

Edgar Filing: WASHINGTON MUTUAL INC - Form 8-K

WASHINGTON MUTUAL INC
Form 8-K
January 16, 2002

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 (Date of Earliest Event Reported) January 15, 2002

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 No.) | (I.R.S. Employer Identification No.) |

1201 Third Avenue
Seattle, Washington 98101

(Address of principal executive offices and zip code)

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

Item 9. Regulation FD Disclosure.

Registrant issued the following press release on January 15, 2002.

Washington Mutual Caps Most Profitable Year
with Record Quarterly Earnings;
Board Increases Cash Dividend

SEATTLE -- Washington Mutual, Inc. (NYSE: WM) today announced record fourth-quarter earnings of \$842 million, or 97 cents per diluted share, for the period ended Dec. 31, 2001, up 56 percent on a per share basis from \$497 million, or 62 cents per diluted share for the same period a year ago.

Annual earnings for 2001 were also a record at \$3.11 billion, or \$3.59 per diluted share, versus \$1.90 billion, or \$2.36 per diluted share in 2000. Other financial highlights for the fourth quarter and the year included:

Edgar Filing: WASHINGTON MUTUAL INC - Form 8-K

- o return on average common equity in excess of 23 percent for the fourth quarter and the year;
- o record net checking account growth of 190,000 checking accounts for the fourth quarter, and more than 1 million checking accounts for the year;
- o increases of 31 percent and 32 percent in depositor and other retail banking fees for the fourth quarter and the year, respectively; and
- o record total loan volume of \$59.12 billion for the fourth quarter, and \$174.04 billion for the year, which includes record volume in single-family residential (SFR) and non-SFR categories.

"Our record performance in the fourth quarter of 2001 is a fitting end to a spectacular year highlighted by record earnings, account growth and loan volume," said Kerry Killinger, Washington Mutual's chairman, president and chief executive officer. "It demonstrates the strength of our business strategy and our ability to profitably expand our franchise through a combination of internal growth and acquisitions. In addition, our employees clearly demonstrated their ability to manage the company in a business climate that became more challenging as the year progressed."

2

BOARD OF DIRECTORS INCREASES DIVIDEND

The board declared a cash dividend of 25 cents on the company's common stock, up from 24 cents in the previous quarter. Dividends on the common stock are payable Feb. 15, 2002 to shareholders of record as of Jan. 31, 2002. The board also declared a \$0.90625 dividend on Washington Mutual's Series H Preferred Stock which, together with a related purchase contract adjustment payment of \$0.09375, will result in an aggregate payment of \$1.00 on each unit of the company's Premium Income Equity Securities (PIES). These amounts are payable on Feb. 19, 2002, to shareholders of record as of Feb. 15, 2002.

FOURTH-QUARTER RESULTS

Net Interest Income and Noninterest Income

Net interest income in the fourth quarter of 2001 was \$2.03 billion, up 84 percent from \$1.10 billion in the prior year's fourth quarter. For the year, net interest income totaled \$6.88 billion, compared with \$4.31 billion in 2000.

The net interest spread was 3.84 percent in the most recent quarter, compared with 2.29 percent for the same period a year earlier. The margin was 3.80 percent in the most recent quarter versus 2.42 percent in fourth quarter 2000.

Low long-term mortgage interest rates resulted in high levels of refinancing activity during the most recent quarter, which led to higher actual and anticipated prepayment rates within the company's mortgage servicing portfolio. This resulted in higher amortization levels for the company's mortgage servicing rights (MSR) asset during the fourth quarter and the addition of \$1.06 billion to the impairment reserve for MSR. Although the low mortgage interest rates caused prepayment levels to rise, they also enabled the company to generate high levels of salable fixed-rate loan volume, resulting in gain from mortgage loans of \$289 million during the quarter. This income, combined with the additional gain of \$442 million from securities, and a \$496 million pretax hedging gain (accounted for on a net-of-tax basis as an extraordinary item under current accounting rules) from the early extinguishment of debt,

Edgar Filing: WASHINGTON MUTUAL INC - Form 8-K

exceeded the amount of the MSR impairment.

3

"Our strategy of mitigating MSR impairments through the combination of strong gain primarily on fixed-rate mortgages with additional gains from the sale of securities and the liquidation of hedging instruments has worked effectively," Killinger said, adding that the strategy is part of Washington Mutual's ongoing business.

The net increase of more than 1 million checking accounts, year over year, contributed to depositor and other retail banking fees of \$353 million for the quarter, up 31 percent from \$269 million for the same period one year ago. For the year, depositor and other retail banking fees totaled \$1.29 billion, up from \$976 million for 2000.

Securities fees and commissions totaled \$77 million in the most recent quarter, up from \$74 million in the fourth quarter of last year. For the year, these fees and commissions totaled \$303 million in 2001, versus \$318 million in 2000.

Lending

During the most recent quarter, Washington Mutual produced record loan volume, which totaled \$59.12 billion, versus \$17.31 billion for the fourth quarter of 2000. For the year, total loan volume was a record \$174.04 billion, compared with \$66.27 billion in 2000.

In the fourth quarter, single-family residential (SFR) loan volume totaled \$54.83 billion, versus \$13.54 billion a year ago. SFR loan volume totaled \$155.82 billion in 2001, as compared with \$52.42 billion in 2000.

Low mortgage interest rates continued to fuel a high volume of refinancing activity. In the year 2001, loan volume for home refinancing was 67 percent of the SFR volume (excluding specialty mortgage finance and residential construction), versus 34 percent for 2000. Of the SFR loan volume (excluding specialty mortgage finance), 74 percent was for fixed-rate loans in 2001, versus just 15 percent the previous year.

4

The volume of loans other than SFRs totaled \$4.29 billion for the most recent quarter, up 14 percent over \$3.77 billion in the fourth quarter of 2000. For the year, that volume was \$18.22 billion, up 32 percent from \$13.85 billion for 2000.

Efficiency Ratio

The company's efficiency ratio (defined as total noninterest expense, excluding amortization of intangible assets, as a percentage of net interest income, noninterest income, and the extraordinary item) improved to 44.99 percent during the fourth quarter of 2001, compared with 48.22 percent for the fourth quarter of 2000. For the year, the efficiency ratio (similarly calculated) was 43.90, versus 47.97 one year ago.

Noninterest expense for the fourth quarter of 2001 totaled \$1.33 billion, compared with \$822 million in the fourth quarter of 2000. For the year, noninterest expense totaled \$4.62 billion, as compared with \$3.13 billion for 2000. The growth in expenses was, in large part, a reflection of the company's acquisitions during the year.

Balance Sheet and Capital Management

Edgar Filing: WASHINGTON MUTUAL INC - Form 8-K

Reflecting the company's acquisitions in 2001, Washington Mutual's consolidated assets were \$242.51 billion at Dec. 31, 2001, up from \$194.72 billion at year-end 2000.

During the fourth quarter, the company repurchased 7.3 million shares of its common stock at an average price of \$31.65.

At Dec. 31, 2001, transaction account balances, including checking, savings and money market deposits, represented 66 percent of total deposits, up from 58 percent at the end of 2001. Total deposits were \$107.18 billion at the end of the fourth quarter, up 35 percent from \$79.57 billion at the end of the fourth quarter of 2000, reflecting the company's acquisitions and strong internal growth.

Stockholders' equity stood at \$14.06 billion, or 5.8 percent of consolidated assets at Dec. 31, 2001. 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.

5

Credit Quality

In the fourth quarter, the company made a \$200 million provision for loan and lease losses, while net loan charge-offs during the period were \$97 million. Nonperforming assets increased by \$349 million to \$2.38 billion at Dec. 31, 2001, as compared with \$2.03 billion at Sept. 30, 2001, and \$1.02 billion at year-end 2000. The ratio of nonperforming assets to total assets was 0.98 percent at Dec. 31, 2001, versus 0.91 percent at the end of the third quarter, and 0.52 percent at year-end 2000.

"The loan loss provision remains in excess of loan charge-offs," said Killinger. "Management is comfortable with the loan loss reserve in light of the risk profile of our loan portfolio, which is heavily weighted toward single-family residential home loans secured by real estate."

Company Updates

- o On Jan. 4, the company completed its acquisition of Dime Bancorp, Inc. The acquisition creates a broad-based platform for Washington Mutual's retail banking operations in the greater New York metropolitan area, the nation's largest urban banking market. With the addition of the mortgage operations of Dime's North American Mortgage Company, Washington Mutual has also further strengthened its position as the nation's leading mortgage franchise.
- o On Dec. 11, Washington Mutual announced the signing of a definitive agreement to acquire, for cash, \$1.9 billion of assets of HomeSide Lending, Inc., the U.S. mortgage unit of the National Australia Bank Limited (the "National") (ASX: NAB; NYSE: NAB). In addition, Washington Mutual will subservice HomeSide's \$187.4 billion mortgage servicing portfolio, representing approximately 2 million customers. The National will retain its financial interest in the mortgage servicing rights to be subserviced by Washington Mutual, the related hedges and certain other HomeSide assets and liabilities.
- o During the fourth quarter, the company launched its market entry into Atlanta, Ga., by opening the first 20 of up to 80 Occasio financial stores planned for that area over the next few years.

Edgar Filing: WASHINGTON MUTUAL INC - Form 8-K

6

Outlook

"Our management team anticipates another year of record profitability and solid growth for Washington Mutual in 2002," said Killinger. "In addition to continuing to keep a watchful eye on credit quality, a particular area of focus for the company will be successfully integrating the franchises that we've recently acquired and ensuring a successful transition for new employees who are now a part of the Washington Mutual family."

With a history dating back to 1889, Washington Mutual is a national financial services company that provides a diversified line of products and services to consumers and small- to mid-sized businesses. At Dec. 31, 2001, Washington Mutual and its subsidiaries had assets of \$242.51 billion. The company currently operates more than 2,300 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 investor conference call on January 16, 2002, at 7:30 a.m. PST at www.wamu.com or by dialing 1.888.391.7808, passcode "WaMu." International callers may dial 312.470.7056. A replay will be available shortly after the completion of the call.

Media Contact: Libby Hutchinson
1-800-228-9268
(206) 461-2484
libby.hutchinson@wamu.net

Investor Contacts: JoAnn DeGrande
(206) 461-3186
joann.degrande@wamu.net

Ruthanne King
(206) 461-6421
ruthanne.king@wamu.net

7

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

| | Quarter Ended | | Year Ended | | |
|--|------------------|-------------------|------------------|------------------|------------------|
| | Dec. 31, 2001 | Sept. 30, 2001 | Dec. 31, 2000 | Dec. 31, 2001 | Dec. 31, 2000 |
| Interest Income | | | | | |
| Loans | \$2,690 | \$2,808 | \$2,533 | \$11,233 | \$9,388 |
| Available-for-sale ("AFS") securities | 776 | 825 | 712 | 3,573 | 2,811 |
| Held-to-maturity ("HTM") securities | - | - | 321 | - | 1,319 |
| Other interest and | | | | | |

Edgar Filing: WASHINGTON MUTUAL INC - Form 8-K

| | | | | | |
|---|---------|-------|-------|---------|--------|
| dividend income | 59 | 57 | 66 | 259 | 265 |
| ----- | | | | | |
| Total interest income | 3,525 | 3,690 | 3,632 | 15,065 | 13,783 |
| Interest Expense | | | | | |
| Deposits | 649 | 735 | 854 | 3,094 | 3,290 |
| Borrowings | 849 | 1,139 | 1,677 | 5,095 | 6,182 |
| ----- | | | | | |
| Total interest expense | 1,498 | 1,874 | 2,531 | 8,189 | 9,472 |
| ----- | | | | | |
| Net interest income | 2,027 | 1,816 | 1,101 | 6,876 | 4,311 |
| Provision for loan and lease losses | 200 | 200 | 53 | 575 | 185 |
| ----- | | | | | |
| Net interest income after provision for loan and lease losses | 1,827 | 1,616 | 1,048 | 6,301 | 4,126 |
| Noninterest Income | | | | | |
| Depositor and other retail banking fees | 353 | 333 | 269 | 1,290 | 976 |
| Securities fees and commissions | 77 | 78 | 74 | 303 | 318 |
| Insurance fees and commissions | 16 | 12 | 11 | 53 | 44 |
| Net SFR loan servicing income (expense) | (1,042) | (454) | 34 | (1,521) | 134 |
| Loan related income | 109 | 93 | 34 | 349 | 117 |
| Gain from mortgage loans | 289 | 275 | 64 | 967 | 262 |
| Gain (loss) from securities | 442 | 317 | 13 | 861 | (1) |
| Other income | 90 | 84 | 51 | 325 | 134 |
| ----- | | | | | |
| Total noninterest income | 334 | 738 | 550 | 2,627 | 1,984 |
| Noninterest Expense | | | | | |
| Compensation and benefits | 535 | 507 | 343 | 1,924 | 1,348 |
| Occupancy and equipment | 228 | 202 | 157 | 804 | 604 |
| Telecommunications and outsourced information services | 119 | 111 | 87 | 441 | 323 |
| Depositor and other retail banking losses | 45 | 37 | 29 | 144 | 105 |
| Amortization of goodwill and other intangible assets | 45 | 48 | 26 | 172 | 106 |
| Other expense | 359 | 249 | 180 | 1,132 | 640 |
| ----- | | | | | |
| Total noninterest expense | 1,331 | 1,154 | 822 | 4,617 | 3,126 |
| ----- | | | | | |
| Income before income taxes and extraordinary item | 830 | 1,200 | 776 | 4,311 | 2,984 |
| Income taxes | 295 | 443 | 279 | 1,579 | 1,085 |
| ----- | | | | | |
| Income before | | | | | |

Edgar Filing: WASHINGTON MUTUAL INC - Form 8-K

| | | | | | |
|--|-------|-------|-------|---------|---------|
| extraordinary item | 535 | 757 | 497 | 2,732 | 1,899 |
| Extraordinary item - gain on extinguishment of debt, net of taxes of \$189 and \$239 million for quarter and year ended December 31, 2001, and \$50 million for quarter ended September 30, 2001 | 307 | 75 | - | 382 | - |
| ----- | | | | | |
| Net Income | \$842 | \$832 | \$497 | \$3,114 | \$1,899 |
| ===== | | | | | |
| Net Income Attributable to Common Stock | \$840 | \$830 | \$497 | \$3,107 | \$1,899 |
| ===== | | | | | |

Basic earnings per common
share:

| | | | | | |
|-------------------------------------|--------|--------|--------|--------|--------|
| Income before extraordinary item | \$0.62 | \$0.88 | \$0.63 | \$3.20 | \$2.37 |
| Extraordinary item | 0.36 | 0.09 | - | 0.45 | - |
| Net income | 0.98 | 0.97 | 0.63 | 3.65 | 2.37 |

Diluted earnings per
common share:

| | | | | | |
|-------------------------------------|--------|--------|--------|--------|--------|
| Income before extraordinary item | \$0.62 | \$0.85 | \$0.62 | \$3.15 | \$2.36 |
| Extraordinary item | 0.35 | 0.09 | - | 0.44 | - |
| Net income | 0.97 | 0.94 | 0.62 | 3.59 | 2.36 |

Dividends declared per
common share

| | | | | |
|--------|--------|--------|--------|--------|
| \$0.24 | \$0.23 | \$0.20 | \$0.90 | \$0.76 |
|--------|--------|--------|--------|--------|

Basic weighted average
number of common shares
outstanding

| | | | | | |
|----------------|---------|---------|---------|---------|---------|
| (in thousands) | 856,014 | 859,497 | 788,789 | 850,245 | 801,262 |
|----------------|---------|---------|---------|---------|---------|

Diluted weighted
average number of
common shares
outstanding

| | | | | | |
|----------------|---------|---------|---------|---------|---------|
| (in thousands) | 868,951 | 879,374 | 796,466 | 864,658 | 804,695 |
|----------------|---------|---------|---------|---------|---------|

8

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

| Quarter Ended | | | Year Ended | |
|------------------|-------------------|------------------|------------------|------------------|
| Dec. 31, 2001 | Sept. 30, 2001 | Dec. 31, 2000 | Dec. 31, 2001 | Dec. 31, 2000 |

Basic and Diluted Weighted Average Number of Common Shares Outstanding
(in thousands)

Basic weighted
average number
of common shares

Edgar Filing: WASHINGTON MUTUAL INC - Form 8-K

| | | | | | |
|--|---------|---------|---------|---------|---------|
| outstanding | 856,014 | 859,497 | 788,789 | 850,245 | 801,262 |
| Dilutive effect of potential common shares from: | | | | | |
| Stock options | 6,726 | 9,336 | 7,677 | 8,469 | 3,433 |
| Premium Income Equity Securities(SM) | 1,268 | 1,782 | - | 1,346 | - |
| Trust Preferred Income Equity Redeemable Securities(SM) | 4,943 | 8,759 | - | 4,598 | - |
| | ----- | ----- | ----- | ----- | ----- |
| | 12,937 | 19,877 | 7,677 | 14,413 | 3,433 |
| | ----- | ----- | ----- | ----- | ----- |
| Dilutive weighted average number of common shares outstanding | 868,951 | 879,374 | 796,466 | 864,658 | 804,695 |
| | ===== | ===== | ===== | ===== | ===== |

| | |
|---------------|---------------|
| Year Ended | Year Ended |
| Dec. 31, 2001 | Dec. 31, 2000 |
| ----- | ----- |

Stockholders' Equity Rollforward

| | | |
|--|-----------|-----------|
| Balance, beginning of period | \$ 10,166 | \$ 9,053 |
| Net income | 3,114 | 1,899 |
| Cash dividends declared on common stock | (774) | (626) |
| Cash dividends declared on redeemable preferred stock | (7) | - |
| Common stock issued to acquire Bank United Corp. | 1,389 | - |
| Common stock issued | 197 | 89 |
| Common stock repurchased and retired | (231) | (869) |
| Common stock warrants issued, net of costs | 398 | - |
| Other comprehensive (loss) income, net of tax | (189) | 620 |
| | ----- | ----- |
| Balance, end of period | \$ 14,063 | \$ 10,166 |
| | ===== | ===== |

Edgar Filing: WASHINGTON MUTUAL INC - Form 8-K

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

| | Quarter Ended | | | | | |
|--|---------------|-------|----------------|-------|---------------|-------|
| | Dec. 31, 2001 | | Sept. 30, 2001 | | Dec. 31, 2000 | |
| | Balance | Rate | Balance | Rate | Balance | Rate |
| Average Balances and Weighted Average Interest Rates | | | | | | |
| Assets | | | | | | |
| Interest-earning assets: | | | | | | |
| Loans (1): | | | | | | |
| SFR | \$ 103,594 | 6.39% | \$ 100,548 | 6.82% | \$ 83,313 | 7.69% |
| Specialty mortgage finance (2) | 10,024 | 10.26 | 9,770 | 10.21 | 7,082 | 10.69 |
| Total SFR | 113,618 | 6.73 | 110,318 | 7.12 | 90,395 | 7.93 |
| Other loans | 41,306 | 7.54 | 41,612 | 8.11 | 32,224 | 9.21 |
| Total Loans | 154,924 | 6.94 | 151,930 | 7.38 | 122,619 | 8.26 |
| Mortgage-backed securities ("MBS") | 31,188 | 6.29 | 37,863 | 6.83 | 56,230 | 7.20 |
| Investment securities and other | 27,951 | 4.92 | 17,006 | 5.54 | 5,197 | 6.71 |
| Total interest-earning assets | 214,063 | 6.58 | 206,799 | 7.13 | 184,046 | 7.89 |
| Noninterest-earning assets | 22,272 | | 21,658 | | 8,082 | |
| Total assets | \$ 236,335 | | \$ 228,457 | | \$ 192,128 | |
| Liabilities | | | | | | |
| Deposits: | | | | | | |
| Checking accounts | \$ 30,535 | 0.71 | \$ 24,746 | 0.23 | \$ 14,299 | 0.45 |
| Savings accounts and money market deposit accounts ("MMDAs") | 34,235 | 2.11 | 35,425 | 2.77 | 30,243 | 4.21 |
| Time deposit accounts | 38,863 | 4.22 | 39,005 | 4.82 | 35,315 | 5.84 |
| Total deposits | 103,633 | 2.48 | 99,176 | 2.94 | 79,857 | 4.25 |
| Borrowings: | | | | | | |
| Securities sold under agreements | | | | | | |

Edgar Filing: WASHINGTON MUTUAL INC - Form 8-K

| | | | | | | |
|---|------------|------|------------|------|------------|------|
| to purchase ("repurchase agreements") | 29,677 | 2.31 | 27,353 | 3.29 | 29,708 | 6.72 |
| Advances from Federal Home Loan Banks ("FHLBs") | 64,338 | 3.17 | 62,614 | 4.17 | 56,185 | 6.68 |
| Federal funds purchased and commercial paper | 5,163 | 2.39 | 4,309 | 3.71 | 4,758 | 6.81 |
| Other | 14,357 | 3.61 | 15,459 | 5.51 | 9,202 | 6.52 |
| | ----- | | ----- | | ----- | |
| Total borrowings | 113,535 | 2.96 | 109,735 | 4.12 | 99,853 | 6.68 |
| | ----- | | ----- | | ----- | |
| Total interest-bearing liabilities | 217,168 | 2.74 | 208,911 | 3.56 | 179,710 | 5.60 |
| Noninterest-bearing liabilities | 4,778 | | 5,492 | | 2,750 | |
| | ----- | | ----- | | ----- | |
| Total liabilities | 221,946 | | 214,403 | | 182,460 | |
| Stockholders' Equity | 14,389 | | 14,054 | | 9,668 | |
| | ----- | | ----- | | ----- | |
| Total liabilities and stockholders' equity | \$ 236,335 | | \$ 228,457 | | \$ 192,128 | |
| | ===== | | ===== | | ===== | |
| Net interest spread | | 3.84 | | 3.57 | | 2.29 |
| Net interest margin | | 3.80 | | 3.53 | | 2.42 |

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

(2) Includes purchased sub-prime loan portfolios as well as first mortgages originated by Washington Mutual Finance and Long Beach Mortgage.

10

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

| | Year Ended | | | |
|--|---------------|------|---------------|------|
| | Dec. 31, 2001 | | Dec. 31, 2000 | |
| | Balance | Rate | Balance | Rate |
| | ----- | | | |
| Average Balances and Weighted Average Interest Rates | | | | |
| Assets | | | | |
| Interest-earning assets: | | | | |
| Loans (1): | | | | |

Edgar Filing: WASHINGTON MUTUAL INC - Form 8-K

| | | | | |
|--|------------|-------|------------|-------|
| SFR | \$ 98,494 | 7.01% | \$ 81,471 | 7.40% |
| Specialty mortgage finance (2) | 9,054 | 10.32 | 5,352 | 11.11 |
| | ----- | | ----- | |
| Total SFR | 107,548 | 7.29 | 86,823 | 7.63 |
| Other loans | 40,766 | 8.32 | 30,919 | 8.94 |
| | ----- | | ----- | |
| Total Loans | 148,314 | 7.57 | 117,742 | 7.97 |
| MBS | 41,430 | 6.95 | 58,469 | 6.97 |
| Investment securities and other | 17,625 | 5.43 | 4,598 | 6.90 |
| | ----- | | ----- | |
| Total interest-earning assets | 207,369 | 7.26 | 180,809 | 7.62 |
| Noninterest-earning assets | 18,204 | | 6,763 | |
| | ----- | | ----- | |
| Total assets | \$ 225,573 | | \$ 187,572 | |
| | ===== | | ===== | |
| Liabilities | | | | |
| Deposits: | | | | |
| Checking accounts | \$ 23,502 | 0.51 | \$ 14,120 | 0.46 |
| Savings accounts and money market deposit accounts ("MMDAs") | 34,168 | 3.00 | 29,816 | 4.05 |
| Time deposit accounts | 38,852 | 5.04 | 36,340 | 5.55 |
| | ----- | | ----- | |
| Total deposits | 96,522 | 3.21 | 80,276 | 4.10 |
| Borrowings: | | | | |
| Securities sold under agreements to purchase ("repurchase agreements") | 29,582 | 4.04 | 28,491 | 6.33 |
| Advances from Federal Home Loan Banks ("FHLBs") | 63,859 | 4.58 | 56,979 | 6.33 |
| Federal funds purchased and commercial paper | 4,806 | 4.11 | 3,442 | 6.52 |
| Other | 13,289 | 5.85 | 7,198 | 7.59 |
| | ----- | | ----- | |
| Total borrowings | 111,536 | 4.57 | 96,110 | 6.43 |
| | ----- | | ----- | |
| Total interest-bearing liabilities | 208,058 | 3.93 | 176,386 | 5.37 |
| Noninterest-bearing liabilities | 4,308 | | 2,207 | |
| | ----- | | ----- | |
| Total liabilities | 212,366 | | 178,593 | |
| Stockholders' Equity | 13,207 | | 8,979 | |
| | ----- | | ----- | |
| Total liabilities and stockholders' equity | \$ 225,573 | | \$ 187,572 | |
| | ===== | | ===== | |

Edgar Filing: WASHINGTON MUTUAL INC - Form 8-K

| | | |
|---------------------|------|------|
| Net interest spread | 3.33 | 2.25 |
| Net interest margin | 3.32 | 2.38 |

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

(2) Includes purchased sub-prime loan portfolios as well as first mortgages originated by Washington Mutual Finance and Long Beach Mortgage.

11

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

| | Dec. 31, 2001 | Sept. 30, 2001 | Dec. 31, 2000 |
|--|------------------|-------------------|------------------|
| ----- | | | |
| Assets | | | |
| Cash and cash equivalents | \$ 6,044 | \$ 3,723 | \$ 2,622 |
| AFS securities: | | | |
| MBS | 28,568 | 37,217 | 40,349 |
| Investment securities | 29,781 | 10,662 | 1,810 |
| HTM securities: | | | |
| MBS | -- | -- | 16,428 |
| Investment securities | -- | -- | 137 |
| Loans held for sale | 23,842 | 18,035 | 3,404 |
| Loans: | | | |
| Loans held in portfolio | 132,991 | 132,900 | 119,626 |
| Allowance for loan and lease losses | (1,404) | (1,295) | (1,014) |
| | ----- | ----- | ----- |
| Total loans held in portfolio, net of allowance for loan and lease losses | 131,587 | 131,605 | 118,612 |
| Mortgage servicing rights ("MSR") | 6,241 | 6,721 | 1,017 |
| Investment in FHLBs | 3,873 | 3,822 | 3,260 |
| Goodwill and other intangible assets | 2,330 | 2,377 | 1,084 |
| Other assets | 10,240 | 9,476 | 5,993 |
| | ----- | ----- | ----- |
| Total assets | \$ 242,506 | \$ 223,638 | \$ 194,716 |
| | ===== | ===== | ===== |
| Liabilities | | | |
| Deposits: | | | |
| Checking accounts | \$37,736 | \$25,575 | \$14,500 |
| Savings accounts and MMDAs | 32,484 | 34,599 | 30,656 |
| Time deposit accounts | 36,962 | 39,559 | 34,418 |
| | ----- | ----- | ----- |
| Total deposits | 107,182 | 99,733 | 79,574 |
| Federal funds purchased and commercial paper | 4,690 | 4,472 | 4,115 |
| Securities sold under repurchase agreements | 39,447 | 18,675 | 29,756 |
| Advances from FHLBs | 61,182 | 65,623 | 57,855 |
| Other borrowings | 12,678 | 15,682 | 9,930 |
| Other liabilities | 3,264 | 4,924 | 3,320 |
| | ----- | ----- | ----- |

Edgar Filing: WASHINGTON MUTUAL INC - Form 8-K

| | | | |
|---|-----------|-----------|-----------|
| Total liabilities | 228,443 | 209,109 | 184,550 |
| Stockholders' equity | 14,063 | 14,529 | 10,166 |
| | ----- | ----- | ----- |
| Total liabilities and stockholders' equity | \$242,506 | \$223,638 | \$194,716 |
| | ===== | ===== | ===== |
| Common shares outstanding at end of period (in thousands) (1) | 873,089 | 879,831 | 809,784 |
| Book value per common share | \$ 16.45 | \$ 16.86 | \$ 12.84 |
| Tangible book value per common share | 14.18 | 14.57 | 11.66 |
| Full-time equivalent employees at end of period | 39,465 | 37,830 | 28,798 |

(1) Includes 18 million shares held in escrow that were not included in the book value per share calculations.

12

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

Note: The following analysis of reported and operating earnings is based upon the Company's opinion and is intended to provide the user additional information about the Company's operations. It is not intended to replace traditional financial statement disclosures in accordance with generally accepted accounting principles and may not be comparable to similarly titled measures reported by other companies.

| | Quarter Ended | | | Year Ended | |
|---|---------------|----------------|---------------|---------------|---------------|
| | Dec. 31, 2001 | Sept. 30, 2001 | Dec. 31, 2000 | Dec. 31, 2001 | Dec. 31, 2000 |
| | ----- | | | | |
| Reported Financial Results | | | | | |
| Net income | \$842 | \$832 | \$497 | \$3,114 | \$1,899 |
| Net income per common share | \$0.98 | \$0.97 | \$0.63 | \$3.65 | \$2.37 |
| Net income per diluted common share | 0.97 | 0.94 | 0.62 | 3.59 | 2.36 |
| Financial ratios on reported financial results: | | | | | |
| Return on average assets | 1.43% | 1.46% | 1.03% | 1.38% | 1.01% |
| Return on average common equity | 23.36 | 23.64 | 20.56 | 23.53 | 21.15 |
| Efficiency ratio(1), excluding amortization of goodwill and other intangible assets | 44.99 | 41.29 | 48.22 | 43.90 | 47.97 |
| Efficiency ratio(1), including amortization of goodwill and other intangible assets | 46.58 | 43.09 | 49.78 | 45.61 | 49.66 |

Edgar Filing: WASHINGTON MUTUAL INC - Form 8-K

Earnings from Operations, Excluding
Amortization of Goodwill and Other
Intangible Assets

| | | | | | |
|---|--------|--------|--------|---------|---------|
| Net income attributable to common stock | \$840 | \$830 | \$497 | \$3,107 | \$1,899 |
| Total amortization of goodwill and other intangible assets | 45 | 48 | 26 | 172 | 106 |
| Income tax expense | (7) | (6) | (6) | (29) | (25) |
| | ----- | ----- | ----- | ----- | ----- |
| Amortization of goodwill and other intangible assets, net of tax | 38 | 42 | 20 | 143 | 81 |
| | ----- | ----- | ----- | ----- | ----- |
| Earnings from operations, excluding amortization of goodwill and other intangible assets | \$878 | \$872 | \$517 | \$3,250 | \$1,980 |
| | ===== | ===== | ===== | ===== | ===== |
| Earnings per diluted common share, excluding amortization of goodwill and other intangible assets | \$1.01 | \$0.99 | \$0.65 | \$3.76 | \$2.46 |
| Financial ratios on earnings from operations: | | | | | |
| Return on average assets | 1.49% | 1.53% | 1.08% | 1.44% | 1.06% |
| Return on average common equity | 24.40 | 24.82 | 21.37 | 24.61 | 22.06 |

Quarter Ended
Dec. 31, 2001

Year Ended
Dec. 31, 2001

Pro Forma (2)

| | | |
|---|--------|---------|
| Income before income taxes and extraordinary item | \$830 | \$4,311 |
| Amortization of goodwill | 34 | 136 |
| | ----- | ----- |
| Income before income taxes and extraordinary item, excluding amortization of goodwill | 864 | 4,447 |
| Income tax expense | (298) | (1,594) |
| | ----- | ----- |
| Net income before extraordinary item, excluding amortization of goodwill | 566 | 2,853 |
| Extraordinary item, net of taxes | 307 | 382 |
| Redeemable preferred stock dividends | (2) | (7) |
| | ----- | ----- |
| Net income attributable to common stock, excluding amortization of goodwill | \$871 | \$3,228 |
| | ===== | ===== |
| Earnings per diluted common share, excluding amortization of goodwill | \$1.00 | \$3.73 |

(1) Includes extraordinary item for 2001 periods.

Edgar Filing: WASHINGTON MUTUAL INC - Form 8-K

- (2) Represents pro forma impact to quarter-to-date and year-to-date December 31, 2001 net income assuming application of the recently issued business combinations accounting standard, which eliminates the amortization of most goodwill from net income.

13

Washington Mutual, Inc.
Selected Financial Information
(unaudited)

| | Dec. 31, 2001 | Dec. 31, 2000 |
|---|------------------|------------------|
| ----- | | |
| Capital Adequacy | | |
| Stockholders' equity/total assets | 5.80% | 5.22% |
| Stockholders' equity(1)/total assets(1) | 5.89 | 5.24 |
| Tangible common equity(1) (2) | 5.14 | 4.79 |
| Estimated total risk-based capital(3) | 12.42 | 11.07 |

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

(2) Excludes goodwill and other intangible assets.

(3) Estimate of what WMI's total risk-based capital ratio would be if it was a bank holding company that complies with Federal Reserve Board capital requirements.

| | Dec. 31, 2001 | Sept. 30, 2001 | Dec. 31, 2000 |
|--------------------------------|------------------|-------------------|------------------|
| ----- | | | |
| Retail Checking Accounts(4) | | | |
| WMB and WMBfsb | 1,182,385 | 1,158,646 | 1,104,947 |
| WMB, FA | 4,667,806 | 4,501,229 | 3,744,195 |
| ----- | | | |
| Total retail checking accounts | 5,850,191 | 5,659,875 | 4,849,142 |
| ===== | | | |

Retail Checking Account Activity(4)

Net accounts opened during the quarter:

| | | | |
|----------------------------------|---------|---------|---------|
| WMB and WMBfsb | 23,739 | 19,891 | 7,656 |
| WMB, FA | 166,577 | 177,438 | 98,384 |
| ----- | | | |
| Net new retail checking accounts | 190,316 | 197,329 | 106,040 |
| ===== | | | |

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

14

Edgar Filing: WASHINGTON MUTUAL INC - Form 8-K

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

| | Quarter Ended | | |
|---|------------------|-------------------|------------------|
| | Dec. 31, 2001 | Sept. 30, 2001 | Dec. 31, 2000 |
| Loan Volume | | | |
| Single-family residential ("SFR"): | | | |
| Adjustable rate ("ARMs") | \$ 12,891 | \$ 9,120 | \$ 8,767 |
| Fixed rate | 39,280 | 30,781 | 2,861 |
| Specialty mortgage finance (1) | 2,654 | 3,186 | 1,913 |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Total SFR loan volume | 54,825 | 43,087 | 13,541 |
| SFR construction: | | | |
| Builder (2) | 186 | 144 | 272 |
| Custom (3) | 118 | 142 | 142 |
| Consumer | 2,836 | 2,779 | 2,014 |
| Commercial business | 501 | 573 | 806 |
| Commercial real estate: | | | |
| Multi-family | 561 | 424 | 411 |
| Other commercial real estate | 89 | 70 | 124 |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Total loan volume | \$ 59,116 | \$ 47,219 | \$ 17,310 |
| <hr style="border-top: 3px double black;"/> | | | |
| Loan Volume by Channel | | | |
| Originated | \$ 35,138 | \$ 26,791 | \$ 15,666 |
| Purchased/Correspondent | 23,978 | 20,428 | 1,644 |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Total loan volume by channel | \$ 59,116 | \$ 47,219 | \$ 17,310 |
| <hr style="border-top: 3px double black;"/> | | | |
| Refinancing Activity (4) | | | |
| SFR: | | | |
| ARMs | \$ 10,623 | \$ 6,937 | \$ 3,825 |
| Fixed rate | 27,265 | 18,806 | 787 |
| SFR construction | 7 | 7 | 6 |
| Commercial real estate | 463 | 364 | 222 |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Total refinances | \$ 38,358 | \$ 26,114 | \$ 4,840 |
| <hr style="border-top: 3px double black;"/> | | | |
| SFR Loan Originations (5) | | | |
| Short-term ARMs: | | | |
| Treasury indices | \$ 5,606 | \$ 5,875 | \$ 6,452 |
| COFI | 429 | 501 | 1,434 |
| Other | 48 | 60 | 2 |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Total short-term ARMs | 6,083 | 6,436 | 7,888 |
| Medium-term ARMs | 6,383 | 2,457 | 435 |
| Fixed-rate mortgages | 16,840 | 12,301 | 2,664 |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Total SFR loan originations | \$ 29,306 | \$ 21,194 | \$ 10,987 |
| <hr style="border-top: 3px double black;"/> | | | |

(1) Includes purchased sub-prime loan portfolios as well as first mortgages originated by Washington Mutual Finance and Long Beach

Edgar Filing: WASHINGTON MUTUAL INC - Form 8-K

Mortgage.

- (2) Includes residential builder construction loans to borrowers who are in the business of acquiring land and building homes for resale.
- (3) Includes custom construction loans to the intended occupant of a house to finance the house's construction.
- (4) Includes loan refinancings entered into by both new and pre-existing loan customers.
- (5) Does not include purchased and correspondent SFR loans and specialty mortgage finance loans.

15

| | Year Ended | |
|------------------------------------|------------------|------------------|
| | Dec. 31, 2001 | Dec. 31, 2000 |
| ----- | | |
| Loan Volume | | |
| Single-family residential ("SFR"): | | |
| Adjustable rate ("ARMs") | \$ 37,224 | \$ 37,286 |
| Fixed rate | 107,538 | 6,631 |
| Specialty mortgage finance (1) | 11,059 | 8,501 |
| ----- | | |
| Total SFR loan volume | 155,821 | 52,418 |
| SFR construction: | | |
| Builder (2) | 2,244 | 1,210 |
| Custom (3) | 630 | 639 |
| Consumer | 10,068 | 7,346 |
| Commercial business | 2,650 | 2,695 |
| Commercial real estate: | | |
| Multi-family | 2,053 | 1,601 |
| Other commercial real estate | 570 | 358 |
| ----- | | |
| Total loan volume | \$ 174,036 | \$ 66,267 |
| ===== | | |

| | | |
|------------------------------|------------|-----------|
| Loan Volume by Channel | | |
| Originated | \$ 111,128 | \$ 59,263 |
| Purchased/Correspondent | 62,908 | 7,004 |
| ----- | | |
| Total loan volume by channel | \$ 174,036 | \$ 66,267 |
| ===== | | |

| | | |
|--------------------------|-----------|-----------|
| Refinancing Activity (4) | | |
| SFR: | | |
| ARMs | \$ 27,300 | \$ 13,299 |
| Fixed rate | 70,255 | 1,554 |
| SFR construction | 31 | 22 |
| Commercial real estate | 1,580 | 1,020 |
| ----- | | |
| Total refinances | \$ 99,166 | \$ 15,895 |
| ===== | | |

SFR Loan Originations (5)
Short-term ARMs:

Edgar Filing: WASHINGTON MUTUAL INC - Form 8-K

| | | |
|-----------------------------|-----------|-----------|
| Treasury indices | \$ 22,298 | \$ 25,596 |
| COFI | 1,863 | 6,036 |
| Other | 112 | 18 |
| ----- | | |
| Total short-term ARMs | 24,273 | 31,650 |
| Medium-term ARMs | 12,012 | 3,932 |
| Fixed-rate mortgages | 51,227 | 6,415 |
| ----- | | |
| Total SFR loan originations | \$ 87,512 | \$ 41,997 |
| ===== | | |

- (1) Includes purchased sub-prime loan portfolios as well as first mortgages originated by Washington Mutual Finance and Long Beach Mortgage.
- (2) Includes residential builder construction loans to borrowers who are in the business of acquiring land and building homes for resale.
- (3) Includes custom construction loans to the intended occupant of a house to finance the house's construction.
- (4) Includes loan refinancings entered into by both new and pre-existing loan customers.
- (5) Does not include purchased and correspondent SFR loans and specialty mortgage finance loans.

16

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

| | Change from Sept. 30, 2001 to Dec. 31, 2001 | Dec. 31, 2001 | Sept. 30, 2001 | Dec. 31, 2000 |
|----------------------------------|---|------------------|-------------------|------------------|
| ----- | | | | |
| Loans by Property Type and MBS | | | | |
| Loans held in portfolio: | | | | |
| SFR | \$ (152) | \$ 82,021 | \$ 82,173 | \$ 80,181 |
| Specialty mortgage finance | 625 | 9,821 | 9,196 | 6,783 |
| ----- | | | | |
| Total SFR loans | 473 | 91,842 | 91,369 | 86,964 |
| SFR construction: | | | | |
| Builder | (180) | 2,127 | 2,307 | 1,040 |
| Custom | 37 | 475 | 438 | 391 |
| Consumer | 295 | 13,048 | 12,753 | 10,478 |
| Commercial business | 105 | 5,390 | 5,285 | 2,274 |
| Commercial real estate: | | | | |
| Multi-family | (555) | 15,608 | 16,163 | 15,657 |
| Other commercial real estate | (84) | 4,501 | 4,585 | 2,822 |
| ----- | | | | |
| Total loans held in portfolio | 91 | 132,991 | 132,900 | 119,626 |
| Less: allowance for | | | | |

Edgar Filing: WASHINGTON MUTUAL INC - Form 8-K

| | | | | |
|---|------------|------------|------------|------------|
| loan and lease losses (109) | | (1,404) | (1,295) | (1,014) |
| Loans securitized and retained as MBS | (3,322) | 22,212 | 25,534 | 34,769 |
| ----- | | | | |
| Total net loans held in portfolio and loans securitized and retained as MBS | (3,340) | 153,799 | 157,139 | 153,381 |
| Loans held for sale | 5,807 | 23,842 | 18,035 | 3,404 |
| ----- | | | | |
| Total net loans and loans securitized and retained as MBS | 2,467 | 177,641 | 175,174 | 156,785 |
| Purchased MBS | (5,327) | 6,356 | 11,683 | 22,008 |
| ----- | | | | |
| Total net loans and MBS | \$ (2,860) | \$ 183,997 | \$ 186,857 | \$ 178,793 |
| ===== | | | | |

17

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

| | Sept. 30, 2001 to Dec. 31, 2001 | Dec. 31, 2000 to Dec. 31, 2001 |
|--|------------------------------------|-----------------------------------|
| ----- | | |
| Rollforward of Loans Held for Sale | | |
| Balance, beginning of period | \$ 18,035 | \$ 3,404 |
| Loans added through acquisitions | -- | 10,385 |
| Loans originated and purchased | 48,391 | 128,419 |
| Loans transferred from MBS | 3,345 | 3,345 |
| Loans transferred to loans held in portfolio | -- | (1,210) |
| Loans sold or securitized | (44,813) | (117,195) |
| Loan payments and other | (1,116) | (3,306) |
| ----- | | |
| Change in loans | 5,807 | 20,438 |
| ----- | | |
| Balance, end of period | \$ 23,842 | \$ 23,842 |
| ===== | | |
| Rollforward of Loans Held in Portfolio | | |
| Balance, beginning of period | \$ 132,900 | \$ 119,626 |
| Loans added through acquisitions | -- | 12,334 |
| Loans originated and purchased | 10,725 | 45,617 |
| Loans transferred from loans held for sale | -- | 1,210 |
| Loans securitized | (428) | (1,132) |
| Loan payments and other | (10,206) | (44,664) |
| ----- | | |
| Change in loans | 91 | 13,365 |
| ----- | | |
| Balance, end of period | \$ 132,991 | \$ 132,991 |
| ===== | | |

Edgar Filing: WASHINGTON MUTUAL INC - Form 8-K

| | | |
|--|----------|----------|
| Rollforward of Mortgage Servicing Rights ("MSR") | | |
| Balance, beginning of period | \$ 6,721 | \$ 1,017 |
| SFR: | | |
| Additions through acquisitions | -- | 4,818 |
| Additions | 1,013 | 3,323 |
| Amortization | (381) | (1,006) |
| Impairment adjustment | (1,057) | (1,749) |
| Sales | (59) | (174) |
| Net change in commercial real estate MSR | 4 | 12 |
| ----- | | |
| Balance, end of period | \$ 6,241 | \$ 6,241 |
| ===== | | |

| | | |
|---|------------|------------|
| Rollforward of Loan Servicing Portfolio with MSR | | |
| Balance, beginning of period | \$ 371,677 | \$ 79,335 |
| SFR: | | |
| Additions through acquisitions | -- | 255,434 |
| Additions | 45,596 | 143,235 |
| Sales | (2,414) | (6,538) |
| Loan payments and other | (36,790) | (94,251) |
| Net change in commercial real estate loan servicing portfolio | 314 | 1,168 |
| ----- | | |
| Balance, end of period | \$ 378,383 | \$ 378,383 |
| ===== | | |

| | |
|---------------------------------------|---------------|
| | Dec. 31, 2001 |
| | Balance |
| ----- | |
| Total Servicing Portfolio | |
| Loan servicing portfolio with MSR | \$ 378,383 |
| Loan servicing portfolio without MSR | 4,117 |
| Servicing on retained MBS without MSR | 8,155 |
| Servicing on owned loans | 144,333 |
| ----- | |
| Total servicing portfolio | \$ 534,988 |
| ===== | |

| | | |
|------------------------------------|-------------------------------|------------------|
| | Dec. 31, 2001 | |
| | ----- | |
| | Unpaid Principal | Weighted Average |
| | Balance | Servicing Fee |
| ----- | | |
| Total Servicing Portfolio, | | |
| Excluding Retained MBS without MSR | (in basis points, annualized) | |
| and Owned Loans | | |
| Government | \$ 61,541 | 52 |
| Agency | 242,075 | 45 |
| Private | 69,996 | 51 |
| Long Beach | 8,888 | 50 |
| ----- | | |
| Total servicing portfolio, | | |
| excluding retained MBS without MSR | | |
| and owned loans | \$ 382,500 | 47 |
| ===== | | |

Edgar Filing: WASHINGTON MUTUAL INC - Form 8-K

Selected Financial Information (dollars in millions) (unaudited)

| | Change from Sept. 30, to Dec. 31, 2001 | Dec. 31, 2001 | % of total | Sept. 30, 2001 | % of total | Dec. 31, 2000 | % of total |
|------------------------------------|--|---------------------|---------------|----------------------|---------------|---------------------|---------------|
| ----- | | | | | | | |
| Real Estate Loans and MBS(1) | | | | | | | |
| Short-term ARMs: | | | | | | | |
| COFI | (3,442) | \$32,994 | 21% | \$36,436 | 23% | \$42,558 | 27% |
| Treasury indices | (3,384) | 34,163 | 22 | 37,547 | 23 | 44,752 | 28 |
| Other | 2,563 | 13,491 (2) | 9 | 10,928 (2) | 7 | 8,081 (2) | 5 |
| ----- | | | | | | | |
| Total short- term ARMs | (4,263) | 80,648 | 52 | 84,911 | 53 | 95,391 | 60 |
| Medium-term ARMs | 6,879 | 41,585 | 26 | 34,706 | 22 | 28,992 | 18 |
| Fixed-rate loans | (1,755) | 27,685 | 18 | 29,440 | 18 | 12,836 | 8 |
| Fixed-rate MBS | (4,187) | 6,579 | 4 | 10,766 | 7 | 22,581 | 14 |
| ----- | | | | | | | |
| Total real estate loans and MBS | (3,326) | \$156,497 | 100% | \$159,823 | 100% | \$159,800 | 100% |
| ===== | | | | | | | |

(1) Does not include specialty mortgage finance loans.

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

| | |
|-----------------|--------|
| Dec. 31, 2001: | \$ 2.9 |
| Sept. 30, 2001: | 2.8 |
| Dec. 31, 2000: | 2.7 |

| | Quarter Ended | | | Year Ended | |
|---|------------------|-------------------|------------------|------------------|------------------|
| | Dec. 31, 2001 | Sept. 30, 2001 | Dec. 31, 2000 | Dec. 31, 2001 | Dec. 31, 2000 |
| ----- | | | | | |
| SFR Mortgage Banking | | | | | |
| Income | | | | | |
| SFR loan servicing income | \$ 448 | \$ 425 | \$ 85 | \$ 1,375 | \$ 295 |
| Amortization of MSR | (381) | (293) | (33) | (1,006) | (121) |
| Impairment of MSR | (1,057) | (553) | (9) | (1,749) | (9) |
| Other SFR loan servicing expense, net | (52) | (33) | (9) | (141) | (31) |
| ----- | | | | | |
| Net SFR loan servicing income (expense) | (1,042) | (454) | 34 | (1,521) | 134 |
| Business and financial hedges: | | | | | |
| Gain from mortgage loans | 287 | 275 | 64 | 963 | 262 |
| Gain from sale of originated MBS | 16 | 5 | 2 | 93 | 2 |
| Gain (loss) from | | | | | |

Edgar Filing: WASHINGTON MUTUAL INC - Form 8-K

| | | | | | |
|--------------------------------------|--------|--------|--------|--------|--------|
| sale of other AFS securities | 381 | 262 | 10 | 643 | 10 |
| Pre-tax effect of extraordinary gain | 496 | 125 | - | 621 | - |
| ----- | | | | | |
| Total SFR mortgage banking income | \$ 138 | \$ 213 | \$ 110 | \$ 799 | \$ 408 |
| ===== | | | | | |

19

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

| | Dec. 31, 2001 | | Dec. 31, 2000 | |
|--|---------------|-------------|---------------|-------------|
| | Balance | Term(1) | Balance | Term(1) |
| | | (in months) | | (in months) |
| ----- | | | | |
| Deposits, Borrowings and Derivatives Outstanding | | | | |
| Deposits: | | | | |
| Noninterest-bearing checking accounts, savings accounts, MMDAs and time deposit accounts | \$ 22,441 | N/A | \$ 8,755 | N/A |
| Interest-bearing checking accounts, savings accounts and MMDAs | 47,779 | N/A | 36,401 | N/A |
| Interest-bearing time deposit accounts | 36,962 | 10 | 34,418 | 7 |
| ----- | | | | |
| Total deposits | 107,182 | | 79,574 | |
| Borrowings: | | | | |
| Adjustable(2) | 48,014 | 2 | 57,219 | 1 |
| Short-term fixed | 49,569 | 1 | 30,457 | 2 |
| Long-term fixed | 20,414 | 72 | 13,980 | 48 |
| ----- | | | | |
| Total borrowings | 117,997 | | 101,656 | |
| ----- | | | | |
| Total deposits and borrowings | \$ 225,179 | | \$ 181,230 | |
| ===== | | | | |

| | Dec. 31, 2001 | | | Dec. 31, 2000 | | |
|--------------------|-----------------|------------|-------------|-----------------|------------|-------------|
| | Notional Amount | Fair Value | Term (1) | Notional Amount | Fair Value | Term (1) |
| | | | (in months) | | | (in months) |
| ----- | | | | | | |
| Derivatives: | | | | | | |
| WM pay rate swaps: | | | | | | |
| Fixed rate | \$ 12,905 | \$ (9) | 34 | \$ 11,008 | \$ (46) | 9 |
| Variable rate | 3,627 | 224 | 2 | 2,890 | 140 | 2 |
| ----- | | | | | | |

Edgar Filing: WASHINGTON MUTUAL INC - Form 8-K

| | | | | | | |
|------------------------------|-----------|--------|----|-----------|--------|---|
| Total swaps | 16,532 | 215 | | 13,898 | 94 | |
| Caps\Corridors\ Swaptions | 6,335 | 119 | 14 | 8,286 | 16 | 5 |
| ----- | | | | | | |
| Total derivatives | \$ 22,867 | \$ 334 | | \$ 22,184 | \$ 110 | |
| ===== | | | | | | |

(1) Terms used are remaining term for deposits, caps, corridors and swaptions and term to reprice for borrowings and swaps.

(2) Adjustable-rate borrowings included notional values of \$ 2.3 billion and \$13.2 billion of embedded purchased interest rate floors at December 31, 2001 and December 31, 2000. At December 31, 2001 and December 31, 2000, \$ 1.8 billion and \$800 million, respectively, of these contracts were effective. Contractual start dates for the remaining floors begin September 15, 2002. Once effective, the floors reprice every three months.

Adjustable-rate borrowings included notional values of \$ 696 million and \$724 million of embedded purchased interest rate caps at December 31, 2001 and December 31, 2000. At December 31, 2001 and December 31, 2000, these interest rate caps were active. However, no contracts had strike rates that were in effect.

Adjustable-rate borrowings included notional values of \$ 5.9 billion of embedded interest rate swaptions (options to enter into pay-fixed swaps) at December 31, 2001 and none at December 31, 2000. These options are exercisable upon maturity. Maturity dates range from June 6, 2003 to September 2, 2003.

20

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

| | Quarter Ended | | | | |
|--|---------------------|----------------------|---------------------|---------------------|---------------------|
| | Dec. 31, 2001 | Sept. 30, 2001 | June 30, 2001 | Mar. 31, 2001 | Dec. 31, 2000 |
| ----- | | | | | |
| Allowance for Loan and Lease Losses | | | | | |
| Balance, beginning of quarter | \$ 1,295 | \$ 1,170 | \$ 1,158 | \$ 1,014 | \$ 1,012 |
| Allowance acquired through business combinations/other | 6 | - | (5) | 120 | - |
| Provision for loan and lease losses | 200 | 200 | 92 | 82 | 53 |
| ----- | | | | | |
| | 1,501 | 1,370 | 1,245 | 1,216 | 1,065 |
| Loans charged off: | | | | | |
| SFR | (3) | (6) | (14) | (6) | (5) |
| Specialty mortgage finance | (10) | (4) | (5) | (7) | (3) |
| ----- | | | | | |
| Total SFR charge offs | (13) | (10) | (19) | (13) | (8) |
| Consumer | (57) | (48) | (50) | (45) | (45) |
| Commercial business | (38) | (19) | (12) | (4) | (3) |

Edgar Filing: WASHINGTON MUTUAL INC - Form 8-K

| | | | | | |
|---|---------------|----------------|---------------|---------------|---------------|
| Commercial real estate: | | | | | |
| Other commercial real estate | - | (5) | (3) | (3) | - |
| ----- | | | | | |
| Total loans charged off | (108) | (82) | (84) | (65) | (56) |
| Recoveries of loans previously charged off: | | | | | |
| SFR | - | - | 1 | 1 | - |
| Consumer | 5 | 6 | 6 | 6 | 5 |
| Commercial business | 5 | 1 | 1 | - | - |
| Commercial real estate: | | | | | |
| Other commercial real estate | 1 | - | 1 | - | - |
| ----- | | | | | |
| Total recoveries of loans previously charged off | 11 | 7 | 9 | 7 | 5 |
| ----- | | | | | |
| Net charge offs | (97) | (75) | (75) | (58) | (51) |
| ----- | | | | | |
| Balance, end of quarter | \$ 1,404 | \$ 1,295 | \$ 1,170 | \$ 1,158 | \$ 1,014 |
| ===== | | | | | |
| Net charge offs (annualized) as a percentage of average loans | 0.25% | 0.20% | 0.20% | 0.17% | 0.16% |
| ----- | | | | | |
| | Dec. 31, 2001 | Sept. 30, 2001 | June 30, 2001 | Mar. 31, 2001 | Dec. 31, 2000 |
| ----- | | | | | |
| Allowance for loan and lease losses as a percentage of: | | | | | |
| Nonaccrual loans | 65% | 72% | 86% | 94% | 117% |
| Nonperforming assets | 59 | 64 | 75 | 81 | 99 |
| Total loans held in portfolio | 1.06 | 0.97 | 0.89 | 0.87 | 0.85 |

21

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

| | Dec. 31, 2001 | Sept. 30, 2001 | Dec. 31, 2000 |
|-------------------------------|---------------|----------------|---------------|
| ----- | | | |
| Nonperforming Assets ("NPAs") | | | |
| Nonaccrual loans: | | | |
| SFR | \$1,041 | \$801 | \$509 |
| Specialty mortgage finance | 415 | 356 | 179 |
| ----- | | | |
| Total SFR nonaccrual loans | 1,456 | 1,157 | 688 |
| SFR construction: | | | |
| Builder | 26 | 18 | 16 |
| Custom | 10 | 8 | 2 |
| Consumer | 148 | 130 | 117 |
| Commercial business | 159 | 126 | 12 |
| Commercial real estate: | | | |

Edgar Filing: WASHINGTON MUTUAL INC - Form 8-K

| | | | |
|-------------------------------|---------|---------|---------|
| Multi-family | 56 | 51 | 10 |
| Other commercial real estate | 298 | 321 | 21 |
| ----- | | | |
| Total nonaccrual loans | 2,153 | 1,811 | 866 |
| Foreclosed assets: | | | |
| SFR | 107 | 110 | 97 |
| Specialty mortgage finance | 69 | 55 | 24 |
| ----- | | | |
| Total SFR foreclosed assets | 176 | 165 | 121 |
| SFR construction: | | | |
| Builder | 4 | 4 | - |
| Custom | 1 | - | - |
| Consumer | 20 | 25 | 22 |
| Commercial business | 10 | 9 | - |
| Commercial real estate: | | | |
| Multi-family | - | 1 | 1 |
| Other commercial real estate | 17 | 17 | 9 |
| ----- | | | |
| Foreclosed assets | 228 | 221 | 153 |
| ----- | | | |
| Total NPAs | \$2,381 | \$2,032 | \$1,019 |
| ===== | | | |
| NPAs as a percentage of: | | | |
| Total loans held in portfolio | 1.79% | 1.53% | 0.85% |
| Total assets | 0.98 | 0.91 | 0.52 |

22

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, thereto duly authorized.

WASHINGTON MUTUAL, INC.

By: /s/ Fay L. Chapman

Fay L. Chapman
Senior Executive Vice President

Date: January 15, 2002

