robust volume in home lending. Unprecedented low interest rates continued to drive record refinancing as home loan volume in the fourth quarter totaled $98 billion and for the year $275 billion;

**Credit quality continues to be in line with management expectations** given the current economic conditions;

**The repurchase of 10.8 million shares** of the company's common stock in the quarter at an average price of $33.28: The company purchased a total of 38 million shares during the year at an average price of $34.29, reflecting its strategy to effectively manage its capital.

"Our fourth quarter and overall 2002 performance illustrates the continued strength of our business strategy and our focus on serving mass-market consumers by delivering the combination of great value and efficient, friendly service on a national scale," said Kerry Killinger, the company's chairman, president and CEO. "Our team met the challenges of 2002 most notably, the slower

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national economy and the highest refinancing volume in U.S. history and delivered yet another record financial performance, while successfully completing multiple integrations of our recent acquisitions. With these integrations now behind us, we see even greater opportunities to grow organically by attracting new households and deepening customer relationships, while driving greater productivity throughout our company. Our strong performance in 2002 places us in a great position to meet these objectives and deliver on our long-term financial targets."

**BOARD OF DIRECTORS INCREASES DIVIDEND**

Based on the company's continued strong operating fundamentals and financial performance, Washington Mutual's Board of Directors declared a cash dividend of 29 cents per share on the company's common stock, up from 28 cents per share in the previous quarter. Dividends on the common stock are payable on February 14, 2003 to shareholders of record as of January 31, 2003.

**FOURTH-QUARTER AND YEAR-END RESULTS**

**Net Interest Income**

For 2002, net interest income was $8.34 billion, an increase of $1.47 billion, or 21 percent, from 2001. Most of this increase was attributable to expansion of the net interest margin, which increased 16 basis points during the year, and an increase of $32.28 billion in average earning assets during 2002, mainly from the Dime acquisition. After peaking in the first quarter of 2002, the net interest margin has declined, largely due to the downward repricing of yields on loans and debt securities.

Net interest income in the fourth quarter, which was aided by a transitory increase in loans held for sale, was essentially flat from the previous quarter of $1.93 billion.

**Noninterest Income**

Continued strong consumer preference for Washington Mutual's products, services and overall business philosophy led to the net increase of more than 1.4 million checking accounts, year over year. This increase contributed to the record level of depositor and other retail banking fees of $449 million for the quarter, up 27 percent from $353 million from the same period one year ago. For the year, depositor and other retail banking fees totaled $1.63 billion, up from $1.29 billion for 2001.

Playing a role in the impressive increase in checking accounts was the company's entry into the New York/New Jersey retail banking market, a result of its acquisition and integration of Dime. Since the conversion and the launch of our marketing campaign, the company increased the number of checking accounts in the acquired branches at an annualized rate of 33 percent.

"Our Dime acquisition and conversion has been one of the most successful in our company's history," said Deanna Oppenheimer, Group President, Banking and Financial Services. "And, that success extends beyond financial performance. I am even more proud of the tremendous talent that came to us from Dime and the team that has helped us achieve these results."

During the fourth quarter, the company completed the HomeSide acquisition, resulting in the addition of almost $1 billion in mortgage servicing rights (MSR). The continuation of a very low interest rate environment reduced the value of the MSR; however, as in prior periods, the company's risk management activities effectively mitigated the impact of the change in valuation. Gain on certain available-for-sale securities, certain revaluation gain from derivatives and net settlement income on derivatives combined to offset impairment as well as increased amortization of MSR in the fourth quarter.

In addition, management continued its efforts to diligently manage its mortgage servicing asset by selling $175 million in excess servicing in the fourth quarter in a privately placed transaction for no material gain or loss. For the year, Washington Mutual sold nearly $1 billion in excess servicing.

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**Lending**

Reflecting Washington Mutual's strength in serving both the home purchase and refinancing markets as well as a significant increase in home equity and multi-family lending volume the company recorded record loan volume of $107.10 billion for the fourth quarter, versus $59.37 billion for the fourth quarter of 2001. For the year, total loan volume was a record $306.05 billion, compared with $175.08 billion in 2001. Of the total loan volume in the fourth quarter, home loan volume totaled $98.17 billion, versus $54.65 billion in the same period a year ago. Home loan volume totaled $274.74 billion in 2002, as compared with $155.10 billion in 2001.

Low mortgage interest rates continued to fuel high volumes of refinancing activity. During 2002, refinancing activity represented 68 percent of home loan volume (excluding specialty mortgage finance), versus 66 percent for 2001. Of home loan volume (excluding specialty mortgage finance), 68 percent was for fixed-rate loans in 2002, versus 74 percent the previous year.

The company saw a tremendous increase in the volume of home equity and multi-family loans in the fourth quarter. For the quarter, these two loan products produced loan volume of $6.80 billion, up 116 percent over $3.15 billion in the fourth quarter of 2001. For the year, that volume was $22.14 billion, up 98 percent from $11.17 billion for 2001.

"We're seeing monthly origination volumes that rival annual production numbers from just a few short years ago," said Craig S. Davis, Group President, Home Loans and Insurance Services. "This can only be accomplished with the incredible team we have assembled and the success of the multiple integrations that are now behind us."

**Efficiency Ratio**

For the year, noninterest expense totaled $6.38 billion, as compared with $4.62 billion for 2001, reflecting increased loan volume and acquisitions.

The company's efficiency ratio was 49.45 percent during the fourth quarter of 2002, compared with 48.48 percent for the third quarter of 2002. For the year, the efficiency ratio was 48.09 percent, versus 43.90 percent one year ago. Noninterest expense for the fourth quarter of 2002 totaled $1.66 billion, compared with $1.62 billion in the third quarter of 2002.

**Credit Quality**

Despite a challenging economy, and modest increases in nonperforming assets (NPAs) and charge offs, credit performance remained in line with the company's expectations.

Specifically, at December 31, 2002, NPAs as a percentage of total assets were 0.97 percent versus 0.95 percent at the end of the third quarter, and 0.93 percent at year-end 2001. Total NPAs were up $96 million to $2.59 billion at December 31, 2002, as compared with $2.50 billion at September 30, 2002.

The provision for loan and lease losses was $125 million, versus $200 million for the same period in the previous year, and $595 million for the year as compared with $575 million for 2001. The allowance for loan and lease losses was $1.65 billion at December 31, 2002. Net loan charge offs for the fourth quarter were $108 million, compared with $88 million for the third quarter.

"The increase in fourth-quarter NPAs was consistent with our expectations and our consumer loan portfolio, originated through our financial center stores, continues to perform in a stable and consistent manner and our multi-family non-accrual totals were at their lowest point of 2002 in the fourth quarter," said Jim Vanasek, the company's chief credit officer. "Overall, we remain comfortable with the credit quality of our portfolio."

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**Balance Sheet and Capital Management**

Washington Mutual's total assets were $268.30 billion at December 31, 2002, up from $242.51 billion at year-end 2001.

On the asset side, the balance sheet grew in the fourth quarter by $5.7 billion as a result of increased home loans held for sale.

The company continues to reduce its reliance on wholesale borrowings, continuing a trend that began in 2001 to increase significantly the portion of loan funding provided by deposits. At December 31, 2002, transaction account balances, including checking, savings and money market deposits, represented 78 percent of total deposits, up from 66 percent at the end of 2001. Total deposits were $155.52 billion at the end of the fourth quarter, up 45 percent from $107.18 billion at the end of the fourth quarter of 2001, reflecting the company's strong organic growth and the Dime acquisition.

Washington Mutual continues to manage its capital position by repurchasing its common stock. During the fourth quarter, the company repurchased 10.8 million shares of its common stock at an average price of $33.28. For the year, it repurchased 38 million shares at an average price of $34.29. Killinger added that company's stock should continue to be an attractive choice for capital deployment in 2003.

Stockholders' equity stood at $20.13 billion, or 7.5 percent of total assets at December 31, 2002. In addition, capital ratios of the company's banking subsidiaries continued to exceed the federal regulatory requirements for classification as "well-capitalized" institutions, the highest regulatory standard.

**Outlook**

"Washington Mutual has an exceptional franchise on which to continue building a market leadership position in consumer financial services," Killinger said. "2002 was a terrific year for Washington Mutual and gives us momentum entering 2003 as we are well positioned to deliver solid top-line growth and bottom line results during the year."

"Our major business initiatives for 2003 will be centered on driving organic expansion through the combination of new household acquisition and targeted cross-sell of products and services to mass market consumers. In addition, with the recent completion of our acquisition integrations, we are able to bring an increased focus on efficiency and operational excellence throughout our organization."

**Company Updates**

Following the trailblazing efforts of the company's Home Loans and Insurance Services Group, Washington Mutual plans to open up to 70 new financial center stores in the greater Chicago area by the end of 2003.

The company also opened its first 20 financial center stores in the Denver area in December.

Tom Casey joined Washington Mutual from General Electric to become the company's new chief financial officer; former CFO, Vice Chair Bill Longbrake, assumed full-time his role in Enterprise Risk Management, as announced earlier in 2002.

The company completed its acquisition of HomeSide Lending, Inc. in October, acquiring HomeSide's 1.4 million customer relationships nationwide.

More than 28,000 New York and New Jersey-area teachers and their guests were treated to Broadway shows as part of Washington Mutual's "Spotlight on Teachers" program in November.

Washington Mutual and the New-York Historical Society teamed up to hold a student photojournalism project called "Home of the Free," which helped students learn about photography, about themselves and their communities.

Washington Mutual's new Leadership Center at Cedarbrook, located just outside Seattle, opened in December.

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**About WaMu**

With a history dating back to 1889, Washington Mutual is a growth retailer of consumer financial services that provides a diversified line of products and services to consumers and small- to mid-sized businesses. At December 31, 2002, Washington Mutual and its subsidiaries had assets of $268.30 billion. The company currently operates more than 2,500 consumer banking, mortgage lending, commercial banking, consumer finance and financial services offices throughout the nation. Washington Mutual's press releases are available at *www.wamu.com*.

**Webcast information:** Investors may listen to Washington Mutual's fourth quarter earnings conference call on January 22, 2003, at 10:30 a.m. EST at *www.wamu.com* or by dialing 1.888.391.7808, passcode "WaMu" is required to access the call. International callers may dial 1.712.271.0791. A recording of the conference call will be available at 1 p.m. EST on Wednesday, January 22 through 11:59 p.m. EST on Friday, January 31. The recorded message will be available at 1.888.562.7231. Callers from outside the United States may dial 1.402.220.6031.

**Forward-Looking Statements**

This press release contains forward-looking statements, which are not historical facts and pertain to future operating results. These forward-looking statements are within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to statements about our plans, objectives, expectations and intentions and other statements contained in this press release that are not historical facts. When used in this press release, the words "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" or words of similar meaning, or future or conditional verbs, such as "will," "would," "should," "could," or "may" are generally intended to identify forward-looking statements. These forward-looking statements are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Actual results may differ materially from the results discussed in these forward-looking statements for the reasons, among others, discussed under the heading, "Business Factors That May Affect Future Results" in Washington Mutual's 2001 Annual Report on Form 10-K which include: (1) changes in general business and economic conditions may significantly affect our earnings; (2) the risk of our inability to effectively manage the volatility of our mortgage banking business could adversely affect our earnings; (3) the risk of our inability to effectively integrate the operations and personnel of companies we have acquired could adversely affect our earnings and financial condition; (4) the concentration of our operations in California could adversely affect our operating results if the California economy or real estate market declines; (5) competition from other financial services companies in our markets could adversely affect our ability to achieve our financial goals; and (6) changes in the regulation of financial services companies could adversely affect our business.

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WM-1

**Washington Mutual, Inc.**
**Consolidated Statements of Income**
*(dollars in millions, except per share data)*
*(unaudited)*

| | Quarter Ended | | | Year Ended | |
|---|---|---|---|---|---|
| | **Dec. 31, 2002** | **Sept. 30, 2002** | **Dec. 31, 2001** | **Dec. 31, 2002** | **Dec. 31, 2001** |
| **Interest Income** | | | | | |
| Loans held for sale | $ 583 | $ 399 | $ 398 | $ 1,727 | $ 1,188 |
| Loans held in portfolio | 2,168 | 2,276 | 2,292 | 9,249 | 10,045 |
| Available-for-sale ("AFS") securities | 547 | 652 | 776 | 2,959 | 3,573 |
| Other interest and dividend income | 68 | 86 | 59 | 312 | 259 |
| Total interest income | 3,366 | 3,413 | 3,525 | 14,247 | 15,065 |
| **Interest Expense** | | | | | |
| Deposits | 672 | 679 | 649 | 2,668 | 3,094 |
| Borrowings | 768 | 815 | 849 | 3,238 | 5,095 |
| Total interest expense | 1,440 | 1,494 | 1,498 | 5,906 | 8,189 |
| Net interest income | 1,926 | 1,919 | 2,027 | 8,341 | 6,876 |
| Provision for loan and lease losses | 125 | 135 | 200 | 595 | 575 |
| Net interest income after provision for loan and lease losses | 1,801 | 1,784 | 1,827 | 7,746 | 6,301 |
| **Noninterest Income** | | | | | |
| Depositor and other retail banking fees | 449 | 426 | 353 | 1,634 | 1,290 |
| Securities fees and commissions | 90 | 92 | 77 | 362 | 303 |
| Insurance income | 45 | 46 | 35 | 177 | 100 |
| Home loan mortgage banking expense, net | (178) | (1,575) | (690) | (2,094) | (285) |
| Portfolio loan related income | 123 | 85 | 60 | 349 | 193 |
| Gain from other AFS securities | 574 | 356 | 392 | 768 | 600 |
| Revaluation gain (loss) from derivatives | (28) | 1,582 | | 2,396 | (5) |
| Gain (loss) on extinguishment of securities sold under agreements to repurchase ("repurchase agreements") | (11) | 98 | 496 | 282 | 621 |
| Net settlement income from certain interest-rate swaps | 158 | 116 | | 382 | |
| Other income | 172 | 154 | 107 | 534 | 431 |

| | Quarter Ended | | | Year Ended | |
|---|---|---|---|---|---|
| Total noninterest income | 1,394 | 1,380 | 830 | 4,790 | 3,248 |
| **Noninterest Expense** | | | | | |
| Compensation and benefits | 757 | 719 | 535 | 2,899 | 1,924 |
| Occupancy and equipment | 294 | 289 | 228 | 1,153 | 804 |
| Telecommunications and outsourced information services | 115 | 136 | 119 | 524 | 441 |
| Depositor and other retail banking losses | 51 | 55 | 45 | 204 | 144 |
| Amortization of goodwill | | | 37 | | 139 |
| Amortization of other intangible assets | 16 | 17 | 8 | 67 | 33 |
| Professional fees | 47 | 55 | 63 | 208 | 201 |
| Advertising and promotion | 58 | 75 | 50 | 246 | 185 |
| Other expense | 320 | 270 | 246 | 1,081 | 746 |
| Total noninterest expense | 1,658 | 1,616 | 1,331 | 6,382 | 4,617 |
| Income before income taxes | 1,537 | 1,548 | 1,326 | 6,154 | 4,932 |
| Income taxes | 568 | 567 | 484 | 2,258 | 1,818 |
| **Net Income** | $ 969 | $ 981 | $ 842 | $ 3,896 | $ 3,114 |
| **Net Income Attributable to Common Stock** | $ 969 | $ 980 | $ 840 | $ 3,891 | $ 3,107 |
| Net income per common share: | | | | | |
| Basic | $ 1.05 | $ 1.04 | $ 0.98 | $ 4.12 | $ 3.65 |
| Diluted | 1.03 | 1.02 | 0.97 | 4.05 | 3.59 |
| Dividends declared per common share | $ 0.28 | $ 0.27 | $ 0.24 | $ 1.06 | $ 0.90 |
| Basic weighted average number of common shares outstanding (in thousands) | 926,210 | 947,293 | 856,014 | 943,905 | 850,245 |
| Diluted weighted average number of common shares outstanding (in thousands) | 939,991 | 963,422 | 868,951 | 960,152 | 864,658 |

WM-2

**Washington Mutual, Inc.**
**Consolidated Statements of Financial Condition**
*(dollars in millions, except per share data)*
*(unaudited)*

| | Dec. 31, 2002 | Sept. 30, 2002 | Dec. 31, 2001 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ 7,208 | $ 5,122 | $ 3,563 |
| Federal funds sold and securities purchased under resale agreements | 2,015 | 2,413 | 2,481 |
| AFS securities: | | | |
| Mortgage-backed securities ("MBS") | 28,375 | 26,494 | 28,568 |
| Investment securities | 15,597 | 20,098 | 29,781 |
| Loans held for sale | 33,996 | 29,508 | 26,582 |
| Loans: | | | |
| Loans held in portfolio | 147,528 | 147,862 | 130,251 |
| Allowance for loan and lease losses | (1,653) | (1,705) | (1,404) |

| | Dec. 31, 2002 | Sept. 30, 2002 | Dec. 31, 2001 |
|---|---|---|---|
| Total loans held in portfolio, net of allowance for loan and lease losses | 145,875 | 146,157 | 128,847 |
| Investment in Federal Home Loan Banks ("FHLBs") | 3,703 | 3,792 | 3,873 |
| Mortgage servicing rights ("MSR") | 5,341 | 4,548 | 6,241 |
| Goodwill | 6,270 | 6,253 | 2,175 |
| Other assets | 19,918 | 18,246 | 10,395 |
| Total assets | $ 268,298 | $ 262,631 | $ 242,506 |
| **Liabilities** | | | |
| Deposits: | | | |
| Checking accounts | $ 91,862 | $ 77,113 | $ 37,736 |
| Savings accounts and money market deposit accounts ("MMDAs") | 29,886 | 29,799 | 32,484 |
| Time deposit accounts | 33,768 | 33,696 | 36,962 |
| Total deposits | 155,516 | 140,608 | 107,182 |
| Federal funds purchased and commercial paper | 1,247 | 1,845 | 4,690 |
| Securities sold under agreements to repurchase ("repurchase agreements") | 16,717 | 22,381 | 39,447 |
| Advances from FHLBs | 51,265 | 55,752 | 61,182 |
| Other borrowings | 15,264 | 13,415 | 12,576 |
| Other liabilities | 8,155 | 8,452 | 3,264 |
| Total liabilities | 248,164 | 242,453 | 228,341 |
| Redeemable preferred stock | | | 102 |
| **Stockholders' equity** | 20,134 | 20,178 | 14,063 |
| Total liabilities, redeemable preferred stock, and stockholders' equity | $ 268,298 | $ 262,631 | $ 242,506 |
| Common shares outstanding at end of period (in thousands)(1) | 926,054 | 935,752 | 855,089 |
| Book value per common share | $ 21.74 | $ 21.56 | $ 16.45 |
| Tangible book value per common share | 15.06 | 14.95 | 14.18 |
| Full-time equivalent employees at end of period | 52,459 | 50,329 | 39,465 |

(1) Excludes 18 million shares held in escrow pending resolution of the company's asserted right to the return and cancellation of such shares.



**Washington Mutual, Inc.**
**Selected Financial Information**
*(dollars in millions, except per share data)*
*(unaudited)*

| | Year Ended | |
|---|---|---|
| | Dec. 31, 2002 | Dec. 31, 2001 |

| | Year Ended | |
|---|---|---|
| **Stockholders' Equity Rollforward** | | |
| Balance, beginning of period | $ 14,063 | $ 10,166 |
| Net income | 3,896 | 3,114 |
| Other comprehensive income (loss), net of tax | 418 | (189) |
| Cash dividends declared on common stock | (1,021) | (774) |
| Cash dividends declared on redeemable preferred stock | (5) | (7) |
| Common stock repurchased and retired | (1,303) | (231) |
| Common stock warrants issued, net of issuance costs | | 398 |
| Common stock issued for acquisitions | 3,672 | 1,389 |
| Fair value of Dime stock options | 90 | |
| Common stock issued to redeem preferred stock | 102 | |
| Common stock issued | 222 | 197 |
| Balance, end of period | $ 20,134 | $ 14,063 |

| | Quarter Ended | | | Year Ended | |
|---|---|---|---|---|---|
| | Dec. 31, 2002 | Sept. 30, 2002 | Dec. 31, 2001 | Dec. 31, 2002 | Dec. 31, 2001 |
| **Pro Forma**(1) | | | | | |
| Income before income taxes | $ 1,537 | $ 1,548 | $ 1,326 | $ 6,154 | $ 4,932 |
| Add back: amortization of goodwill(2) | | | 37 | | 139 |
| Income before income taxes, excluding amortization of goodwill | 1,537 | 1,548 | 1,363 | 6,154 | 5,071 |
| Income taxes | (568) | (567) | (488) | (2,258) | (1,834) |
| Net income, excluding amortization of goodwill | 969 | 981 | 875 | 3,896 | 3,237 |
| Redeemable preferred stock dividends | | (1) | (2) | (5) | (7) |
| Net income attributable to common stock, excluding amortization of goodwill | $ 969 | $ 980 | $ 873 | $ 3,891 | $ 3,230 |
| Net income per diluted common share, excluding amortization of goodwill | $ 1.03 | $ 1.02 | $ 1.00 | $ 4.05 | $ 3.73 |

(1) Represents pro forma impact to net income for the quarter ended December 31, 2002, September 30, 2002 and December 31, 2001 and the year ended December 31, 2002 and 2001, assuming that the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*, which eliminates the amortization of goodwill from net income, was applied to all periods presented. SFAS No. 142 became effective on January 1, 2002.

(2) With the adoption of SFAS No. 147, *Acquisitions of Certain Financial Institutions*, amortization of goodwill includes the amortization of certain unidentifiable intangible assets that were recognized from financial institution acquisitions.

| | Quarter Ended | | | Nine Months Ended |
|---|---|---|---|---|
| | Sept. 30, 2002 | June 30, 2002 | Mar. 31, 2002 | Sept. 30, 2002 |

| | Quarter Ended | | | Nine Months Ended |
|---|---|---|---|---|
| **Impact of SFAS No. 147 Adoption**(1) | | | | |
| Income before income taxes as reported prior to the adoption of SFAS No. 147 | $ 1,539 | $ 1,552 | $ 1,499 | $ 4,591 |
| Add back: amortization of certain unidentifiable intangible assets | 9 | 9 | 9 | 26 |
| Income before income taxes | 1,548 | 1,561 | 1,508 | 4,617 |
| Income taxes | (567) | (571) | (552) | (1,690) |
| Net income | 981 | 990 | 956 | 2,927 |
| Redeemable preferred stock dividends | (1) | (2) | (2) | (5) |
| Net income attributable to common stock | $ 980 | $ 988 | $ 954 | $ 2,922 |
| Net income per diluted common share | $ 1.02 | $ 1.01 | $ 0.99 | $ 3.02 |

(1) The 2002 annual impact of the adoption of SFAS No. 147 was to increase net income by $22 million or 2 cents per diluted share.



**Washington Mutual, Inc.**
**Selected Financial Information**
*(dollars in millions except per share amounts)*
*(unaudited)*

| | Quarter Ended | | | | |
|---|---|---|---|---|---|
| | Dec. 31, 2002 | Sept. 30, 2002 | June 30, 2002 | Mar. 31, 2002 | Dec. 31, 2001 |
| **PROFITABILITY** | | | | | |
| Net interest income | $ 1,926 | $ 1,919 | $ 2,100 | $ 2,396 | $ 2,027 |
| Net interest margin | 3.25% | 3.36% | 3.54% | 3.74% | 3.80% |
| Noninterest income | $ 1,394 | $ 1,380 | $ 1,208 | $ 807 | $ 830 |
| Noninterest expense | 1,658 | 1,616 | 1,586 | 1,521 | 1,331 |
| Net income | 969 | 981 | 990 | 956 | 842 |
| Net income per common share: | | | | | |
| Basic | $ 1.05 | $ 1.04 | $ 1.04 | $ 1.01 | $ 0.98 |
| Diluted | 1.03 | 1.02 | 1.01 | 0.99 | 0.97 |
| Dividends declared per common share | $ 0.28 | $ 0.27 | $ 0.26 | $ 0.25 | $ 0.24 |
| Return on average assets | 1.42% | 1.50% | 1.48% | 1.34% | 1.43% |
| Return on average common equity | 18.34 | 18.79 | 20.37 | 20.64 | 23.36 |
| Efficiency ratio(1) | 49.45 | 48.48 | 47.45 | 46.96 | 44.99 |
| **ASSET QUALITY** | | | | | |
| Nonaccrual loans(2) | $ 2,257 | $ 2,188 | $ 2,232 | $ 2,391 | $ 2,030 |
| Foreclosed assets | 336 | 309 | 274 | 267 | 228 |
| Total nonperforming assets | 2,593 | 2,497 | 2,506 | 2,658 | 2,258 |
| Nonperforming assets/total assets | 0.97% | 0.95% | 0.96% | 0.97% | 0.93% |
| Restructured loans | $ 98 | $ 112 | $ 119 | $ 130 | $ 118 |

| | Quarter Ended | | | | |
|---|---|---|---|---|---|
| Total nonperforming assets and restructured loans | 2,691 | 2,609 | 2,625 | 2,788 | 2,376 |
| Allowance for loan and lease losses | 1,653 | 1,705 | 1,665 | 1,621 | 1,404 |
| Allowance as a percentage of total loans held in portfolio | 1.12% | 1.15% | 1.14% | 1.12% | 1.08% |
| Provision for loan and lease losses | $ 125 | $ 135 | $ 160 | $ 175 | $ 200 |
| Net charge offs | 108 | 88 | 116 | 99 | 97 |
| **CAPITAL ADEQUACY** | | | | | |
| Stockholders' equity/total assets | 7.50% | 7.68% | 7.50% | 6.59% | 5.80% |
| Stockholders' equity(3)/total assets(3) | 7.48 | 7.51 | 7.52 | 6.80 | 5.89 |
| Tangible common equity(3)(4)/total assets(3)(4) | 5.29 | 5.27 | 5.28 | 4.69 | 5.14 |
| Estimated total risk-based capital/risk-weighted assets(5) | 11.69 | 11.16 | 12.32 | 11.69 | 12.87 |
| **SUPPLEMENTAL DATA** | | | | | |
| Average balance sheet: | | | | | |
| Loans held for sale | $ 37,322 | $ 25,740 | $ 22,211 | $ 27,241 | $ 25,263 |
| Loans held in portfolio | 149,173 | 146,160 | 146,667 | 147,531 | 129,661 |
| Interest-earning assets | 237,842 | 229,364 | 236,504 | 255,177 | 214,063 |
| Total assets | 273,729 | 261,170 | 266,849 | 284,349 | 236,335 |
| Interest-bearing deposits | 116,177 | 111,408 | 108,231 | 101,217 | 83,934 |
| Noninterest-bearing deposits | 32,375 | 24,065 | 22,417 | 22,635 | 19,699 |
| Stockholders' equity | 21,121 | 20,872 | 19,401 | 18,487 | 14,389 |
| Period-end balance sheet: | | | | | |
| Loans held for sale | 33,996 | 29,508 | 21,940 | 24,751 | 26,582 |
| Loans held in portfolio, net of allowance for loan and lease losses | 145,875 | 146,157 | 144,208 | 143,309 | 128,847 |
| Interest-earning assets | 231,214 | 230,167 | 230,852 | 241,296 | 221,536 |
| Assets | 268,298 | 262,631 | 261,298 | 275,231 | 242,506 |
| Interest-bearing deposits | 118,001 | 112,969 | 108,441 | 107,174 | 83,923 |
| Noninterest-bearing deposits | 37,515 | 27,639 | 20,628 | 21,836 | 23,259 |
| Stockholders' equity | 20,134 | 20,178 | 19,598 | 18,133 | 14,063 |

(1) Excludes amortization of goodwill and amortization of other intangible assets.

(2) Excludes nonaccrual loans held for sale.

(3) Excludes unrealized net gain/loss on available-for-sale securities and derivatives.

(4) Excludes goodwill and intangible assets but includes MSR.

(5) Estimate of what the total risk-based capital ratio would be if Washington Mutual, Inc. was a bank holding company that complies with Federal Reserve Board capital requirements.



**Washington Mutual, Inc.**
**Selected Financial Information**
*(dollars in millions)*
*(unaudited)*

| | Quarter Ended | | | | | |
|---|---|---|---|---|---|---|
| | Dec. 31, 2002 | | Sept. 30, 2002 | | Dec. 31, 2001 | |
| | Balance | Rate | Balance | Rate | Balance | Rate |
| **Average Balances and Weighted Average Interest Rates** | | | | | | |
| **Assets** | | | | | | |
| Interest-earning assets: | | | | | | |
| Federal funds sold and securities purchased under resale agreements | $ 2,536 | 1.43% | $ 3,707 | 1.74% | $ 516 | 2.15% |
| AFS securities(1): | | | | | | |
| MBS | 26,010 | 5.01 | 24,882 | 5.53 | 31,188 | 6.29 |
| Investment securities | 18,286 | 4.84 | 24,472 | 5.02 | 23,184 | 4.91 |
| Loans held for sale(2) | 37,322 | 5.70 | 25,740 | 6.03 | 25,263 | 6.51 |
| Loans held in portfolio(2): | | | | | | |
| Home loans | 85,317 | 5.55 | 84,276 | 5.85 | 79,110 | 6.60 |
| Specialty mortgage finance(3) | 9,405 | 5.54 | 9,141 | 6.28 | 8,015 | 7.39 |
| Total home loans | 94,722 | 5.55 | 93,417 | 5.89 | 87,125 | 6.67 |
| Home construction loans: | | | | | | |
| Builder(4) | 1,109 | 5.68 | 1,214 | 5.53 | 1,776 | 6.23 |
| Custom(5) | 914 | 8.34 | 891 | 8.15 | 916 | 8.75 |
| Home equity loans and lines of credit: | | | | | | |
| Banking subsidiaries | 15,380 | 5.69 | 14,170 | 5.97 | 7,700 | 6.86 |
| Washington Mutual Finance | 2,010 | 11.88 | 2,225 | 11.96 | 2,100 | 12.57 |
| Multi-family | 18,815 | 5.82 | 18,094 | 5.92 | 15,916 | 7.01 |
| Other real estate | 8,230 | 6.67 | 8,412 | 6.76 | 6,154 | 7.14 |
| Total loans secured by real estate | 141,180 | 5.77 | 138,423 | 6.07 | 121,687 | 6.86 |
| Consumer: | | | | | | |
| Banking subsidiaries | 1,691 | 9.30 | 2,119 | 9.53 | 2,063 | 9.53 |
| Washington Mutual Finance | 1,710 | 19.25 | 1,708 | 19.13 | 1,744 | 18.37 |
| Commercial business | 4,592 | 4.83 | 3,910 | 5.34 | 4,167 | 5.57 |
| Total loans held in portfolio | 149,173 | 5.94 | 146,160 | 6.25 | 129,661 | 7.02 |
| Other | 4,515 | 5.16 | 4,403 | 6.23 | 4,251 | 5.31 |
| Total interest-earning assets | 237,842 | 5.65 | 229,364 | 5.94 | 214,063 | 6.58 |
| Noninterest-earning assets: | | | | | | |
| MSR | 5,855 | | 5,933 | | 6,517 | |
| Goodwill | 6,229 | | 6,231 | | 2,125 | |
| Other | 23,803 | | 19,642 | | 13,630 | |
| Total assets | $ 273,729 | | $ 261,170 | | $ 236,335 | |
| **Liabilities** | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Deposits: | | | | | | |
| Interest-bearing checking | $ 53,588 | 2.35 | $ 46,508 | 2.59 | $ 10,897 | 1.98 |
| Savings accounts and MMDAs | 28,745 | 1.30 | 29,963 | 1.45 | 34,174 | 2.11 |
| Time deposit accounts | 33,844 | 3.06 | 34,937 | 3.01 | 38,863 | 4.22 |

| | Quarter Ended | | | | | |
|---|---|---|---|---|---|---|
| Total interest-bearing deposits | 116,177 | 2.30 | 111,408 | 2.42 | 83,934 | 3.07 |
| Federal funds purchased and commercial paper | 2,848 | 1.71 | 1,983 | 2.06 | 5,163 | 2.39 |
| Repurchase agreements | 23,659 | 2.77 | 26,814 | 3.06 | 29,677 | 2.31 |
| Advances from FHLBs | 56,047 | 2.94 | 56,926 | 3.01 | 64,338 | 3.17 |
| Other | 14,376 | 4.83 | 13,549 | 4.87 | 14,357 | 3.61 |
| Total interest-bearing liabilities | 213,107 | 2.68 | 210,680 | 2.81 | 197,469 | 3.01 |
| Noninterest-bearing sources: | | | | | | |
| Noninterest-bearing deposits | 32,375 | | 24,065 | | 19,699 | |
| Other liabilities | 7,126 | | 5,553 | | 4,778 | |
| Stockholders' equity | 21,121 | | 20,872 | | 14,389 | |
| Total liabilities and stockholders' equity | $ 273,729 | | $ 261,170 | | $ 236,335 | |
| Net interest spread | | 2.97 | | 3.13 | | 3.57 |
| Impact of noninterest-bearing sources | | 0.28 | | 0.23 | | 0.23 |
| Net interest margin | | 3.25 | | 3.36 | | 3.80 |

(1) Yield is based on average amortized cost balances.

(2) Nonaccrual loans were included in the average loan amounts outstanding.

(3) Represents purchased subprime loan portfolios.

(4) Represents loans to builders for the purpose of financing the acquisition, development and construction of single-family residences for sale.

(5) Represents construction loans made directly to the intended occupant of a single-family residence.



**Washington Mutual, Inc.**
**Selected Financial Information**
*(dollars in millions)*
*(unaudited)*

| | Year Ended | | | |
|---|---|---|---|---|
| | Dec. 31, 2002 | | Dec. 31, 2001 | |
| | Balance | Rate | Balance | Rate |
| **Average Balances and Weighted Average Interest Rates** | | | | |
| **Assets** | | | | |
| Interest-earning assets: | | | | |
| Federal funds sold and securities purchased under resale agreements | $ 2,352 | 1.68% | $ 335 | 4.40% |
| AFS securities(1): | | | | |
| MBS | 24,656 | 5.46 | 41,430 | 6.94 |
| Investment securities | 32,508 | 4.96 | 13,187 | 5.29 |
| Loans held for sale(2) | 28,128 | 6.13 | 17,719 | 6.79 |
| Loans held in portfolio(2): | | | | |
| Home loans | 86,042 | 5.90 | 81,686 | 7.23 |

| | Year Ended | | | |
|---|---|---|---|---|
| Specialty mortgage finance(3) | 9,028 | 6.27 | 6,936 | 7.63 |
| Total home loans | 95,070 | 5.94 | 88,622 | 7.26 |
| Home construction loans: | | | | |
| Builder(4) | 1,316 | 5.87 | 1,826 | 7.67 |
| Custom(5) | 906 | 8.19 | 905 | 8.96 |
| Home equity loans and lines of credit: | | | | |
| Banking subsidiaries | 13,382 | 5.91 | 7,248 | 7.72 |
| Washington Mutual Finance | 2,100 | 12.06 | 2,056 | 12.74 |
| Multi-family | 17,973 | 6.01 | 16,480 | 7.72 |
| Other real estate | 8,368 | 6.81 | 5,913 | 7.96 |
| Total loans secured by real estate | 139,115 | 6.10 | 123,050 | 7.50 |
| Consumer: | | | | |
| Banking subsidiaries | 2,349 | 9.37 | 1,804 | 10.96 |
| Washington Mutual Finance | 1,714 | 18.87 | 1,731 | 18.63 |
| Commercial business | 4,227 | 5.08 | 4,010 | 7.02 |
| Total loans held in portfolio | 147,405 | 6.27 | 130,595 | 7.68 |
| Other | 4,597 | 5.92 | 4,103 | 5.95 |
| Total interest-earning assets | 239,646 | 5.94 | 207,369 | 7.26 |
| Noninterest-earning assets: | | | | |
| MSR | 6,650 | | 5,276 | |
| Goodwill | 6,054 | | 1,901 | |
| Other | 19,117 | | 11,027 | |
| Total assets | $ 271,467 | | $ 225,573 | |
| **Liabilities** | | | | |
| Interest-bearing liabilities: | | | | |
| Deposits: | | | | |
| Interest-bearing checking | $ 40,338 | 2.55 | $ 7,540 | 1.58 |
| Savings accounts and MMDAs | 31,545 | 1.48 | 35,873 | 3.17 |
| Time deposit accounts | 37,422 | 3.14 | 36,496 | 5.04 |
| Total interest-bearing deposits | 109,305 | 2.44 | 79,909 | 3.87 |
| Federal funds purchased and commercial paper | 3,478 | 1.92 | 4,806 | 4.11 |
| Repurchase agreements | 34,830 | 2.31 | 29,582 | 4.05 |
| Advances from FHLBs | 59,449 | 2.83 | 63,859 | 4.58 |
| Other | 14,014 | 4.90 | 13,289 | 5.84 |
| Total interest-bearing liabilities | 221,076 | 2.67 | 191,445 | 4.28 |
| Noninterest-bearing sources: | | | | |
| Noninterest-bearing deposits | 25,396 | | 16,613 | |
| Other liabilities | 5,015 | | 4,308 | |
| Stockholders' equity | 19,980 | | 13,207 | |

| | Year Ended | |
|---|---|---|
| Total liabilities and stockholders' equity | $ 271,467 | $ 225,573 |
| Net interest spread | 3.27 | 2.98 |
| Impact of noninterest-bearing sources | 0.21 | 0.34 |
| Net interest margin | 3.48 | 3.32 |

(1) Yield is based on average amortized cost balances.

(2) Nonaccrual loans were included in the average loan amounts outstanding.

(3) Represents purchased subprime loan portfolios.

(4) Represents loans to builders for the purpose of financing the acquisition, development and construction of single-family residences for sale.

(5) Represents construction loans made directly to the intended occupant of a single-family residence.



**Washington Mutual, Inc.**
**Selected Financial Information**
*(unaudited)*

| | Quarter Ended | | | Year Ended | |
|---|---|---|---|---|---|
| | **Dec. 31, 2002** | **Sept. 30, 2002** | **Dec. 31, 2001** | **Dec. 31, 2002** | **Dec. 31, 2001** |
| **Basic and Diluted Weighted Average Number of Common Shares Outstanding (in thousands)** | | | | | |
| Basic weighted average number of common shares outstanding | 926,210 | 947,293 | 856,014 | 943,905 | 850,245 |
| Potential dilutive effect of common shares from: | | | | | |
| Stock options | 7,530 | 8,460 | 6,726 | 8,626 | 8,469 |
| Premium Income Equity Securities SM(1) | | 775 | 1,268 | 951 | 1,346 |
| Trust Preferred Income Equity Redeemable Securities SM | 6,251 | 6,894 | 4,943 | 6,670 | 4,598 |
| | 13,781 | 16,129 | 12,937 | 16,247 | 14,413 |
| Diluted weighted average number of common shares outstanding | 939,991 | 963,422 | 868,951 | 960,152 | 864,658 |

(1) Redeemed on August 16, 2002.



**Washington Mutual, Inc.**
**Selected Financial Information**
*(dollars in millions)*

*(unaudited)*

| | Quarter Ended | | | Year Ended | |
|---|---|---|---|---|---|
| | Dec. 31, 2002 | Sept. 30, 2002 | Dec. 31, 2001 | Dec. 31, 2002 | Dec. 31, 2001 |
| **Loan Volume** | | | | | |
| Home loans: | | | | | |
| Adjustable rate ("ARMs") | $ 25,998 | $ 25,928 | $ 12,891 | $ 84,627 | $ 37,224 |
| Fixed rate | 67,487 | 38,323 | 39,280 | 176,040 | 107,538 |
| Specialty mortgage finance(1) | 4,689 | 3,187 | 2,476 | 14,077 | 10,333 |
| Total home loan volume | 98,174 | 67,438 | 54,647 | 274,744 | 155,095 |
| Home construction loans: | | | | | |
| Builder(2) | 389 | 567 | 144 | 1,842 | 1,957 |
| Custom(3) | 194 | 214 | 160 | 761 | 917 |
| Home equity loans and lines of credit: | | | | | |
| Banking subsidiaries | 4,721 | 3,374 | 2,209 | 15,254 | 7,537 |
| Washington Mutual Finance | 216 | 244 | 223 | 1,051 | 937 |
| Multi-family | 1,864 | 1,870 | 715 | 5,839 | 2,697 |
| Other real estate | 513 | 636 | 225 | 1,818 | 1,422 |
| Total loans secured by real estate | 106,071 | 74,343 | 58,323 | 301,309 | 170,562 |
| Consumer: | | | | | |
| Banking subsidiaries | 114 | 178 | 105 | 760 | 540 |
| Washington Mutual Finance | 481 | 435 | 472 | 1,791 | 1,760 |
| Commercial business | 438 | 527 | 468 | 2,193 | 2,219 |
| Total loan volume | $ 107,104 | $ 75,483 | $ 59,368 | $ 306,053 | $ 175,081 |
| **Loan Volume by Channel** | | | | | |
| Originated | $ 64,881 | $ 52,020 | $ 35,390 | $ 200,107 | $ 112,173 |
| Purchased/Correspondent | 42,223 | 23,463 | 23,978 | 105,946 | 62,908 |
| Total loan volume by channel | $ 107,104 | $ 75,483 | $ 59,368 | $ 306,053 | $ 175,081 |
| **Refinancing Activity**(4) | | | | | |
| Home loans: | | | | | |
| ARMs | $ 18,957 | $ 18,617 | $ 9,816 | $ 60,170 | $ 25,099 |
| Fixed rate | 50,634 | 25,432 | 27,169 | 118,224 | 70,023 |
| Specialty mortgage finance | 1,612 | 1,285 | 902 | 5,394 | 2,433 |
| Total home loan refinances | 71,203 | 45,334 | 37,887 | 183,788 | 97,555 |
| Home construction loans | 11 | 12 | 7 | 50 | 31 |
| Home equity loans and lines of credit and consumer | 904 | 584 | 147 | 2,814 | 364 |
| Multi-family and other real estate | 903 | 391 | 345 | 2,155 | 1,257 |
| Total refinances | $ 73,021 | $ 46,321 | $ 38,386 | $ 188,807 | $ 99,207 |
| **Home Loans Volume by Index:** | | | | | |

| | Quarter Ended | | | Year Ended | |
|---|---|---|---|---|---|
| Short-term ARMs: | | | | | |
| Treasury indices | $ 3,972 | $ 4,020 | $ 5,633 | $ 19,474 | $ 21,157 |
| COFI | 316 | 743 | 449 | 3,231 | 1,976 |
| Other | 2,163 | 1,980 | 58 | 7,461 | 142 |
| Total short-term ARMs | 6,451 | 6,743 | 6,140 | 30,166 | 23,275 |
| Medium-term ARMs | 22,977 | 21,905 | 8,875 | 65,925 | 21,788 |
| Fixed-rate mortgages | 68,746 | 38,790 | 39,632 | 178,653 | 110,032 |
| Total home loans volume | $ 98,174 | $ 67,438 | $ 54,647 | $ 274,744 | $ 155,095 |

(1) Represents purchased subprime loan portfolios and mortgages originated by Long Beach Mortgage.

(2) Represents loans to builders for the purpose of financing the acquisition, development and construction of single-family residences for sale.

(3) Represents construction loans made directly to the intended occupant of a single-family residence.

(4) Includes loan refinancings entered into by both new and pre-existing loan customers.



**Washington Mutual, Inc.**
**Selected Financial Information**
*(dollars in millions)*
*(unaudited)*

| | Change from Sept. 30, 2002 to Dec. 31, 2002 | Dec. 31, 2002 | Sept. 30, 2002 | Dec. 31, 2001 |
|---|---|---|---|---|
| **Loans by Property Type and MBS** | | | | |
| Loans held in portfolio: | | | | |
| Home loans: | | | | |
| ARMs and fixed rate | $ (1,863) | $ 82,842 | $ 84,705 | $ 79,281 |
| Specialty mortgage finance(1) | 533 | 10,128 | 9,595 | 8,552 |
| Total home loans | (1,330) | 92,970 | 94,300 | 87,833 |
| Home construction loans: | | | | |
| Builder(2) | (142) | 1,017 | 1,159 | 1,623 |
| Custom(3) | 17 | 932 | 915 | 979 |
| Home equity loans and lines of credit: | | | | |
| Banking subsidiaries | 1,513 | 16,168 | 14,655 | 7,970 |
| Washington Mutual Finance | (331) | 1,930 | 2,261 | 2,100 |
| Multi-family | (408) | 18,000 | 18,408 | 15,608 |
| Other real estate | (402) | 7,986 | 8,388 | 6,089 |
| Total loans secured by real estate | (1,083) | 139,003 | 140,086 | 122,202 |
| Consumer: | | | | |
| Banking subsidiaries | (115) | 1,663 | 1,778 | 2,009 |

| | Change from Sept. 30, 2002 to Dec. 31, 2002 | Dec. 31, 2002 | Sept. 30, 2002 | Dec. 31, 2001 |
|---|---|---|---|---|
| Washington Mutual Finance | 23 | 1,729 | 1,706 | 1,755 |
| Commercial business | 841 | 5,133 | 4,292 | 4,285 |
| Total loans held in portfolio | (334) | 147,528 | 147,862 | 130,251 |
| Less: allowance for loan and lease losses | 52 | (1,653) | (1,705) | (1,404) |
| Loans securitized and retained as MBS | 3,136 | 25,054 | 21,918 | 22,212 |
| Total net loans held in portfolio and loans securitized and retained as MBS | 2,854 | 170,929 | 168,075 | 151,059 |
| Loans held for sale | 4,488 | 33,996 | 29,508 | 26,582 |
| Total net loans and loans securitized and retained as MBS | 7,342 | 204,925 | 197,583 | 177,641 |
| Purchased MBS | (1,255) | 3,321 | 4,576 | 6,356 |
| Total net loans and MBS | $ 6,087 | $ 208,246 | $ 202,159 | $ 183,997 |

(1) Represents purchased subprime loan portfolios.

(2) Represents loans to builders for the purpose of financing the acquisition, development and construction of single-family residences for sale.

(3) Represents construction loans made directly to the intended occupant of a single-family residence.



**Washington Mutual, Inc.**
**Selected Financial Information**
*(dollars in millions)*
*(unaudited)*

| | Sept. 30, 2002 to Dec. 31, 2002 | Dec. 31, 2001 to Dec. 31, 2002 |
|---|---|---|
| **Rollforward of Loans Held for Sale** | | |
| Balance, beginning of period | $ 29,508 | $ 26,582 |
| Loans added through acquisitions | 13 | 6,730 |
| Loans originated and purchased/correspondent | 85,444 | 226,434 |
| Loans transferred from loans held in portfolio | 180 | 6,177 |
| Loans transferred to loans held in portfolio | (349) | (725) |
| Loans securitized and retained | (3,535) | (8,805) |
| Loans sold | (76,171) | (219,985) |
| Loan payments and other | (1,094) | (2,412) |
| Change in loans | 4,488 | 7,414 |
| Balance, end of period | $ 33,996 | $ 33,996 |

| | Sept. 30, 2002 to Dec. 31, 2002 | Dec. 31, 2001 to Dec. 31, 2002 |
|---|---|---|
| **Rollforward of Loans Held in Portfolio** | | |
| Balance, beginning of period | $ 147,862 | $ 130,251 |
| Loans added through acquisitions | 33 | 16,258 |
| Loans originated and purchased/correspondent | 21,660 | 79,619 |
| Loans transferred from loans held for sale | 349 | 725 |
| Loans transferred to loans held for sale | (180) | (6,177) |
| Loans securitized and retained | (3,421) | (3,469) |
| Loan payments and other | (18,775) | (69,679) |
| Change in loans | (334) | 17,277 |
| Balance, end of period | $ 147,528 | $ 147,528 |



**Washington Mutual, Inc.**
**Selected Financial Information**
*(dollars in millions)*
*(unaudited)*

| | Sept. 30, 2002 to Dec. 31, 2002 | Dec. 31, 2001 to Dec. 31, 2002 |
|---|---|---|
| **Rollforward of Mortgage Servicing Rights ("MSR")**(1) | | |
| Balance, beginning of period | $ 4,548 | $ 6,241 |
| Home loans: | | |
| Additions through acquisitions | 962 | 1,888 |
| Other additions | 1,221 | 4,031 |
| Amortization | (920) | (2,616) |
| Impairment | (308) | (3,219) |
| Sale of excess servicing | (175) | (997) |
| Net change in commercial real estate MSR | 13 | 13 |
| Balance, end of period(2) | $ 5,341 | $ 5,341 |
| **Rollforward of Valuation Allowance for MSR Impairment** | | |
| Balance, beginning of period | $ 4,320 | $ 1,714 |
| Impairment | 308 | 3,219 |
| Sale of excess servicing | (107) | (412) |
| Balance, end of period | $ 4,521 | $ 4,521 |
| **Rollforward of Loans Serviced for Others** | | |
| Balance, beginning of period | $ 478,275 | $ 382,500 |
| Home loans: | | |
| Additions through acquisitions | 129,642 | 178,884 |
| Other additions | 87,788 | 249,855 |

| | Sept. 30, 2002 to Dec. 31, 2002 | Dec. 31, 2001 to Dec. 31, 2002 |
|---|---|---|
| Loan payments and other | (92,761) | (208,337) |
| Net change in commercial real estate loans serviced for others | 1,560 | 1,602 |
| Balance, end of period | $ 604,504 | $ 604,504 |

| | Dec. 31, 2002 Balance |
|---|---|
| **Total Servicing Portfolio** | |
| Loans serviced for others | $ 604,504 |
| Servicing on retained MBS without MSR | 5,850 |
| Servicing on owned loans | 167,696 |
| Subservicing portfolio | 302 |
| Total servicing portfolio | $ 778,352 |

| | Dec. 31, 2002 | |
|---|---|---|
| | Unpaid Principal Balance | Weighted Average Servicing Fee |
| | | (in basis points, annualized) |
| **Loans Serviced for Others by Loan Type** | | |
| Government | $ 89,762 | 54 |
| Agency | 391,833 | 35 |
| Private | 110,808 | 46 |
| Specialty home loans | 12,101 | 50 |
| Total loans serviced for others(3) | $ 604,504 | 40 |

(1) Net of valuation allowance.

(2) At December 31, 2002, aggregate MSR fair value was $5.38 billion.

(3) Weighted average coupon (annualized) was 6.83% at December 31, 2002.



**Washington Mutual, Inc.**
**Selected Financial Information**
*(dollars in millions)*
*(unaudited)*

| Change from Sept. 30, 2002 to Dec. 31, 2002 | Dec. 31, 2002 | % of total | Sept. 30, 2002 | % of total | Dec. 31, 2001 | % of total |
|---|---|---|---|---|---|---|

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Loans Secured by Real Estate and MBS** | | | | | | | |
| Short-term ARMs: | | | | | | | |
| COFI | $ (1,707) | $ 28,252 | 14% | $ 29,959 | 15% | $ 34,760 | 19% |
| Treasury indices | 1,996 | 42,045 | 21 | 40,049 | 20 | 36,680 | 21 |
| Other | 1,593 | 27,420(1) | 13 | 25,827(1) | 13 | 19,004(1) | 11 |
| Total short-term ARMs | 1,882 | 97,717 | 48 | 95,835 | 48 | 90,444 | 51 |
| Medium-term ARMs | 169 | 54,164 | 27 | 53,995 | 28 | 43,849 | 25 |
| Fixed-rate loans | 4,704 | 45,691 | 23 | 40,987 | 21 | 36,410 | 20 |
| Fixed-rate MBS | (1,492) | 3,707 | 2 | 5,199 | 3 | 6,579 | 4 |
| Total loans secured by real estate and MBS | $ 5,263 | $ 201,279 | 100% | $ 196,016 | 100% | $ 177,282 | 100% |

(1) The balance included the following amount of securities retained which bear COFI to LIBOR basis risk (dollars in billions):

| | |
|---|---|
| Dec. 31, 2002: | $ 2.8 |
| Sept. 30, 2002: | 2.8 |
| Dec. 31, 2001: | 2.9 |

| | Quarter Ended | | | Year Ended | |
|---|---|---|---|---|---|
| | **Dec. 31, 2002** | **Sept. 30, 2002** | **Dec. 31, 2001** | **Dec. 31, 2002** | **Dec. 31, 2001** |
| **Home Loan Mortgage Banking (Expense) Income** | | | | | |
| Loan servicing fees | $ 628 | $ 508 | $ 448 | $ 2,237 | $ 1,375 |
| Loan subservicing fees | 14 | 34 | 9 | 100 | 24 |
| Amortization of MSR | (920) | (713) | (381) | (2,616) | (1,006) |
| MSR impairment | (308) | (1,849) | (1,057) | (3,219) | (1,749) |
| Other, net | (134) | (97) | (61) | (371) | (165) |
| Net home loans servicing expense | (720) | (2,117) | (1,042) | (3,869) | (1,521) |
| Loan related income | 135 | 125 | 49 | 461 | 156 |
| Gain from mortgage loans | 392 | 418 | 287 | 1,280 | 963 |
| Gain (loss) from sale of originated MBS | 15 | (1) | 16 | 34 | 117 |
| Total home loan mortgage banking expense | $ (178) | $ (1,575) | $ (690) | $ (2,094) | $ (285) |
| Impact of MSR risk management instruments(1): | | | | | |
| Gain from certain AFS securities | 407 | 388 | | | |
| Revaluation gain from derivatives | 109 | 1,694 | | | |
| Gain on extinguishment of repurchase agreements | | 136 | | | |
| Net settlement income from certain interest rate swaps | 158 | 116 | | | |
| Total impact of MSR risk management instruments | 674 | 2,334 | | | |

| | Quarter Ended | | Year Ended |
|---|---|---|---|
| Total home loan mortgage banking income net of MSR risk management instruments | $ 496 | $ 759 | |

(1) Includes only instruments designated for MSR risk management and does not include the effects of instruments held for asset/liability management.



**Washington Mutual, Inc.**
**Selected Financial Information**
*(dollars in millions)*
*(unaudited)*

| | Dec. 31, 2002 | | Sept. 30, 2002 | | Dec. 31, 2001 | |
|---|---|---|---|---|---|---|
| | Balance | Term(1) | Balance | Term(1) | Balance | Term(1) |
| | | (in months) | | (in months) | | (in months) |
| **Deposits and Borrowings** | | | | | | |
| Deposits: | | | | | | |
| Noninterest-bearing deposits | $ 37,515 | N/A | $ 27,639 | N/A | $ 23,259 | N/A |
| Interest-bearing checking accounts, savings accounts and MMDAs | 84,233 | N/A | 79,273 | N/A | 46,961 | N/A |
| Interest-bearing time deposit accounts | 33,768 | 15 | 33,696 | 16 | 36,962 | 10 |
| Total deposits(2) | 155,516 | | 140,608 | | 107,182 | |
| Borrowings: | | | | | | |
| Adjustable | 50,121 | 1 | 53,392 | 1 | 48,014 | 2 |
| Fixed | 34,372 | 44 | 40,001 | 37 | 69,881 | 22 |
| Total borrowings | 84,493 | | 93,393 | | 117,895 | |
| Total deposits and borrowings | $ 240,009 | | $ 234,001 | | $ 225,077 | |

(1) Terms used are remaining term for deposits and fixed-rate borrowings and term to reprice for adjustable-rate borrowings.

(2) Includes custodial and escrow deposits of $25.90 billion at December 31, 2002, $16.02 billion at September 30, 2002 and $10.11 billion at December 31, 2001.

| | Dec. 31, 2002 | Sept. 30, 2002 | Dec. 31, 2001 |
|---|---|---|---|

| | | | |
|---|---|---|---|
| **Retail Checking Accounts**(1) | | | |
| WMB and WMBfsb | 1,289,705 | 1,277,805 | 1,182,385 |
| WMB, FA | 5,968,850 | 5,813,763 | 4,667,806 |
| Total retail checking accounts | 7,258,555 | 7,091,568 | 5,850,191 |
| **Retail Checking Account Activity**(1) | | | |
| Net accounts opened during the quarter: | | | |
| WMB and WMBfsb | 11,900 | 28,535 | 23,739 |
| WMB, FA | 155,087 | 245,490 | 166,577 |
| Net new retail checking accounts | 166,987 | 274,025 | 190,316 |

(1) Retail checking accounts exclude commercial business accounts. The information provided refers to the number of accounts, not dollar amounts.



**Washington Mutual, Inc.**
**Selected Financial Information**
*(dollars in millions)*
*(unaudited)*

| | Quarter Ended | | | | |
|---|---|---|---|---|---|
| | **Dec. 31, 2002** | **Sept. 30, 2002** | **June 30, 2002** | **Mar. 31, 2002** | **Dec. 31, 2001** |
| **Allowance for Loan and Lease Losses** | | | | | |
| Balance, beginning of quarter | $ 1,705 | $ 1,665 | $ 1,621 | $ 1,404 | $ 1,295 |
| Allowance acquired through business combinations | | | | 148 | 9 |
| Allowance for transfer to loans held for sale | (17) | (7) | | (7) | (3) |
| Allowance for certain loan commitments | (52) | | | | |
| Provision for loan and lease losses | 125 | 135 | 160 | 175 | 200 |
| | 1,761 | 1,793 | 1,781 | 1,720 | 1,501 |
| Loans charged off: | | | | | |
| Home loans | (23) | (9) | (11) | (11) | (3) |
| Specialty mortgage finance | (7) | (9) | (8) | (9) | (10) |
| Total home loans charge offs | (30) | (18) | (19) | (20) | (13) |
| Home equity loans and lines of credit: | | | | | |
| Banking subsidiaries | (9) | (3) | (1) | (1) | (1) |
| Washington Mutual Finance | (4) | (2) | (3) | (2) | (2) |
| Multi-family | | (1) | | | |
| Other real estate | (5) | (11) | (32) | (10) | (4) |

| | Quarter Ended | | | | |
|---|---|---|---|---|---|
| Total loans secured by real estate | (48) | (35) | (55) | (33) | (20) |
| Consumer: | | | | | |
| Banking subsidiaries | (16) | (15) | (20) | (20) | (15) |
| Washington Mutual Finance | (43) | (42) | (44) | (40) | (39) |
| Commercial business | (20) | (17) | (19) | (19) | (34) |
| Total loans charged off | (127) | (109) | (138) | (112) | (108) |
| Recoveries of loans previously charged off: | | | | | |
| Home loans | | 2 | | | |
| Home equity loans and lines of credit: | | | | | |
| Banking subsidiaries | | | | | |
| Washington Mutual Finance | | | | | |
| Multi-family | | 1 | | | |
| Other real estate | 5 | 6 | 1 | 1 | 2 |
| Total loans secured by real estate | 5 | 9 | 1 | 1 | 2 |
| Consumer: | | | | | |
| Banking subsidiaries | 5 | 3 | 3 | 2 | 1 |
| Washington Mutual Finance | 4 | 5 | 5 | 5 | 4 |
| Commercial business | 5 | 4 | 13 | 5 | 4 |
| Total recoveries of loans previously charged off | 19 | 21 | 22 | 13 | 11 |
| Net charge offs | (108) | (88) | (116) | (99) | (97) |
| Balance, end of quarter | $ 1,653 | $ 1,705 | $ 1,665 | $ 1,621 | $ 1,404 |
| Net charge offs (annualized) as a percentage of average loans held in portfolio | 0.29% | 0.24% | 0.32% | 0.27% | 0.30% |
| Allowance as a percentage of total loans held in portfolio | 1.12% | 1.15% | 1.14% | 1.12% | 1.08% |



**Washington Mutual, Inc.**
**Selected Financial Information**
*(dollars in millions)*
*(unaudited)*

| | Dec. 31, 2002 | Sept. 30, 2002 | June 30, 2002 | Mar. 31, 2002 | Dec. 31, 2001 |
|---|---|---|---|---|---|
| **Nonperforming Assets ("NPAs") and Restructured Loans** | | | | | |
| Nonaccrual loans(1): | | | | | |
| Home loans | $ 1,017 | $ 1,068 | $ 1,092 | $ 1,177 | $ 974 |
| Specialty mortgage finance(2) | 488 | 407 | 403 | 401 | 328 |
| Total home loan nonaccrual loans | 1,505 | 1,475 | 1,495 | 1,578 | 1,302 |
| Home construction loans: | | | | | |
| Builder(3) | 42 | 48 | 44 | 57 | 26 |
| Custom(4) | 7 | 6 | 8 | 15 | 11 |

| | Dec. 31, 2002 | Sept. 30, 2002 | June 30, 2002 | Mar. 31, 2002 | Dec. 31, 2001 |
|---|---|---|---|---|---|
| Home equity loans and lines of credit: | | | | | |
| Banking subsidiaries | 36 | 35 | 35 | 35 | 34 |
| Washington Mutual Finance | 37 | 35 | 31 | 29 | 40 |
| Multi-family | 50 | 58 | 64 | 51 | 56 |
| Other real estate | 409 | 356 | 371 | 413 | 375 |
| Total nonaccrual loans secured by real estate | 2,086 | 2,013 | 2,048 | 2,178 | 1,844 |
| Consumer: | | | | | |
| Banking subsidiaries | 23 | 13 | 13 | 18 | 12 |
| Washington Mutual Finance | 69 | 76 | 75 | 79 | 74 |
| Commercial business | 79 | 86 | 96 | 116 | 100 |
| Total nonaccrual loans | 2,257 | 2,188 | 2,232 | 2,391 | 2,030 |
| Foreclosed assets: | | | | | |
| Home loans | 156 | 119 | 106 | 118 | 103 |
| Specialty mortgage finance | 78 | 88 | 72 | 70 | 69 |
| Total home loan foreclosed assets | 234 | 207 | 178 | 188 | 172 |
| Home construction loans: | | | | | |
| Builder | 7 | 8 | 7 | 8 | 4 |
| Custom | | | | | |
| Home equity loans and lines of credit: | | | | | |
| Banking subsidiaries | 7 | 5 | 4 | 3 | 1 |
| Washington Mutual Finance | 8 | 9 | 8 | 9 | 9 |
| Multi-family | | | | | |
| Other real estate | 75 | 72 | 67 | 47 | 31 |
| Total foreclosed loans secured by real estate | 331 | 301 | 264 | 255 | 217 |
| Consumer: | | | | | |
| Banking subsidiaries | 5 | 8 | 10 | 12 | 11 |
| Washington Mutual Finance | | | | | |
| Commercial business | | | | | |
| Foreclosed assets | 336 | 309 | 274 | 267 | 228 |
| Total NPAs | $ 2,593 | $ 2,497 | $ 2,506 | $ 2,658 | $ 2,258 |
| As a percentage of total assets | 0.97% | 0.95% | 0.96% | 0.97% | 0.93% |
| Restructured loans | $ 98 | $ 112 | $ 119 | $ 130 | $ 118 |
| Total NPAs and restructured loans | $ 2,691 | $ 2,609 | $ 2,625 | $ 2,788 | $ 2,376 |

(1) Excludes nonaccrual loans held for sale of $119 million at December 31, 2002. Prior periods also reflect the exclusion of nonaccrual loans held for sale of $105 million, $114 million, $122 million and $123 million at September 30, 2002, June 30, 2002, March 31, 2002 and December 31, 2001. Loans held for sale are accounted for at lower of aggregate cost or market value, with valuation changes included as adjustments to gain from mortgage loans.

(2) Represents purchased subprime loan portfolios.

(3) Represents loans to builders for the purpose of financing the acquisition, development and construction of single-family residences for sale.

(4) Represents construction loans made directly to the intended occupant of a single-family residence.

WM-16

**Washington Mutual, Inc.**
**Selected Financial Information**
*(dollars in millions)*
*(unaudited)*

The Company uses interest rate risk management contracts as tools to manage interest rate risk. The following tables summarize the key contractual terms associated with these contracts. Interest rate risk management contracts that are embedded with certain adjustable and fixed-rate borrowings, while not accounted for as derivatives under SFAS No. 133, have been included in the tables since they also function as interest rate risk management tools. The following estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Substantially all of the pay-fixed swaps, receive-fixed swaps, payor swaptions, receiver swaptions and embedded derivatives are indexed to three-month LIBOR.

| | | | | Dec. 31, 2002 Maturity Range | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Net Fair Value | Counter-Party Credit Risk | Total Notional Amount | 2003 | 2004 | 2005 | 2006 | 2007 | After 2007 |
| **Interest Rate Risk Management Contracts:** | | | | | | | | | |
| **Asset/Liability Management(1)** | | | | | | | | | |
| Pay-fixed swaps: | $ (1,143) | $ | | | | | | | |
| Contractual maturity | | | $ 29,742 | $ 8,416 | $ 8,834 | $ 3,210 | $ 4,709 | $ 3,700 | $ 873 |
| Weighted average pay rate | | | 3.92% | 2.92% | 4.03% | 4.09% | 4.39% | 5.02% | 4.68% |
| Weighted average receive rate | | | 1.56% | 1.56% | 1.53% | 1.57% | 1.58% | 1.66% | 1.37% |
| Receive-fixed swaps: | 591 | 591 | | | | | | | |
| Contractual maturity | | | $ 5,905 | $ 825 | $ 200 | $ 530 | $ 1,000 | | $ 3,350 |
| Weighted average pay rate | | | 1.39% | 1.21% | 1.65% | 0.90% | 1.40% | | 1.49% |
| Weighted average receive rate | | | 5.81% | 5.40% | 6.75% | 5.37% | 6.81% | | 5.62% |
| Interest rate caps/corridors: | | | | | | | | | |
| Contractual maturity | | | $ 526 | $ 271 | $ 191 | $ 64 | | | |
| Weighted average strike rate | | | 7.61% | 7.62% | 8.14% | 5.94% | | | |
| Payor swaptions: | | | | | | | | | |
| Contractual maturity (option) | | | $ 5,000 | $ 5,000 | | | | | |
| Weighted average strike rate | | | 6.12% | 6.12% | | | | | |
| Contractual maturity (swap) | | | | | | | $ 1,000 | $ 750 | $ 3,250 |
| Weighted average strike rate | | | | | | | 6.05% | 6.26% | 6.11% |
| Embedded pay-fixed swaps: | (207) | | | | | | | | |
| Contractual maturity | | | $ 2,750 | | | | | $ 2,750 | |
| Weighted average pay rate | | | 4.73% | | | | | 4.73% | |
| Weighted average receive rate | | | 1.74% | | | | | 1.74% | |
| Embedded caps: | | | | | | | | | |
| Contractual maturity | | | $ 641 | $ 141 | $ 500 | | | | |
| Weighted average strike rate | | | 7.64% | 7.25% | 7.75% | | | | |
| Embedded payor swaptions(2): | 4 | 4 | | | | | | | |
| Contractual maturity (option) | | | $ 6,400 | $ 5,900 | $ 500 | | | | |
| Weighted average strike rate | | | 6.14% | 6.13% | 6.21% | | | | |

| | | | | Dec. 31, 2002 Maturity Range | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Contractual maturity (swap) | | | | | | | $ 3,750 | | $ 2,650 |
| Weighted average strike rate | | | | | | | 5.99% | | 6.34% |
| Total interest rate contracts | (755) | 595 | $ 50,964 | | | | | | |
| Forward purchase commitments: | 101 | 101 | | | | | | | |
| Contractual maturity | | | $ 10,193 | $ 10,193 | | | | | |
| Weighted average price | | | 102.38 | 102.38 | | | | | |
| Forward sales commitments: | (662) | | | | | | | | |
| Contractual maturity | | | $ 41,238 | $ 41,238 | | | | | |
| Weighted average price | | | 102.34 | 102.34 | | | | | |
| Mortgage put options: | 7 | 7 | | | | | | | |
| Contractual maturity | | | $ 7,150 | $ 7,150 | | | | | |
| Weighted average strike price | | | 99.28 | 99.28 | | | | | |
| Total asset/liability management | $ (1,309) | $ 703 | $ 109,545 | | | | | | |

(Continued on next page)

(1) Interest rate contracts decreased net interest income by $132 million and $407 million for the three months and the year ended December 31, 2002.

(2) Embedded interest rate swaptions are exercisable upon maturity.



(Continued from previous page)

| | | | | Dec. 31, 2002 Maturity Range | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Net Fair Value** | **Counter-Party Credit Risk** | **Total Notional Amount** | **2003** | **2004** | **2005** | **2006** | **2007** | **After 2007** |
| **Interest Rate Risk Management Contracts:** | | | | | | | | | |
| **MSR Risk Management** | | | | | | | | | |
| Pay-fixed swaps: | $ (50) | $ | | | | | | | |
| Contractual maturity | | | $ 2,903 | | | | | $ 1,950 | $ 953 |
| Weighted average pay rate | | | 3.77% | | | | | 3.41% | 4.52% |
| Weighted average receive rate | | | 1.41% | | | | | 1.40% | 1.42% |
| Receive-fixed swaps: | 2,176 | 2,176 | | | | | | | |
| Contractual maturity | | | $ 17,915 | | $ 561 | $ 500 | $ 700 | $ 1,250 | $ 14,904 |
| Weighted average pay rate | | | 1.57% | | 1.80% | 1.41% | 1.42% | 1.50% | 1.58% |
| Weighted average receive rate | | | 5.65% | | 4.35% | 4.54% | 5.31% | 4.33% | 5.86% |
| Floors(3): | 249 | 249 | | | | | | | |
| Contractual maturity | | | $ 3,900 | | | | | $ 3,900 | |
| Weighted average strike rate | | | 6.09% | | | | | 6.09% | |

| | | | | Dec. 31, 2002 Maturity Range | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Receiver swaptions: | 415 | 415 | | | | | | | |
| Contractual maturity (option) | | | $ 4,000 | $ 300 | $ 800 | $ 2,900 | | | |
| Weighted average strike rate | | | 6.21% | 5.42% | 5.73% | 6.43% | | | |
| Contractual maturity (swap) | | | | | | | | | $ 4,000 |
| Weighted average strike rate | | | | | | | | | 6.21% |
| Total interest rate contracts | 2,790 | 2,840 | $ 28,718 | | | | | | |
| Forward purchase commitments: | 236 | 236 | | | | | | | |
| Contractual maturity | | | $ 13,250 | $ 13,250 | | | | | |
| Weighted average price | | | 100.35 | 100.35 | | | | | |
| Total MSR risk management | $ 3,026 | $ 3,076 | $ 41,968 | | | | | | |
| Total interest rate risk management contracts | $ 1,717 | $ 3,779 | $ 151,513 | | | | | | |

(3) At December 31, 2002, none of these floors were effective. These contracts will become effective during May and July 2003.



**Washington Mutual, Inc.**
**Selected Financial Information**
*(dollars in millions)*
*(unaudited)*

The Company uses interest rate risk management contracts as tools to manage interest rate risk. The following tables summarize the key contractual terms associated with these contracts. Interest rate risk management contracts that are embedded with certain adjustable and fixed-rate borrowings, while not accounted for as derivatives under SFAS No. 133, have been included in the tables since they also function as interest rate risk management tools. The following estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Substantially all of the pay-fixed swaps, receive-fixed swaps, payor swaptions, receiver swaptions and embedded derivatives are indexed to three-month LIBOR.

| | | | | Sept. 30, 2002 Maturity Range | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Net Fair Value** | **Counter-Party Credit Risk** | **Total Notional Amount** | **2002** | **2003** | **2004** | **2005** | **2006** | **After 2006** |
| **Interest Rate Risk Management Contracts:** | | | | | | | | | |
| **Asset/Liability Management(1)** | | | | | | | | | |
| Pay-fixed swaps: | $ (1,108) | $ | | | | | | | |
| Contractual maturity | | | $ 29,363 | $ 413 | $ 8,166 | $ 8,834 | $ 3,130 | $ 4,709 | $ 4,111 |
| Weighted average pay rate | | | 3.94% | 3.11% | 2.95% | 4.03% | 4.13% | 4.39% | 5.08% |
| Weighted average receive rate | | | 1.81% | 1.84% | 1.81% | 1.80% | 1.80% | 1.84% | 1.82% |
| Receive-fixed swaps: | 553 | 553 | | | | | | | |
| Contractual maturity | | | $ 4,322 | $ 100 | $ 600 | | $ 530 | $ 1,000 | $ 2,092 |
| Weighted average pay rate | | | 1.70% | 3.31% | 1.50% | | 1.11% | 1.75% | 1.81% |

| | | | | Sept. 30, 2002 Maturity Range | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Weighted average receive rate | | | 6.39% | 8.25% | 5.10% | 5.37% | 6.81% | 6.74% |
| Interest rate caps/collars/corridors: | | | | | | | | |
| Contractual maturity | | | $ 536 | $ 10 | $ 271 | $ 191 | $ 64 | |
| Weighted average strike rate | | | 7.63% | 8.63% | 7.62% | 8.14% | 5.94% | |
| Payor swaptions: | 5 | 5 | | | | | | |
| Contractual maturity (option) | | | $ 5,000 | | $ 5,000 | | | |
| Weighted average strike rate | | | 6.12% | | 6.12% | | | |
| Contractual maturity (swap) | | | | | | | $ 1,000 | $ 4,000 |
| Weighted average strike rate | | | | | | | 6.05% | 6.14% |
| Embedded pay-fixed swaps: | (199) | | | | | | | |
| Contractual maturity | | | $ 2,750 | | | | | $ 2,750 |
| Weighted average pay rate | | | 4.73% | | | | | 4.73% |
| Weighted average receive rate | | | 1.81% | | | | | 1.81% |
| Embedded caps: | 1 | 1 | | | | | | |
| Contractual maturity | | | $ 655 | | $ 155 | $ 500 | | |
| Weighted average strike rate | | | 7.63% | | 7.25% | 7.75% | | |
| Embedded payor swaptions(2): | 21 | 21 | | | | | | |
| Contractual maturity (option) | | | $ 6,400 | | $ 5,900 | $ 500 | | |
| Weighted average strike rate | | | 6.14% | | 6.13% | 6.21% | | |
| Contractual maturity (swap) | | | | | | | $ 3,750 | $ 2,650 |
| Weighted average strike rate | | | | | | | 5.99% | 6.34% |
| Total interest rate contracts | (727) | 580 | $ 49,026 | | | | | |
| Forward purchase commitments: | 23 | 23 | | | | | | |
| Contractual maturity | | | $ 5,506 | $ 5,506 | | | | |
| Weighted average price | | | 102.71 | 102.71 | | | | |
| Forward sales commitments: | (528) | | | | | | | |
| Contractual maturity | | | $ 43,521 | $ 43,516 | $ 5 | | | |
| Weighted average price | | | 101.87 | 101.87 | 103.79 | | | |
| Mortgage put options: | 17 | 17 | | | | | | |
| Contractual maturity | | | $ 6,225 | $ 6,225 | | | | |
| Weighted average strike price | | | 100.10 | 100.10 | | | | |
| Total asset/liability management | $ (1,215) | $ 620 | $ 104,278 | | | | | |

(Continued on next page)

(1) Interest rate contracts decreased net interest income by $146 million and $275 million for the three months and nine months ended September 30, 2002.

(2) Embedded interest rate swaptions are exercisable upon maturity.



(Continued from previous page)

| | Net Fair Value | Counter-Party Credit Risk | Total Notional | Sept. 30, 2002 Maturity Range | | | | |
|---|---|---|---|---|---|---|---|---|

| | | | Amount | Sept. 30, 2002 Maturity Range | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | 2002 | 2003 | 2004 | 2005 | 2006 | After 2006 |
| **Interest Rate Risk Management Contracts:** | | | | | | | | | |
| **MSR Risk Management** | | | | | | | | | |
| Receive-fixed swaps: | $ 1,665 | $ 1,665 | | | | | | | |
| Contractual maturity | | | $ 12,075 | | | | | | $ 12,075 |
| Weighted average pay rate | | | 1.84% | | | | | | 1.84% |
| Weighted average receive rate | | | 5.93% | | | | | | 5.93% |
| Floors(3): | 248 | 248 | | | | | | | |
| Contractual maturity | | | $ 3,900 | | | | | | $ 3,900 |
| Weighted average strike rate | | | 6.09% | | | | | | 6.09% |
| Receiver swaptions: | 692 | 692 | | | | | | | |
| Contractual maturity (option) | | | $ 5,400 | $ 250 | $ 300 | $ 300 | $ 4,550 | | |
| Weighted average strike rate | | | 6.51% | 5.69% | 5.42% | 5.99% | 6.66% | | |
| Contractual maturity (swap) | | | | | | | | | $ 5,400 |
| Weighted average strike rate | | | | | | | | | 6.51% |
| Total interest rate contracts | 2,605 | 2,605 | $ 21,375 | | | | | | |
| Forward purchase commitments: | 46 | 46 | | | | | | | |
| Contractual maturity | | | $ 2,025 | $ 2,025 | | | | | |
| Weighted average price | | | 99.20 | 99.20 | | | | | |
| Total MSR risk management | $ 2,651 | $ 2,651 | $ 23,400 | | | | | | |
| Total interest rate risk management contracts | $ 1,436 | $ 3,271 | $ 127,678 | | | | | | |

(3) At September 30, 2002, none of these floors were effective. These contracts will become effective during May and July 2003.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

WASHINGTON MUTUAL, INC.

Date: January 21, 2003

By: /s/ FAY L. CHAPMAN

Fay L. Chapman
Senior Executive Vice President