

WASHINGTON MUTUAL INC
Form 8-K
April 15, 2003

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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: April 15, 2003

Washington Mutual, Inc.

(Exact name of registrant as specified in its charter)

Washington
(State or other jurisdiction
of incorporation)

1-14667
(Commission File Number)

91-1653725
(I.R.S. Employer Identification No.)

1201 Third Avenue, Seattle, Washington
(Address of principal executive offices)

98101
(Zip Code)

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

ITEM 9. Regulation FD Disclosure.

This information, furnished under Item 9. Regulation FD Disclosure, is also intended to be furnished under Item 12. Results of Operations and Financial Condition, in accordance with SEC Release No. 33-8216.

On April 15, 2003, Washington Mutual, Inc. issued a press release reporting its results of operations for the first quarter ended March 31, 2003.

**Washington Mutual Announces Record Earnings;
Company Delivers \$1 Billion Quarter
Board of Directors Increases Cash Dividend**

SEATTLE Washington Mutual, Inc. (NYSE: WM) today announced record earnings of \$1 billion, or \$1.07 per diluted share, for the quarter ended March 31, 2003, up 8 percent on a per share basis from \$956 million, or 99 cents per diluted share for the same period a year ago.

Highlights of the recently completed quarter included:

Loan volume of \$106.62 billion, up 62 percent from the first quarter of 2002;

Depositor and other retail banking fees of \$420 million, up 16 percent from the same period a year ago;

Continued growth in checking accounts, one of the company's key relationship-building products, which increased by more than 200,000 during the quarter;

The opening of 33 new financial center stores and three new home loan stores throughout the country. The company is on schedule to open approximately 250 financial center stores and 70 home loans stores in 2003 as the company continues to expand its national franchise;

The company recorded a strong 19.44 percent return on average common equity;

The repurchase of 10.2 million shares of the company's common stock in the quarter at an average price of \$34.41, reflecting the company's strategy to effectively manage its capital; and

The 31st consecutive quarter of an increased cash dividend.

"Washington Mutual entered 2003 in an excellent position and we're poised to continue the momentum as the year progresses," said Kerry Killinger, the company's chairman, president and CEO. "Our record-breaking first quarter results reflect the strength of our underlying strategy of serving the broad middle market by providing the combination of great value and efficient, friendly service. We are extremely proud of the first quarter results that our talented employees produced."

BOARD OF DIRECTORS INCREASES DIVIDEND FOR 31st CONSECUTIVE QUARTER

Based on the company's continued strong operating fundamentals and financial performance, Washington Mutual's Board of Directors declared a cash dividend of 30 cents per share on the company's common stock, up from 29 cents per share in the previous quarter. Dividends on the common stock are payable May 15, 2003 to shareholders of record as of April 30, 2003.

FIRST QUARTER RESULTS

Net Interest Income

For the first quarter of 2003, net interest income was \$2.02 billion, an increase of \$91 million, or 5 percent, from the fourth quarter of 2002. Most of this increase was due to the expansion of the net interest margin, which increased by 7 basis points to 3.32 percent during the first quarter, largely because of lower rates paid on interest-bearing deposits.

As compared with the first quarter of 2002, net interest income for the first quarter of 2003 declined by \$379 million, or 16 percent. Most of this decrease resulted from contraction of the margin, which declined by 42 basis points as yields on loans and debt securities continued to reprice downward from the higher interest rate levels in effect during the early part of 2002.

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The net interest spread for the quarter was 3.04 percent, compared with 3.58 percent for the same period last year.

Noninterest Income

As the company experienced exceptional quarterly loan volumes, the gain from mortgage loans was \$587 million, an increase of \$195 million versus the fourth quarter of 2002 and \$336 million from the first quarter of 2002.

In addition, consumers continued to choose Washington Mutual to serve their financial needs, leading to an increase of more than 200,000 net retail checking accounts during the first quarter. Strong growth in net retail checking accounts, which increased by more than 900,000 since the end of first quarter 2002, contributed to the increase of \$59 million in depositor and other retail banking fees to \$420 million, up 16 percent from \$361 million a year earlier.

The company's expansion into the New York/New Jersey retail banking market continues to produce strong results. From May 2002, when the company's retail banking unit began doing business under the Washington Mutual name in New York, through the end of the first quarter of 2003, the number of checking accounts increased 37 percent at an annualized rate in the branches acquired from Dime Bancorp.

Lending

Boosted by the continued low interest rate environment and the demand for refinancing of home loan mortgages, Washington Mutual produced loan volume of \$106.62 billion for the quarter, up 62 percent from \$65.69 billion in the first quarter of 2002. Of the total loan volume in the first quarter, home loan volume totaled \$97.47 billion, versus \$58.97 billion in the same period a year ago. Home equity loans and lines of credit and multi-family loans increased by \$6.73 billion from the first quarter of 2002 to \$38.72 billion at March 31, 2003, up 21 percent.

Efficiency Ratio

For the quarter, noninterest expense totaled \$1.71 billion, which was up from \$1.52 billion during the first quarter of 2002. The increase was primarily due to investment in the expansion of the company's store network and increased loan expenses resulting from significantly higher lending volumes. The efficiency ratio was 49.91 percent during the quarter compared with 49.94 percent in the fourth quarter of 2002 and 47.48 percent in the first quarter of 2002.

Risk Management

Credit performance, a key focus for Washington Mutual, remained well in line with the company's expectations. Consistent with the fourth quarter of 2002, the company continued to actively manage its portfolio of nonperforming assets (NPAs) during the quarter.

Total NPAs decreased \$93 million during the quarter to \$2.50 billion at March 31, 2003. At the end of the quarter, NPAs as a percentage of total assets were 0.90 percent versus 0.97 percent at the end of the fourth quarter.

The provision for loan and lease losses was \$125 million, as compared with \$125 million in the fourth quarter of 2002 and \$175 million for the same period of the previous year. Net loan charge-offs for the first quarter were \$95 million, compared with \$108 million for the fourth quarter of 2002. The allowance for loan and lease losses was \$1.68 billion at March 31, 2003. The net MSR asset was \$5.21 billion at March 31, 2003, as compared with \$5.34 billion at December 31, 2002.

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Balance Sheet and Capital Management

Consolidated assets at March 31, 2003 were \$276.97 billion, compared with \$268.30 billion at December 31, 2002. The growth in assets during the quarter was the result of an increase in loans held for sale and loans held in portfolio. The company continues to expect asset growth of 5% to 10% in 2003.

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At March 31, 2003, balances of transaction deposits, including checking, savings and money market deposits, represented 80 percent of total deposits, compared with 78 percent at the end of 2002. Total deposits were \$159.87 billion at the end of the first quarter, up from \$155.52 billion at December 31, 2002, reflecting the company's organic growth in retail deposits and in custodial/escrow deposits related to loan servicing activities.

Washington Mutual continues to manage its capital position by repurchasing its common stock. During the first quarter, the company repurchased 10.2 million shares of its common stock at an average price of \$34.41. The company's tangible common equity was 5.29 percent of total tangible assets at March 31, 2003.

In addition, the capital ratios of the company's banking subsidiaries continued to exceed federal regulatory requirements for classification as "well-capitalized" institutions, the highest regulatory standard.

Outlook

"Despite the current challenges both domestically and internationally, our management team fully expects 2003 will be another record year for Washington Mutual," Killinger said. "Our business fundamentals remain strong and credit quality continues to perform in line with management's expectations."

"Our primary focus for the foreseeable future will be successfully executing our key business strategies, which are focused on internal growth and increased productivity, and continuing to make progress toward our long-term goal of building the nation's leading retailer of financial services to the broad middle market."

Company Updates

Business Week magazine rated Washington Mutual No. 13 among all S&P 500 companies based on its one- and three-year shareholder returns, sales growth and profit growth, and the company's net margin and return on equity, including a weighting for sales volume and long-term debt-to-capital ratio. The company was the No. 1-rated performer in the banking category.

Washington Mutual was also named "One of the Best Companies to Work For" by *Fortune* magazine, making it part of an exclusive group to be recognized by the magazine in three areas: "Best to Work For," "Best for Minorities" and "Most Admired."

WaMu Capital Corp., a fixed-income institutional broker-dealer and subsidiary of Washington Mutual, Inc., announced plans to expand its existing sales office in New York to include trading, compliance and support functions. WaMu Capital Corp., headquartered in Seattle, is focused on building additional relationships with asset managers, banks and other institutional investors nationwide.

The company and Fannie Mae announced an affordable lending alliance designed to increase lending by \$85 billion over five years to low- and moderate-income borrowers, minorities, immigrant families, residents of low- to moderate-income underserved areas and first-time homebuyers.

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WM Group of Funds, the company's mutual fund complex, was ranked by Barron's magazine as the No. 1 fund family for five-year performance.

The company's ongoing effort to further broaden its corporate finance team resulted in the hiring of two new members. Steve Lobo, a former American Express and U.S. Bancorp executive, joined the company as Senior Vice President and Treasurer. On April 4, the company announced 20-year General Electric veteran David Beck as its Chief Investment Officer, a newly created position that will play an important role in continuing to broaden the company's asset portfolio management.

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With a history dating back to 1889, Washington Mutual is a retailer of consumer financial services that provides a diversified line of products and services to consumers and small- to mid-sized businesses. At March 31, 2003, Washington Mutual and its subsidiaries had assets of \$276.97 billion. Washington Mutual 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.

A live webcast of the company's quarterly earnings conference call will be held on Wednesday, April 16, 2003, at 7:30 a.m. Pacific Daylight Time at www.wamu.com or via telephone at 1-888-282-0170. Participants calling from outside the United States may dial 1-712-257-2272. The passcode "WaMu" is required to access the call.

Via the Internet, the conference call is available on the Investor Relations portion of the company's web site at www.wamu.com/ir. A transcript of the prepared remarks will be on the company's web site for 30 days following the call.

A recording of the conference call will be available after 10 a.m. PDT on Wednesday, April 16, 2003 through 8:59 p.m. PDT on Friday, April 25, 2003. The recorded message will be available at 1-800-406-7495. Callers from outside the United States may dial 1-402-220-1206.

Forward Looking Statement

"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 document that are not historical facts. When used in this presentation, 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 "Factors That May Affect Future Results" in Washington Mutual's 2002 Annual Report on Form 10-K which include: general business and economic conditions may significantly affect our earnings; if we are unable to effectively manage the volatility of our mortgage banking business, our earnings could be adversely affected; a failure to effectively implement our business operations technology solutions could adversely affect our earnings and financial condition; the financial services industry is highly competitive; 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

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| | Quarter Ended | | |
|---|-------------------|-------------------|-------------------|
| | Mar. 31, 2003 | Dec. 31, 2002 | Mar. 31, 2002 |
| Interest Income | | | |
| Loans held for sale | \$ 589 | \$ 532 | \$ 443 |
| Loans held in portfolio | 2,106 | 2,219 | 2,411 |
| Available-for-sale securities | 517 | 547 | 947 |
| Other interest and dividend income | 80 | 68 | 82 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total interest income | 3,292 | 3,366 | 3,883 |
| Interest Expense | | | |
| Deposits | 587 | 672 | 651 |
| Borrowings | 688 | 768 | 836 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total interest expense | 1,275 | 1,440 | 1,487 |
| | <u> </u> | <u> </u> | <u> </u> |
| Net interest income | 2,017 | 1,926 | 2,396 |
| Provision for loan and lease losses | 125 | 125 | 175 |
| | <u> </u> | <u> </u> | <u> </u> |
| Net interest income after provision for loan and lease losses | 1,892 | 1,801 | 2,221 |
| Noninterest Income | | | |
| Home loan mortgage banking income (expense): | | | |
| Loan servicing fees | 613 | 628 | 540 |
| Amortization of mortgage servicing rights | (969) | (920) | (479) |
| Mortgage servicing rights recovery (impairment) | 37 | (308) | 45 |
| Revaluation gain (loss) from derivatives | 217 | (19) | (15) |
| Net settlement income from certain interest-rate swaps | 140 | 158 | 6 |
| Gain from mortgage loans | 587 | 392 | 251 |
| Other home loan mortgage banking income, net | 98 | 90 | 39 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total home loan mortgage banking income | 723 | 21 | 387 |
| Depositor and other retail banking fees | 420 | 449 | 361 |
| Securities fees and commissions | 89 | 90 | 82 |
| Insurance income | 52 | 45 | 47 |
| Portfolio loan related income | 117 | 123 | 65 |
| Gain (loss) from other available-for-sale securities | (5) | 574 | (298) |
| Gain (loss) on extinguishment of securities sold under agreements to repurchase | (87) | (11) | 74 |
| Other income | 97 | 103 | 90 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total noninterest income | 1,406 | 1,394 | 808 |
| Noninterest Expense | | | |
| Compensation and benefits | 771 | 757 | 690 |
| Occupancy and equipment | 304 | 294 | 288 |
| Telecommunications and outsourced information services | 144 | 115 | 139 |
| Depositor and other retail banking losses | 52 | 51 | 50 |
| Amortization of other intangible assets | 16 | 16 | 17 |
| Professional fees | 56 | 47 | 55 |
| Advertising and promotion | 63 | 58 | 44 |
| Other expense | 303 | 320 | 238 |

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| | Quarter Ended | | |
|---|-----------------|---------------|---------------|
| | | | |
| Total noninterest expense | 1,709 | 1,658 | 1,521 |
| Income before income taxes | 1,589 | 1,537 | 1,508 |
| Income taxes | 586 | 568 | 552 |
| Net Income | \$ 1,003 | \$ 969 | \$ 956 |
| Net Income Attributable to Common Stock | \$ 1,003 | \$ 969 | \$ 954 |
| Net income per common share: | | | |
| Basic | \$ 1.09 | \$ 1.05 | \$ 1.01 |
| Diluted | 1.07 | 1.03 | 0.99 |
| Dividends declared per common share | 0.29 | 0.28 | 0.25 |
| Basic weighted average number of common shares outstanding (in thousands) | 921,084 | 926,210 | 947,653 |
| Diluted weighted average number of common shares outstanding (in thousands) | 934,889 | 939,991 | 963,242 |

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

| | Mar. 31, 2003 | Dec. 31, 2002 | Mar. 31, 2002 |
|---|-------------------|-------------------|-------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 6,295 | \$ 7,208 | \$ 5,740 |
| Federal funds sold and securities purchased under resale agreements | 1,606 | 2,015 | 2,312 |
| Available-for-sale securities: | | | |
| Mortgage-backed securities | 26,768 | 28,375 | 24,347 |
| Investment securities | 15,635 | 15,597 | 42,951 |
| Loans held for sale | 44,014 | 33,996 | 24,751 |
| Loans held in portfolio | 150,557 | 147,528 | 144,930 |
| Allowance for loan and lease losses | (1,680) | (1,653) | (1,621) |
| Total loans held in portfolio, net of allowance for loan and lease losses | 148,877 | 145,875 | 143,309 |
| Investment in Federal Home Loan Banks | 3,871 | 3,703 | 4,317 |
| Mortgage servicing rights | 5,210 | 5,341 | 7,955 |
| Goodwill | 6,253 | 6,270 | 6,163 |
| Other assets | 18,441 | 19,918 | 13,386 |
| Total assets | \$ 276,970 | \$ 268,298 | \$ 275,231 |
| Liabilities | | | |
| Deposits: | | | |
| Noninterest-bearing deposits | \$ 40,478 | \$ 37,515 | \$ 22,553 |
| Interest-bearing deposits | 119,394 | 118,001 | 106,457 |

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| | Mar. 31, 2003 | Dec. 31, 2002 | Mar. 31, 2002 |
|--|-------------------|-------------------|-------------------|
| Total deposits | 159,872 | 155,516 | 129,010 |
| Federal funds purchased and commercial paper | 2,214 | 1,247 | 4,018 |
| Securities sold under agreements to repurchase | 20,502 | 16,717 | 44,789 |
| Advances from Federal Home Loan Banks | 52,221 | 51,265 | 61,734 |
| Other borrowings | 15,725 | 15,264 | 14,238 |
| Other liabilities | 5,749 | 8,155 | 3,207 |
| Total liabilities | 256,283 | 248,164 | 256,996 |
| Redeemable preferred stock | | | 102 |
| Stockholders' equity | 20,687 | 20,134 | 18,133 |
| Total liabilities, redeemable preferred stock, and stockholders' equity | \$ 276,970 | \$ 268,298 | \$ 275,231 |
| Common shares outstanding at end of period (in thousands) ⁽¹⁾ | 934,983 | 944,047 | 973,590 |
| Book value per common share ⁽²⁾ | \$ 22.55 | \$ 21.74 | \$ 18.98 |
| Tangible book value per common share ⁽²⁾ | 15.84 | 15.06 | 12.55 |
| Full-time equivalent employees at end of period | 53,918 | 52,459 | 49,039 |

(1) Includes 17,550,000 shares at March 31, 2003, and 18,000,000 shares at December 31, 2002 and March 31, 2002, held in escrow pending resolution of the Company's asserted right to the return of such shares.

(2) Excludes 17,550,000 shares at March 31, 2003, and 18,000,000 shares at December 31, 2002 and March 31, 2002, held in escrow pending resolution of the Company's asserted right to the return of such shares.

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

| | Quarter Ended | |
|---|------------------|------------------|
| | Mar. 31, 2003 | Mar. 31, 2002 |
| Stockholders' Equity Rollforward | | |
| Balance, beginning of period | \$ 20,134 | \$ 14,063 |
| Net income | 1,003 | 956 |
| Other comprehensive income (loss), net of tax | 119 | (412) |
| Cash dividends declared on common stock | (267) | (243) |
| Cash dividends declared on redeemable preferred stock | | (2) |
| Common stock repurchased and retired | (351) | |
| Common stock issued for acquisitions | | 3,685 |
| Common stock issued | 49 | 86 |
| Balance, end of period | \$ 20,687 | \$ 18,133 |

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

| | Quarter Ended | | | | |
|---|------------------|------------------|-------------------|------------------|------------------|
| | Mar. 31, 2003 | Dec. 31, 2002 | Sept. 30, 2002 | June 30, 2002 | Mar. 31, 2002 |
| PROFITABILITY | | | | | |
| Net interest income | \$ 2,017 | \$ 1,926 | \$ 1,919 | \$ 2,100 | \$ 2,396 |
| Net interest margin | 3.32% | 3.25% | 3.36% | 3.54% | 3.74% |
| Noninterest income | \$ 1,406 | \$ 1,394 | \$ 1,380 | \$ 1,208 | \$ 808 |
| Noninterest expense | 1,709 | 1,658 | 1,616 | 1,586 | 1,521 |
| Net income | 1,003 | 969 | 981 | 990 | 956 |
| Net income per common share: | | | | | |
| Basic | \$ 1.09 | \$ 1.05 | \$ 1.04 | \$ 1.04 | \$ 1.01 |
| Diluted | 1.07 | 1.03 | 1.02 | 1.01 | 0.99 |
| Dividends declared per common share | \$ 0.29 | \$ 0.28 | \$ 0.27 | \$ 0.26 | \$ 0.25 |
| Return on average assets | 1.43% | 1.42% | 1.50% | 1.48% | 1.34% |
| Return on average common equity | 19.44 | 18.34 | 18.79 | 20.37 | 20.64 |
| Efficiency ratio ⁽¹⁾ | 49.91 | 49.94 | 48.99 | 47.95 | 47.48 |
| ASSET QUALITY | | | | | |
| Nonaccrual loans ⁽²⁾ | \$ 2,166 | \$ 2,257 | \$ 2,188 | \$ 2,232 | \$ 2,391 |
| Foreclosed assets | 334 | 336 | 309 | 274 | 267 |
| Total nonperforming assets | 2,500 | 2,593 | 2,497 | 2,506 | 2,658 |
| Nonperforming assets/total assets | 0.90% | 0.97% | 0.95% | 0.96% | 0.97% |
| Restructured loans | \$ 99 | \$ 98 | \$ 112 | \$ 119 | \$ 130 |
| Total nonperforming assets and restructured loans | 2,599 | 2,691 | 2,609 | 2,625 | 2,788 |
| Allowance for loan and lease losses | 1,680 | 1,653 | 1,705 | 1,665 | 1,621 |
| Allowance as a percentage of total loans held in portfolio | 1.12% | 1.12% | 1.15% | 1.14% | 1.12% |
| Provision for loan and lease losses | \$ 125 | \$ 125 | \$ 135 | \$ 160 | \$ 175 |
| Net charge-offs | 95 | 108 | 88 | 116 | 99 |
| CAPITAL ADEQUACY | | | | | |
| Stockholders' equity/total assets | 7.47% | 7.50% | 7.68% | 7.50% | 6.59% |
| Tangible common equity ⁽³⁾ /total tangible assets ⁽³⁾ | 5.29 | 5.29 | 5.27 | 5.28 | 4.69 |
| Estimated total risk-based capital/risk-weighted assets ⁽⁴⁾ | 11.41 | 11.57 | 11.16 | 12.32 | 11.69 |
| SUPPLEMENTAL DATA | | | | | |
| Average balance sheet: | | | | | |
| Loans held for sale | \$ 42,327 | \$ 37,322 | \$ 25,740 | \$ 22,211 | \$ 27,241 |
| Loans held in portfolio | 148,382 | 149,173 | 146,160 | 146,667 | 147,531 |
| Interest-earning assets | 241,690 | 237,842 | 229,364 | 236,504 | 255,177 |
| Total assets | 280,850 | 273,729 | 261,170 | 266,849 | 284,350 |
| Interest-bearing deposits | 119,056 | 116,177 | 111,408 | 108,231 | 101,217 |
| Noninterest-bearing deposits | 38,851 | 32,375 | 24,065 | 22,417 | 22,635 |

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Quarter Ended

| Stockholders' equity | 20,633 | 21,121 | 20,872 | 19,401 | 18,487 |
|---|---------|---------|---------|---------|---------|
| Period-end balance sheet: | | | | | |
| Loans held for sale | 44,014 | 33,996 | 29,508 | 21,940 | 24,751 |
| Loans held in portfolio, net of allowance for loan and lease losses | 148,877 | 145,875 | 146,157 | 144,208 | 143,309 |
| Interest-earning assets | 242,451 | 231,214 | 230,167 | 230,852 | 243,608 |
| Assets | 276,970 | 268,298 | 262,631 | 261,298 | 275,231 |
| Interest-bearing deposits | 119,394 | 118,001 | 112,969 | 108,441 | 106,457 |
| Noninterest-bearing deposits | 40,478 | 37,515 | 27,639 | 20,628 | 22,553 |
| Stockholders' equity | 20,687 | 20,134 | 20,178 | 19,598 | 18,133 |

- (1) The efficiency ratio is defined as noninterest expense, divided by total revenue (net interest income and noninterest income).
- (2) Excludes nonaccrual loans held for sale.
- (3) Excludes unrealized net gain/loss on available-for-sale securities and derivatives, goodwill and intangible assets but includes MSR.
- (4) 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.

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

| | Quarter Ended | | | | | | | | |
|---|---------------|-------|-------------------------|---------------|-------|-------------------------|---------------|-------|-------------------------|
| | Mar. 31, 2003 | | | Dec. 31, 2002 | | | Mar. 31, 2002 | | |
| | Balance | Rate | Interest Income/Expense | Balance | Rate | Interest Income/Expense | Balance | Rate | Interest Income/Expense |
| Average Balances and Weighted Average Interest Rates | | | | | | | | | |
| Assets | | | | | | | | | |
| Interest-earning assets: | | | | | | | | | |
| Federal funds sold and securities purchased under resale agreements | \$ 5,132 | 1.25% | \$ 16 | \$ 2,536 | 1.43% | \$ 9 | \$ 1,139 | 1.63% | \$ 5 |
| Available-for-sale securities ⁽¹⁾ : | | | | | | | | | |
| Mortgage-backed securities | 26,209 | 5.30 | 347 | 26,010 | 5.01 | 325 | 25,248 | 5.39 | 340 |
| Investment securities | 14,989 | 4.55 | 170 | 18,286 | 4.84 | 222 | 49,267 | 4.96 | 607 |
| Loans held for sale ⁽²⁾ | 42,327 | 5.57 | 589 | 37,322 | 5.70 | 532 | 27,241 | 6.51 | 443 |
| Loans held in portfolio ⁽²⁾ : | | | | | | | | | |
| Loans secured by real estate: | | | | | | | | | |
| Home loans | 83,105 | 5.21 | 1,083 | 85,317 | 5.55 | 1,184 | 88,206 | 6.18 | 1,362 |
| Purchased specialty mortgage finance | 10,075 | 5.95 | 150 | 9,405 | 5.54 | 130 | 8,538 | 6.91 | 148 |
| Total home loans | 93,180 | 5.29 | 1,233 | 94,722 | 5.55 | 1,314 | 96,744 | 6.24 | 1,510 |

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Quarter Ended

| | Quarter Ended | | | | | | | | | |
|--|---------------|-------|-------|------------|-------|-------|------------|-------|-------|--|
| Home construction loans: | | | | | | | | | | |
| Builder ⁽³⁾ | 1,056 | 5.03 | 13 | 1,109 | 5.68 | 16 | 1,568 | 6.04 | 24 | |
| Custom ⁽⁴⁾ | 920 | 7.75 | 18 | 914 | 8.34 | 19 | 929 | 7.72 | 18 | |
| Home equity loans and lines of credit: | | | | | | | | | | |
| Banking subsidiaries | 17,247 | 5.43 | 234 | 15,380 | 5.69 | 219 | 11,103 | 6.02 | 167 | |
| Washington Mutual Finance | 1,958 | 11.94 | 58 | 2,010 | 11.88 | 60 | 2,097 | 11.94 | 62 | |
| Multi-family | 18,476 | 5.66 | 262 | 18,815 | 5.82 | 274 | 17,541 | 6.34 | 278 | |
| Other real estate | 7,747 | 6.34 | 122 | 8,230 | 6.67 | 138 | 8,424 | 7.03 | 148 | |
| | | | | | | | | | | |
| Total loans secured by real estate | 140,584 | 5.52 | 1,940 | 141,180 | 5.77 | 2,040 | 138,406 | 6.38 | 2,207 | |
| Consumer: | | | | | | | | | | |
| Banking subsidiaries | 1,343 | 8.90 | 30 | 1,691 | 9.30 | 40 | 2,851 | 9.71 | 66 | |
| Washington Mutual Finance | 1,720 | 19.30 | 83 | 1,710 | 19.25 | 83 | 1,729 | 18.50 | 80 | |
| Commercial business | 4,735 | 4.47 | 53 | 4,592 | 4.83 | 56 | 4,545 | 5.14 | 58 | |
| | | | | | | | | | | |
| Total loans held in portfolio | 148,382 | 5.68 | 2,106 | 149,173 | 5.94 | 2,219 | 147,531 | 6.55 | 2,411 | |
| Other | 4,651 | 5.56 | 64 | 4,515 | 5.16 | 59 | 4,751 | 6.69 | 77 | |
| | | | | | | | | | | |
| Total interest-earning assets | 241,690 | 5.45 | 3,292 | 237,842 | 5.65 | 3,366 | 255,177 | 6.10 | 3,883 | |
| Noninterest-earning assets: | | | | | | | | | | |
| Mortgage servicing rights | 5,456 | | | 5,855 | | | 7,006 | | | |
| Goodwill | 6,267 | | | 6,229 | | | 5,595 | | | |
| Other | 27,437 | | | 23,803 | | | 16,572 | | | |
| | | | | | | | | | | |
| Total assets | \$ 280,850 | | | \$ 273,729 | | | \$ 284,350 | | | |
| | | | | | | | | | | |
| Liabilities | | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | | |
| Deposits: | | | | | | | | | | |
| Interest-bearing checking | \$ 58,222 | 1.92 | 276 | \$ 53,588 | 2.35 | 317 | \$ 23,873 | 2.76 | 163 | |
| Savings accounts and money market deposit accounts | 27,968 | 1.07 | 74 | 28,745 | 1.30 | 94 | 35,311 | 1.61 | 140 | |
| Time deposit accounts | 32,866 | 2.93 | 237 | 33,844 | 3.06 | 261 | 42,033 | 3.36 | 348 | |
| | | | | | | | | | | |
| Total interest-bearing deposits | 119,056 | 2.00 | 587 | 116,177 | 2.30 | 672 | 101,217 | 2.61 | 651 | |
| Federal funds purchased and commercial paper | 2,385 | 1.42 | 9 | 2,848 | 1.71 | 12 | 5,565 | 1.96 | 27 | |
| Securities sold under agreements to repurchase | 20,371 | 2.76 | 140 | 23,659 | 2.77 | 165 | 53,450 | 1.62 | 213 | |
| Advances from Federal Home Loan Banks | 55,844 | 2.72 | 378 | 56,047 | 2.94 | 416 | 65,302 | 2.63 | 424 | |
| Other | 15,487 | 4.16 | 161 | 14,376 | 4.83 | 175 | 14,156 | 4.94 | 172 | |
| | | | | | | | | | | |
| Total interest-bearing liabilities | 213,143 | 2.41 | 1,275 | 213,107 | 2.68 | 1,440 | 239,690 | 2.52 | 1,487 | |
| | | | | | | | | | | |
| Noninterest-bearing sources: | | | | | | | | | | |
| Noninterest-bearing deposits | 38,851 | | | 32,375 | | | 22,635 | | | |
| Other liabilities | 8,223 | | | 7,126 | | | 3,538 | | | |
| Stockholders' equity | 20,633 | | | 21,121 | | | 18,487 | | | |
| | | | | | | | | | | |
| Total liabilities and stockholders' equity | \$ 280,850 | | | \$ 273,729 | | | \$ 284,350 | | | |

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Quarter Ended

| Net interest spread and net interest income | 3.04 | \$ 2,017 | 2.97 | \$ 1,926 | 3.58 | \$ 2,396 |
|---|------|----------|------|----------|------|----------|
| Impact of noninterest-bearing sources | 0.28 | | 0.28 | | 0.16 | |
| Net interest margin | 3.32 | | 3.25 | | 3.74 | |

- (1) The average balance and yield are based on average amortized cost balances.
- (2) Nonaccrual loans were included in the average loan amounts outstanding.
- (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-6

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

| | Quarter Ended | | |
|---|---------------|---------------|---------------|
| | Mar. 31, 2003 | Dec. 31, 2002 | Mar. 31, 2002 |
| Loan Volume | | | |
| Home loans: | | | |
| Adjustable rate | \$ 23,431 | \$ 25,998 | \$ 16,608 |
| Fixed rate | 69,510 | 67,487 | 39,231 |
| Specialty mortgage finance ⁽¹⁾ | 4,529 | 4,689 | 3,127 |
| Total home loan volume | 97,470 | 98,174 | 58,966 |
| Home construction loans: | | | |
| Builder ⁽²⁾ | 477 | 389 | 366 |
| Custom ⁽³⁾ | 163 | 194 | 148 |
| Home equity loans and lines of credit: | | | |
| Banking subsidiaries | 5,196 | 4,721 | 3,480 |
| Washington Mutual Finance | 287 | 216 | 242 |
| Multi-family | 1,797 | 1,864 | 864 |
| Other real estate | 281 | 513 | 344 |
| Total loans secured by real estate | 105,671 | 106,071 | 64,410 |
| Consumer: | | | |
| Banking subsidiaries | 59 | 114 | 238 |
| Washington Mutual Finance | 424 | 481 | 402 |
| Commercial business | 466 | 438 | 637 |

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| | Quarter Ended | | |
|--|---------------|---------------|---------------|
| | Mar. 31, 2003 | Dec. 31, 2002 | Mar. 31, 2002 |
| Total loan volume | \$ 106,620 | \$ 107,104 | \$ 65,687 |
| Loan Volume by Channel | | | |
| Originated | \$ 61,288 | \$ 64,881 | \$ 43,538 |
| Purchased/Correspondent | 45,332 | 42,223 | 22,149 |
| Total loan volume by channel | \$ 106,620 | \$ 107,104 | \$ 65,687 |
| Refinancing Activity⁽⁴⁾ | | | |
| Home loan refinancing | \$ 72,448 | \$ 71,203 | \$ 40,090 |
| Home construction loans | 12 | 11 | 13 |
| Home equity loans and lines of credit and consumer | 693 | 904 | 641 |
| Multi-family and other real estate | 707 | 903 | 322 |
| Total refinancing | \$ 73,860 | \$ 73,021 | \$ 41,066 |
| Home Loan Volume by Index: | | | |
| Short-term adjustable-rate mortgages: | | | |
| Treasury indices | \$ 4,539 | \$ 3,972 | \$ 6,480 |
| COFI | 249 | 316 | 728 |
| Other | 218 | 244 | 90 |
| Total short-term adjustable-rate mortgages | 5,006 | 4,532 | 7,298 |
| Medium-term adjustable-rate mortgages | 21,530 | 24,896 | 11,832 |
| Fixed-rate mortgages | 70,934 | 68,746 | 39,836 |
| Total home loan volume | \$ 97,470 | \$ 98,174 | \$ 58,966 |

- (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 refinancing entered into by both new and pre-existing loan customers.

WM-7

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

| | | | |
|------------------------------|------------------|------------------|------------------|
| Change from Dec. 31, 2002 | Mar. 31, 2003 | Dec. 31, 2002 | Mar. 31, 2002 |
|------------------------------|------------------|------------------|------------------|

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to Mar. 31,
2003

Loans by Property Type and MBS

| Loans held in portfolio: | | | | |
|--|-----------|------------|------------|------------|
| Home loans: | | | | |
| Adjustable rate and fixed rate | \$ 903 | \$ 83,745 | \$ 82,842 | \$ 85,401 |
| Purchased specialty mortgage finance | 476 | 10,604 | 10,128 | 8,974 |
| Total home loans | 1,379 | 94,349 | 92,970 | 94,375 |
| Home construction loans: | | | | |
| Builder ⁽¹⁾ | 30 | 1,047 | 1,017 | 1,476 |
| Custom ⁽²⁾ | (6) | 926 | 932 | 915 |
| Home equity loans and lines of credit: | | | | |
| Banking subsidiaries | 1,921 | 18,089 | 16,168 | 12,676 |
| Washington Mutual Finance | 87 | 2,017 | 1,930 | 2,093 |
| Multi-family | 618 | 18,618 | 18,000 | 17,228 |
| Other real estate | (24) | 7,962 | 7,986 | 8,422 |
| Total loans secured by real estate | 4,005 | 143,008 | 139,003 | 137,185 |
| Consumer: | | | | |
| Banking subsidiaries | (383) | 1,280 | 1,663 | 1,908 |
| Washington Mutual Finance | (11) | 1,718 | 1,729 | 1,707 |
| Commercial business | (582) | 4,551 | 5,133 | 4,130 |
| Total loans held in portfolio | 3,029 | 150,557 | 147,528 | 144,930 |
| Less: allowance for loan and lease losses | (27) | (1,680) | (1,653) | (1,621) |
| Loans securitized and retained as mortgage-backed securities | (1,385) | 23,669 | 25,054 | 21,145 |
| Total net loans held in portfolio and loans securitized and retained as mortgage-backed securities | 1,617 | 172,546 | 170,929 | 164,454 |
| Loans held for sale | 10,018 | 44,014 | 33,996 | 24,751 |
| Total net loans and loans securitized and retained as mortgage-backed securities | 11,635 | 216,560 | 204,925 | 189,205 |
| Purchased mortgage-backed securities | (222) | 3,099 | 3,321 | 3,202 |
| Total net loans and mortgage-backed securities | \$ 11,413 | \$ 219,659 | \$ 208,246 | \$ 192,407 |

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

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

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

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(unaudited)

| | Dec. 31, 2002 to Mar. 31, 2003 |
|--|---|
| Rollforward of Mortgage Servicing Rights⁽¹⁾ | |
| Balance, beginning of period | \$ 5,341 |
| Home loans: | |
| Additions | 940 |
| Amortization | (969) |
| Recovery | 37 |
| Sale of servicing rights | (141) |
| Net change in commercial real estate mortgage servicing rights | 2 |
| Balance, end of period ⁽²⁾ | \$ 5,210 |
| Rollforward of Valuation Allowance for Mortgage Servicing Rights Impairment | |
| Balance, beginning of period | \$ 4,521 |
| Recovery | (37) |
| Other than temporary impairment | (536) |
| Sale of servicing rights | (84) |
| Balance, end of period | \$ 3,864 |
| Rollforward of Loans Serviced for Others | |
| Balance, beginning of period | \$ 604,504 |
| Home loans: | |
| Additions | 79,516 |
| Loan payments and other | (92,556) |
| Net change in commercial real estate loans serviced for others | 453 |
| Balance, end of period | \$ 591,917 |
| | Mar. 31, 2003 Balance |
| Total Servicing Portfolio | |
| Loans serviced for others | \$ 591,917 |
| Servicing on retained mortgage-backed securities without mortgage servicing rights | 4,843 |
| Servicing on owned loans | 180,160 |
| Subservicing portfolio | 191 |
| Total servicing portfolio | \$ 777,111 |
| | Mar. 31, 2003 |
| | Unpaid Principal Balance |
| | Weighted Average Servicing Fee |
| | (in basis points, annualized) |

Mar. 31, 2003

| Loans Serviced for Others by Loan Type | | | | |
|--|----|---------|---------|----|
| Government | \$ | 82,552 | 54 | |
| Agency | | 383,232 | 33 | |
| Private | | 113,125 | 41 | |
| Specialty home loans | | 13,008 | 50 | |
| Total loans serviced for others ⁽³⁾ | | \$ | 591,917 | 38 |

(1) Net of valuation allowance.

(2) At March 31, 2003, aggregate mortgage servicing rights fair value was \$5.25 billion.

(3) Weighted average coupon (annualized) was 6.66% at March 31, 2003.

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**Washington Mutual, Inc.
Selected Financial Information**

*(dollars in millions)
(unaudited)*

| | Change from Dec. 31, 2002 to Mar. 31, 2003 | Mar. 31, 2003 | % of total | Dec. 31, 2002 | % of total | Mar. 31, 2002 | % of total |
|--|---|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|
| Loans Secured by Real Estate and Mortgage-Backed Securities ("MBS") | | | | | | | |
| Short-term adjustable-rate loans and MBS: | | | | | | | |
| COFI | \$ (1,964) | \$ 26,288 | 12% | \$ 28,252 | 14% | \$ 32,523 | 18% |
| Treasury indices | 2,317 | 44,362 | 21 | 42,045 | 21 | 35,903 | 19 |
| Other | 2,686 | 30,106 ⁽¹⁾ | 14 | 27,420 ⁽¹⁾ | 13 | 22,716 ⁽¹⁾ | 12 |
| Total short-term adjustable-rate loans and MBS | 3,039 | 100,756 | 47 | 97,717 | 48 | 91,142 | 49 |
| Medium-term adjustable-rate loans and MBS | (40) | 54,124 | 25 | 54,164 | 27 | 51,546 | 28 |
| Fixed-rate loans | 9,547 | 55,238 | 26 | 45,691 | 23 | 40,019 | 21 |
| Fixed-rate MBS | (172) | 3,535 | 2 | 3,707 | 2 | 3,473 | 2 |
| Total loans secured by real estate and MBS | \$ 12,374 | \$ 213,653 | 100% | \$ 201,279 | 100% | \$ 186,180 | 100% |

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

| | |
|----------------|--------|
| Mar. 31, 2003: | \$ 2.8 |
| Dec. 31, 2002: | 2.8 |
| Mar. 31, 2002: | 2.8 |

| | Quarter Ended | | |
|---|------------------|------------------|------------------|
| | Mar. 31, 2003 | Dec. 31, 2002 | Mar. 31, 2002 |
| Home Loan Mortgage Banking Income (Expense) | | | |
| Loan servicing fees | \$ 613 | \$ 628 | \$ 540 |
| Loan subservicing fees | 5 | 14 | 15 |
| Amortization of mortgage servicing rights | (969) | (920) | (479) |
| Mortgage servicing rights recovery (impairment) | 37 | (308) | 45 |
| Other, net | (137) | (134) | (62) |
| Net home loan servicing income (expense) | (451) | (720) | 59 |
| Revaluation gain (loss) from derivatives: | | | |
| Mortgage servicing rights risk management | 412 | 109 | (15) |
| Other mortgage banking risk management | (195) | (128) | |
| Total revaluation gain (loss) from derivatives | 217 | (19) | (15) |
| Net settlement income from certain interest-rate swaps | 140 | 158 | 6 |
| Gain from mortgage loans | 587 | 392 | 251 |
| GNMA pool buy-out income | 154 | 119 | 13 |
| Loan related income | 75 | 76 | 71 |
| Gain from sale of originated mortgage-backed securities | 1 | 15 | 2 |
| Total home loan mortgage banking income | 723 | 21 | 387 |
| Impact of other mortgage servicing rights risk management instruments ⁽¹⁾ : | | | |
| Gain from certain available-for-sale securities | | 407 | |
| Total home loan mortgage banking income, net of other mortgage servicing rights risk management instruments | \$ 723 | \$ 428 | \$ 387 |

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

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

| | | |
|------------------|------------------|------------------|
| Mar. 31, 2003 | Dec. 31, 2002 | Mar. 31, 2002 |
|------------------|------------------|------------------|

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| | Balance | Balance | Balance |
|---|------------|------------|------------|
| Deposits | | | |
| Deposits: | | | |
| Checking accounts: | | | |
| Interest-bearing | \$ 60,105 | \$ 56,132 | \$ 31,658 |
| Noninterest-bearing | 38,263 | 35,730 | 21,718 |
| Total checking accounts | 98,368 | 91,862 | 53,376 |
| Savings and money market deposit accounts | 29,910 | 29,886 | 34,378 |
| Time deposit accounts ⁽¹⁾ | 31,594 | 33,768 | 41,256 |
| Total deposits ⁽²⁾ | \$ 159,872 | \$ 155,516 | \$ 129,010 |

(1) Weighted average remaining maturity of time deposits was 15 months at March 31, 2003, 15 months at December 31, 2002 and 11 months at March 31, 2002.

(2) Includes custodial and escrow deposits of \$27.04 billion at March 31, 2003, \$25.90 billion at December 31, 2002 and \$11.76 billion at March 31, 2002.

| | Mar. 31, 2003 | Dec. 31, 2002 | Mar. 31, 2002 |
|---|---------------|---------------|---------------|
| Retail Checking Accounts⁽¹⁾ | | | |
| Washington Mutual Bank and Washington Mutual Bank fsb | 1,300,561 | 1,289,705 | 1,218,440 |
| Washington Mutual Bank, FA | 6,160,759 | 5,968,850 | 5,318,195 |
| Total retail checking accounts | 7,461,320 | 7,258,555 | 6,536,635 |
| Retail Checking Account Activity⁽¹⁾ | | | |
| Net accounts opened during the quarter: | | | |
| Washington Mutual Bank and Washington Mutual Bank fsb | 10,856 | 11,900 | 36,055 |
| Washington Mutual Bank, FA | 191,909 | 155,087 | 650,389(2) |
| Net new retail checking accounts | 202,765 | 166,987 | 686,444 |

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

(2) Includes 358,846 checking accounts acquired from Dime.

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

| | Quarter Ended | | | | |
|--|------------------|------------------|-------------------|------------------|------------------|
| | Mar. 31, 2003 | Dec. 31, 2002 | Sept. 30, 2002 | June 30, 2002 | Mar. 31, 2002 |
| Allowance for Loan and Lease Losses | | | | | |
| Balance, beginning of quarter | \$ 1,653 | \$ 1,705 | \$ 1,665 | \$ 1,621 | \$ 1,404 |
| Allowance acquired through business combinations | | | | | 148 |
| Allowance for transfer to loans held for sale | (3) | (17) | (7) | | (7) |
| Allowance for certain loan commitments | | (52) | | | |
| Provision for loan and lease losses | 125 | 125 | 135 | 160 | 175 |
| | <u>1,775</u> | <u>1,761</u> | <u>1,793</u> | <u>1,781</u> | <u>1,720</u> |
| Loans charged off: | | | | | |
| Loans secured by real estate: | | | | | |
| Home loans | (15) | (23) | (9) | (11) | (11) |
| Purchased specialty mortgage finance | (10) | (7) | (9) | (8) | (9) |
| | <u>(25)</u> | <u>(30)</u> | <u>(18)</u> | <u>(19)</u> | <u>(20)</u> |
| Total home loan charge-offs | | | | | |
| Home equity loans and lines of credit: | | | | | |
| Banking subsidiaries | (4) | (9) | (3) | (1) | (1) |
| Washington Mutual Finance | (3) | (4) | (2) | (3) | (2) |
| Multi-family | | | (1) | | |
| Other real estate | (10) | (5) | (11) | (32) | (10) |
| | <u>(42)</u> | <u>(48)</u> | <u>(35)</u> | <u>(55)</u> | <u>(33)</u> |
| Total loans secured by real estate | | | | | |
| Consumer: | | | | | |
| Banking subsidiaries | (17) | (16) | (15) | (20) | (20) |
| Washington Mutual Finance | (40) | (43) | (42) | (44) | (40) |
| Commercial business | (14) | (20) | (17) | (19) | (19) |
| | <u>(113)</u> | <u>(127)</u> | <u>(109)</u> | <u>(138)</u> | <u>(112)</u> |
| Total loans charged off | | | | | |
| Recoveries of loans previously charged off: | | | | | |
| Loans secured by real estate: | | | | | |
| Home loans | | | 2 | | |
| Purchased specialty mortgage finance | 1 | | | | |
| Multi-family | | | 1 | | |
| Other real estate | 4 | 5 | 6 | 1 | 1 |
| | <u>5</u> | <u>5</u> | <u>9</u> | <u>1</u> | <u>1</u> |
| Total loans secured by real estate | | | | | |
| Consumer: | | | | | |
| Banking subsidiaries | 3 | 5 | 3 | 3 | 2 |
| Washington Mutual Finance | 6 | 4 | 5 | 5 | 5 |
| Commercial business | 4 | 5 | 4 | 13 | 5 |
| | <u>13</u> | <u>14</u> | <u>12</u> | <u>11</u> | <u>12</u> |

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| | Quarter Ended | | | | |
|---|---------------|----------|----------|----------|----------|
| | 18 | 19 | 21 | 22 | 13 |
| Total recoveries of loans previously charged off | 18 | 19 | 21 | 22 | 13 |
| Net charge-offs | (95) | (108) | (88) | (116) | (99) |
| Balance, end of quarter | \$ 1,680 | \$ 1,653 | \$ 1,705 | \$ 1,665 | \$ 1,621 |
| Net charge offs (annualized) as a percentage of average loans held in portfolio | 0.26% | 0.29% | 0.24% | 0.32% | 0.27% |
| Allowance as a percentage of total loans held in portfolio | 1.12% | 1.12% | 1.15% | 1.14% | 1.12% |

WM-12

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

| | Mar. 31, 2003 | Dec. 31, 2002 | Sept. 30, 2002 | June 30, 2002 | Mar. 31, 2002 |
|--|------------------|------------------|-------------------|------------------|------------------|
| Nonperforming Assets and Restructured Loans | | | | | |
| Nonaccrual loans ⁽¹⁾ : | | | | | |
| Home loans | \$ 910 | \$ 1,017 | \$ 1,068 | \$ 1,092 | \$ 1,177 |
| Purchased specialty mortgage finance | 523 | 488 | 407 | 403 | 401 |
| Total home loan nonaccrual loans | 1,433 | 1,505 | 1,475 | 1,495 | 1,578 |
| Home construction loans: | | | | | |
| Builder ⁽²⁾ | 38 | 42 | 48 | 44 | 57 |
| Custom ⁽³⁾ | 9 | 7 | 6 | 8 | 15 |
| Home equity loans and lines of credit: | | | | | |
| Banking subsidiaries | 44 | 36 | 35 | 35 | 35 |
| Washington Mutual Finance | 41 | 37 | 35 | 31 | 29 |
| Multi-family | 49 | 50 | 58 | 64 | 51 |
| Other real estate | 402 | 414 | 356 | 371 | 413 |
| Total nonaccrual loans secured by real estate | 2,016 | 2,091 | 2,013 | 2,048 | 2,178 |
| Consumer: | | | | | |
| Banking subsidiaries | 10 | 18 | 13 | 13 | 18 |
| Washington Mutual Finance | 67 | 69 | 76 | 75 | 79 |
| Commercial business | 73 | 79 | 86 | 96 | 116 |
| Total nonaccrual loans held in portfolio | 2,166 | 2,257 | 2,188 | 2,232 | 2,391 |
| Foreclosed assets | 334 | 336 | 309 | 274 | 267 |
| Total nonperforming assets | \$ 2,500 | \$ 2,593 | \$ 2,497 | \$ 2,506 | \$ 2,658 |
| As a percentage of total assets | 0.90% | 0.97% | 0.95% | 0.96% | 0.97% |
| Restructured loans | \$ 99 | \$ 98 | \$ 112 | \$ 119 | \$ 130 |
| Total nonperforming assets and restructured loans | \$ 2,599 | \$ 2,691 | \$ 2,609 | \$ 2,625 | \$ 2,788 |

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| <u>Mar. 31,</u> <u>2003</u> | <u>Dec. 31,</u> <u>2002</u> | <u>Sept. 30,</u> <u>2002</u> | <u>June 30,</u> <u>2002</u> | <u>Mar. 31,</u> <u>2002</u> |
|--------------------------------|--------------------------------|---------------------------------|--------------------------------|--------------------------------|
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

-
- (1) Excludes nonaccrual loans held for sale of \$134 million at March 31, 2003. Prior periods also reflect the exclusion of nonaccrual loans held for sale of \$119 million, \$105 million, \$114 million and \$122 million at December 31, 2002, September 30, 2002, June 30, 2002 and March 31, 2002. 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 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.
-

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: April 15, 2003

By: /s/ FAY L. CHAPMAN

Fay L. Chapman
Senior Executive Vice President and General Counsel

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QuickLinks

ITEM 9. Regulation FD Disclosure.

[Washington Mutual Announces Record Earnings; Company Delivers \\$1 Billion Quarter Board of Directors Increases Cash Dividend](#)

[Washington Mutual, Inc. Consolidated Statements of Income \(dollars in millions, except per share data\) \(unaudited\)](#)

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

[Washington Mutual, Inc. Selected Financial Information \(dollars in millions, except per share data\) \(unaudited\)](#)

[Washington Mutual, Inc. Selected Financial Information \(dollars in millions, except per share amounts\) \(unaudited\)](#)

[Washington Mutual, Inc. Selected Financial Information \(dollars in millions\) \(unaudited\)](#)

[Washington Mutual, Inc. Selected Financial Information \(dollars in millions\) \(unaudited\)](#)

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[Washington Mutual, Inc. Selected Financial Information \(dollars in millions\) \(unaudited\)](#)

SIGNATURE