

WASHINGTON MUTUAL INC  
Form 8-K  
July 16, 2003

## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

### FORM 8-K

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

Date of Report: July 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 July 15, 2003, Washington Mutual, Inc. issued a press release reporting its results of operations for the second quarter ended June 30, 2003.

July 15, 2003

**FOR IMMEDIATE RELEASE**

**Washington Mutual Announces Record Earnings;  
Company Delivers Second Consecutive \$1 Billion Quarter  
*Board of Directors Increases Cash Dividend by 33 Percent***

SEATTLE Washington Mutual, Inc. (NYSE: WM) today announced record earnings of \$1.02 billion, or \$1.10 per diluted share, for the quarter ended June 30, 2003, up 9 percent on a per share basis from \$990 million, or \$1.01 per diluted share for the same period a year ago.

Based on the company's continued strong operating fundamentals, financial performance and capital generating ability, Washington Mutual's Board of Directors declared a cash dividend of 40 cents per share on the company's common stock, up 33 percent or 10 cents from 30 cents per share in the previous quarter. The company has now increased its cash dividend for 32 consecutive quarters.

The board's decision to significantly increase the cash dividend reflects the overall strength of our business and capital position as well as management's continued commitment to creating shareholder value, said Kerry Killinger, the company's chairman, president and CEO. In addition, the recent reduction in the tax rate on dividend income allows us to more efficiently return capital to our shareholders.

Killinger emphasized that in addition to the higher dividend payout, the company is maintaining its stated growth targets.

Additional highlights of the recently completed quarter included:

Record loan volume of \$120.32 billion, up 108 percent from the second quarter of 2002 and 13 percent higher than the first quarter of 2003;

Home equity loans and lines of credit and multi-family loan volume increased by 30 percent from the first quarter of 2003 to \$9.46 billion and 80 percent from the second quarter of 2002's \$5.27 billion;

Continued growth in retail checking accounts, one of the company's key relationship-building products, which increased by more than 176,000 during the quarter;

Depositor and other retail banking fees of \$454 million, up 14 percent from the same period a year ago;

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A decline in nonperforming assets (NPAs) as a percentage of total assets to 0.82 percent from 0.90 percent at the end of the first quarter;

The opening of 50 new retail banking stores and six new home loan stores throughout the country. The company is on pace to open approximately 250 retail banking stores and 70 home loans stores in 2003 as it continues to expand its national franchise; and

A strong 19.25 percent return on average common equity.

Building on first quarter's momentum, Washington Mutual's balanced business model continued to deliver strong results in the second quarter, said Killinger. Our record-breaking results reflect the strength of our underlying strategy of serving the broad middle market. We are extremely proud of the results that our talented employees have produced.

## **SECOND QUARTER RESULTS**

### **Net Interest Income**

For the second quarter of 2003, net interest income held steady at \$2.03 billion, virtually the same as in the first quarter of 2003. The continued strength in net interest income was the result of growth in average loans held for sale and home equity loan balances. As expected, the net interest margin in the current quarter declined to 3.30 percent, a decrease of 24 basis points from the second quarter of 2002, mainly due to the continued downward repricing of loans and securities from the higher interest rate environment of 2002.

### **Noninterest Income**

Noninterest income increased 35 percent or \$421 million from the second quarter of 2002 due to strong results in the home loan mortgage banking business.

Consumers continued to choose Washington Mutual to serve their financial needs, leading to an increase of more than 176,000 net retail checking accounts during the second quarter and an increase of over 820,000 net retail checking accounts year over year.

Depositor and other retail banking fees increased \$34 million to \$454 million, up 8 percent from \$420 million in first quarter 2003 and increased \$56 million, up 14 percent from \$398 million in the second quarter of 2002.

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The company continues to make good progress in its expansion efforts in the New York/New Jersey retail banking market. Washington Mutual entered the market through the acquisition of Dime Bancorp and its 123-branch network last January. Since then, it has opened an additional 35 retail banking stores in the greater New York area and plans to add another 33 by the end of this year. From the beginning of July 2002 through the end of the second quarter this year, the company has acquired over 130,000 net retail checking accounts in that market, which represents a 37 percent increase in its New York/New Jersey retail checking account base year over year. In addition, Washington Mutual is now positioned number two in advertising awareness, and is the most recognized name in providing free checking.

In its home loan mortgage banking business, gain from mortgage loans increased 6 percent to a record \$622 million, up from \$587 million during the first quarter of 2003 and increased 183 percent from \$220 million in the second quarter of 2002.

With interest rates remaining at near historic lows, high prepayment rates have reduced the value of the mortgage servicing asset; however, as in prior periods, the company's risk management activities effectively mitigated the change in the MSR valuation.

**Lending**

Driven by continued strong demand for refinancing of home loan mortgages, Washington Mutual produced record loan volume of \$120.32 billion for the quarter, up 108 percent from \$57.78 billion in the second quarter of 2002 and up 13 percent from \$106.62 billion in the first quarter of 2003.

Of the total loan volume in the second quarter, home loan volume totaled \$108.16 billion, versus \$50.17 billion in the same period a year ago and up 11 percent from \$97.47 billion in the first quarter of 2003.

The portfolio of home equity loans and lines of credit has increased to \$22.58 billion at June 30, 2003, or an increase of 12 percent from the March 31, 2003 balance of \$20.11 billion.

**Efficiency Ratio**

For the quarter, the efficiency ratio was 52.49 percent compared with 49.91 percent in the first quarter of 2003 and 47.95 percent in the second quarter of 2002. Noninterest expense totaled \$1.92 billion, which was up from \$1.71 billion during the first quarter of 2003. A significant portion of this increase was due to additional temporary staffing required for the refinancing boom.

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### **Credit Risk Management**

Credit quality continued to perform to the company's expectations. For the quarter, nonperforming assets (NPAs) declined \$187 million and as a percentage of total assets were 0.82 percent versus 0.90 percent at the end of the first quarter.

Overall portfolio trends remained stable-to-improving during the quarter. Charge offs increased from \$95 million in the first quarter to \$118 million in the current quarter, which were fully in line with expectations and historical performance.

Given the overall level of NPAs and management's expectations, the provision for loan and lease losses was \$118 million for the second quarter, compared with \$125 million in the first quarter of the year.

### **Balance Sheet and Capital Management**

Consolidated assets at June 30, 2003 were \$283.20 billion, compared with \$268.30 billion at December 31, 2002, which is an annualized growth rate of 11 percent. The company continues to expect asset growth of 5 to 10 percent in 2003.

At June 30, 2003, balances of transaction deposits, including checking, savings and money market deposits, represented 82 percent of total deposits, compared with 78 percent at December 31, 2002. Total deposits were \$166.46 billion at the end of the second quarter, up from \$155.52 billion at December 31, 2002.

Washington Mutual continues to manage its capital position by repurchasing its common stock. During the second quarter, the company repurchased 15.3 million shares of its common stock at an average price of \$40.52. The company's tangible common equity was 5.28 percent of total tangible assets at June 30, 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.

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## Outlook

Washington Mutual is well-positioned to achieve its business objectives while progressing toward our long-term goal of building the nation's leading retailer of financial services to the broad middle market, said Killinger. Our credit profile is in very good shape and we have a strong management team and disciplined business strategies in place to execute on our goals. In short, we have built a very powerful and unique national franchise with excellent opportunities to grow organically in the future. We believe the prospects for delivering a superior return for shareholders over the long term are very good.

## Company Updates

Washington Mutual announced that it is extending its presence in Florida by opening 40 to 60 retail banking stores in the Tampa-St. Petersburg area starting in 2004. The company currently operates approximately 150 retail banking stores in Central and Southeast Florida.

The company opened 28 retail banking stores in Chicago on June 23, the first wave of 70 stores to be opened by year-end 2003.

Dividends on common stock are payable August 15, 2003 to shareholders of record as of July 31, 2003.

Michelle McCarthy, a 17-year veteran of the Deutsche Bank Group, joined Washington Mutual as Senior Vice President, Market Risk Management.

Washington Mutual was selected by *Fortune* magazine as one of the best companies for minorities, making the company one of only seven companies nationally to be recognized by the magazine in three areas: Best Companies to Work For, Best Companies for Minorities and Most Admired Companies.

Washington Mutual was also selected as one of *Family Digest* magazine's Best Companies for African Americans.

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With a history dating back to 1889, Washington Mutual is a retailer of financial services that provides a diversified line of products and services to consumers and small businesses. At June 30, 2003, Washington Mutual and its subsidiaries had assets of \$283.20 billion. Washington Mutual currently operates more than 2,650 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](http://www.wamu.com).

A conference call to discuss the company's financial results will be held on Wednesday, July 16, 2003, at 10:30 am EDT and will be hosted by Killinger and Tom Casey, executive vice president and chief financial officer. The conference call is available by telephone or on the Internet.

The telephone number for the conference call is 1-877-546-1566. Participants calling from outside the United States may dial 1-773-756-4600. 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](http://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 1 p.m. EDT on Wednesday, July 16, 2003 through 11:59 p.m. EDT on Friday, July 25, 2003. The recorded message will be available at 1-888-566-0617. Callers from outside the United States may dial 1-402-998-0718.

### **Forward Looking Statement**

These presentations contain 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 these presentations, the words expects, anticipates, intends, plans, believes, seeks, 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 and under the heading, Cautionary Statements, in Washington Mutual's Quarterly Report on Form 10-Q for the period ended March 31, 2003, which include: changes in general business and

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economic conditions may significantly affect our earnings; the risk that our inability to effectively manage the volatility of our mortgage banking business could adversely affect our earnings; a failure to effectively implement our business operations technology solutions could adversely affect our earnings and financial condition; competition from other financial services companies in our markets could adversely affect our ability to achieve our financial goals; and changes in the regulation of financial services companies could adversely affect our business.

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

|   | Quarter Ended    |                  |                  | Six Months Ended |                  |
|---|------------------|------------------|------------------|------------------|------------------|
|   | June 30,<br>2003 | Mar. 31,<br>2003 | June 30,<br>2002 | June 30,<br>2003 | June 30,<br>2002 |
| <b>Interest Income</b>  |                  |                  |                  |                  |                  |
| Loans held for sale   | \$ 626           | \$ 589           | \$ 361           | \$ 1,216         | \$ 804           |
| Loans held in portfolio   | 2,050            | 2,106            | 2,335            | 4,155            | 4,746            |
| Available-for-sale securities   | 469              | 517              | 812              | 986              | 1,759            |
| Other interest and dividend income  | 72               | 80               | 77               | 152              | 159              |
| <b>Total interest income</b>  | <b>3,217</b>     | <b>3,292</b>     | <b>3,585</b>     | <b>6,509</b>     | <b>7,468</b>     |
| <b>Interest Expense</b>   |                  |                  |                  |                  |                  |
| Deposits  | 548              | 587              | 666              | 1,135            | 1,317            |
| Borrowings  | 644              | 688              | 819              | 1,332            | 1,655            |
| <b>Total interest expense</b>   | <b>1,192</b>     | <b>1,275</b>     | <b>1,485</b>     | <b>2,467</b>     | <b>2,972</b>     |
| <b>Net interest income</b>  | <b>2,025</b>     | <b>2,017</b>     | <b>2,100</b>     | <b>4,042</b>     | <b>4,496</b>     |
| Provision for loan and lease losses   | 118              | 125              | 160              | 243              | 335              |
| <b>Net interest income after provision for loan and lease losses</b>            | <b>1,907</b>     | <b>1,892</b>     | <b>1,940</b>     | <b>3,799</b>     | <b>4,161</b>     |
| <b>Noninterest Income</b>   |                  |                  |                  |                  |                  |
| Home loan mortgage banking income (expense):                                    |                  |                  |                  |                  |                  |
| Loan servicing fees   | 593              | 613              | 560              | 1,206            | 1,100            |
| Amortization of mortgage servicing rights                                       | (1,032)          | (969)            | (504)            | (2,000)          | (983)            |
| Mortgage servicing rights (impairment) recovery                                 | (309)            | 37               | (1,107)          | (272)            | (1,062)          |
| Revaluation gain from derivatives   | 598              | 217              | 857              | 815              | 842              |
| Net settlement income from certain interest-rate swaps                          | 84               | 140              | 101              | 224              | 107              |
| Gain from mortgage loans  | 622              | 587              | 220              | 1,210            | 471              |
| Other home loan mortgage banking income, net                                    | 149              | 98               | 117              | 246              | 156              |
| <b>Total home loan mortgage banking income</b>                                  | <b>705</b>       | <b>723</b>       | <b>244</b>       | <b>1,429</b>     | <b>631</b>       |
| Depositor and other retail banking fees   | 454              | 420              | 398              | 875              | 759              |
| Securities fees and commissions   | 100              | 89               | 98               | 189              | 180              |
| Insurance income  | 53               | 52               | 39               | 105              | 86               |
| Portfolio loan related income   | 111              | 117              | 75               | 227              | 140              |
| Gain (loss) from other available-for-sale securities                            | 137              | (5)              | 137              | 131              | (161)            |
| (Loss) gain on extinguishment of securities sold under agreements to repurchase | (49)             | (87)             | 121              | (136)            | 195              |
| Other income  | 118              | 97               | 96               | 215              | 186              |
| <b>Total noninterest income</b>   | <b>1,629</b>     | <b>1,406</b>     | <b>1,208</b>     | <b>3,035</b>     | <b>2,016</b>     |
| <b>Noninterest Expense</b>  |                  |                  |                  |                  |                  |
| Compensation and benefits   | 867              | 771              | 732              | 1,638            | 1,422            |
| Occupancy and equipment   | 375              | 304              | 283              | 679              | 571              |
| Telecommunications and outsourced information services                          | 143              | 144              | 134              | 287              | 273              |
| Depositor and other retail banking losses                                       | 50               | 52               | 48               | 102              | 98               |
| Amortization of other intangible assets   | 15               | 16               | 17               | 31               | 34               |
| Advertising and promotion   | 83               | 63               | 69               | 146              | 113              |
| Professional fees   | 68               | 56               | 52               | 124              | 107              |
| Other expense   | 317              | 303              | 251              | 619              | 490              |
| <b>Total noninterest expense</b>  | <b>1,918</b>     | <b>1,709</b>     | <b>1,586</b>     | <b>3,626</b>     | <b>3,108</b>     |
| <b>Income before income taxes</b>   | <b>1,618</b>     | <b>1,589</b>     | <b>1,562</b>     | <b>3,208</b>     | <b>3,069</b>     |
| Income taxes  | 598              | 586              | 572              | 1,185            | 1,123            |

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|   |          |          |         |          |          |
|---|----------|----------|---------|----------|----------|
| <b>Net Income</b>   | \$ 1,020 | \$ 1,003 | \$ 990  | \$ 2,023 | \$ 1,946 |
| <b>Net Income Attributable to Common Stock</b>                              | \$ 1,020 | \$ 1,003 | \$ 988  | \$ 2,023 | \$ 1,942 |
| Net income per common share:  |          |          |         |          |          |
| Basic   | \$ 1.12  | \$ 1.09  | \$ 1.04 | \$ 2.21  | \$ 2.04  |
| Diluted   | 1.10     | 1.07     | 1.01    | 2.17     | 2.00     |
| Dividends declared per common share   | 0.30     | 0.29     | 0.26    | 0.59     | 0.51     |
| Basic weighted average number of common shares outstanding (in thousands)   | 910,921  | 921,084  | 954,662 | 915,974  | 951,177  |
| Diluted weighted average number of common shares outstanding (in thousands) | 929,386  | 934,889  | 974,153 | 932,109  | 968,717  |

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**Washington Mutual, Inc.**  
**Consolidated Statements of Financial Condition**

*(dollars in millions, except per share data)*

*(unaudited)*

|   | June 30, 2003     | Dec. 31, 2002     | June 30, 2002     |
|---|-------------------|-------------------|-------------------|
| <b>Assets</b>   |                   |                   |                   |
| Cash and cash equivalents   | \$ 7,388          | \$ 7,208          | \$ 4,709          |
| Federal funds sold and securities purchased under resale agreements                     | 2,085             | 2,015             | 314               |
| Available-for-sale securities, total amortized cost of \$43,309, \$42,592 and \$58,450: |                   |                   |                   |
| Mortgage-backed securities  | 24,875            | 28,375            | 24,698            |
| Investment securities   | 20,292            | 15,597            | 34,119            |
| Loans held for sale   | 40,631            | 33,996            | 21,940            |
| Loans held in portfolio   | 153,866           | 147,528           | 145,873           |
| Allowance for loan and lease losses   | (1,680)           | (1,653)           | (1,665)           |
| <b>Total loans held in portfolio, net of allowance for loan and lease losses</b>        | <b>152,186</b>    | <b>145,875</b>    | <b>144,208</b>    |
| Investment in Federal Home Loan Banks   | 3,596             | 3,703             | 3,908             |
| Mortgage servicing rights   | 4,598             | 5,341             | 6,489             |
| Goodwill  | 6,253             | 6,270             | 6,220             |
| Other assets  | 21,299            | 19,918            | 14,693            |
| <b>Total assets</b>   | <b>\$ 283,203</b> | <b>\$ 268,298</b> | <b>\$ 261,298</b> |
| <b>Liabilities</b>  |                   |                   |                   |
| Deposits:   |                   |                   |                   |
| Noninterest-bearing deposits  | \$ 46,505         | \$ 37,515         | \$ 20,628         |
| Interest-bearing deposits   | 119,952           | 118,001           | 108,441           |
| <b>Total deposits</b>   | <b>166,457</b>    | <b>155,516</b>    | <b>129,069</b>    |
| Federal funds purchased and commercial paper  | 3,579             | 1,247             | 3,775             |
| Securities sold under agreements to repurchase  | 22,964            | 16,717            | 32,069            |
| Advances from Federal Home Loan Banks   | 46,127            | 51,265            | 58,321            |
| Other borrowings  | 14,700            | 15,264            | 14,017            |
| Other liabilities   | 8,315             | 8,155             | 4,348             |
| <b>Total liabilities</b>  | <b>262,142</b>    | <b>248,164</b>    | <b>241,599</b>    |
| Redeemable preferred stock  |                   |                   | 102               |
| <b>Stockholders' equity</b>   | <b>21,061</b>     | <b>20,134</b>     | <b>19,597</b>     |
| <b>Total liabilities, redeemable preferred stock, and stockholders' equity</b>          | <b>\$ 283,203</b> | <b>\$ 268,298</b> | <b>\$ 261,298</b> |
| Common shares outstanding at end of period (in thousands) <sup>(1)</sup>                | 924,238           | 944,047           | 974,188           |
| Book value per common share <sup>(2)</sup>  | \$ 23.22          | \$ 21.74          | \$ 20.50          |
| Tangible book value per common share <sup>(2)</sup>                                     | 16.45             | 15.06             | 14.04             |
| Full-time equivalent employees at end of period   | 57,516            | 52,459            | 50,001            |

(1) Includes 17,100,000 shares at June 30, 2003, and 18,000,000 shares at December 31, 2002 and June 30, 2002, held in escrow pending resolution of the Company's asserted right to the return of such shares.

(2) Excludes 17,100,000 shares at June 30, 2003, and 18,000,000 shares at December 31, 2002 and June 30, 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)*

*(unaudited)*

|   | Six Months Ended |                  |
|---|------------------|------------------|
|   | June 30,<br>2003 | June 30,<br>2002 |
| <b>Stockholders Equity Rollforward</b>                |                  |                  |
| Balance, beginning of period                          | \$ 20,134        | \$ 14,063        |
| Net income  | 2,023            | 1,946            |
| Other comprehensive income, net of tax                | 211              | 231              |
| Cash dividends declared on common stock               | (539)            | (496)            |
| Cash dividends declared on redeemable preferred stock | -                | (4)              |
| Common stock repurchased and retired                  | (972)            | (37)             |
| Common stock issued for acquisitions                  | -                | 3,672            |
| Fair value of Dime stock options                      | -                | 90               |
| Common stock issued                                   | 204              | 132              |
| Balance, end of period                                | \$ 21,061        | \$ 19,597        |

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

*(dollars in millions, except per share data)*

*(unaudited)*

|   | Quarter Ended    |                  |                  |                   |                  |
|---|------------------|------------------|------------------|-------------------|------------------|
|   | June 30,<br>2003 | Mar. 31,<br>2003 | Dec. 31,<br>2002 | Sept. 30,<br>2002 | June 30,<br>2002 |
| <b>PROFITABILITY</b>  |                  |                  |                  |                   |                  |
| Net interest income   | \$ 2,025         | \$ 2,017         | \$ 1,926         | \$ 1,919          | \$ 2,100         |
| Net interest margin   | 3.30%            | 3.32%            | 3.25%            | 3.36%             | 3.54%            |
| Noninterest income  | \$ 1,629         | \$ 1,406         | \$ 1,394         | \$ 1,380          | \$ 1,208         |
| Noninterest expense   | 1,918            | 1,709            | 1,658            | 1,616             | 1,586            |
| Net income  | 1,020            | 1,003            | 969              | 981               | 990              |
| Net income per common share:  |                  |                  |                  |                   |                  |
| Basic   | \$ 1.12          | \$ 1.09          | \$ 1.05          | \$ 1.04           | \$ 1.04          |
| Diluted   | 1.10             | 1.07             | 1.03             | 1.02              | 1.01             |
| Dividends declared per common share   | \$ 0.30          | \$ 0.29          | \$ 0.28          | \$ 0.27           | \$ 0.26          |
| Return on average assets  | 1.44%            | 1.43%            | 1.42%            | 1.50%             | 1.48%            |
| Return on average common equity   | 19.25            | 19.44            | 18.34            | 18.79             | 20.37            |
| Efficiency ratio <sup>(1)</sup>   | 52.49            | 49.91            | 49.94            | 48.99             | 47.95            |
| <b>ASSET QUALITY</b>  |                  |                  |                  |                   |                  |
| Nonaccrual loans <sup>(2)</sup>   | \$ 1,996         | \$ 2,166         | \$ 2,257         | \$ 2,188          | \$ 2,232         |
| Foreclosed assets   | 317              | 334              | 336              | 309               | 274              |
| Total nonperforming assets  | 2,313            | 2,500            | 2,593            | 2,497             | 2,506            |
| Nonperforming assets/total assets   | 0.82%            | 0.90%            | 0.97%            | 0.95%             | 0.96%            |
| Restructured loans  | \$ 89            | \$ 99            | \$ 98            | \$ 112            | \$ 119           |
| Total nonperforming assets and restructured loans                           | 2,402            | 2,599            | 2,691            | 2,609             | 2,625            |
| Allowance for loan and lease losses   | 1,680            | 1,680            | 1,653            | 1,705             | 1,665            |
| Allowance as a percentage of total loans held in portfolio                  | 1.09%            | 1.12%            | 1.12%            | 1.15%             | 1.14%            |
| Provision for loan and lease losses   | \$ 118           | \$ 125           | \$ 125           | \$ 135            | \$ 160           |
| Net charge-offs   | 118              | 95               | 108              | 88                | 116              |
| <b>CAPITAL ADEQUACY</b>   |                  |                  |                  |                   |                  |
| Stockholders' equity/total assets   | 7.44%            | 7.47%            | 7.50%            | 7.68%             | 7.50%            |
| Tangible common equity <sup>(3)</sup> /total tangible assets <sup>(3)</sup> | 5.28             | 5.29             | 5.29             | 5.27              | 5.28             |
| Estimated total risk-based capital/risk-weighted assets <sup>(4)</sup>      | 11.72            | 11.73            | 11.57            | 11.16             | 12.32            |
| <b>SUPPLEMENTAL DATA</b>  |                  |                  |                  |                   |                  |
| Average balance sheet:  |                  |                  |                  |                   |                  |
| Loans held for sale   | \$ 46,727        | \$ 42,327        | \$ 37,322        | \$ 25,740         | \$ 22,211        |
| Loans held in portfolio   | 151,489          | 148,382          | 149,173          | 146,160           | 146,668          |
| Interest-earning assets   | 246,021          | 241,690          | 237,842          | 229,364           | 236,504          |
| Total assets  | 284,118          | 280,850          | 273,729          | 261,170           | 266,849          |
| Interest-bearing deposits   | 120,144          | 119,056          | 116,177          | 111,408           | 108,231          |
| Noninterest-bearing deposits  | 43,536           | 38,851           | 32,375           | 24,065            | 22,417           |
| Stockholders' equity  | 21,193           | 20,633           | 21,121           | 20,872            | 19,401           |
| Period-end balance sheet:   |                  |                  |                  |                   |                  |
| Loans held for sale   | 40,631           | 44,014           | 33,996           | 29,508            | 21,940           |
| Loans held in portfolio, net of allowance for loan and lease losses         | 152,186          | 148,877          | 145,875          | 146,157           | 144,208          |
| Interest-earning assets   | 245,345          | 242,451          | 231,214          | 230,167           | 230,852          |
| Assets  | 283,203          | 276,970          | 268,298          | 262,631           | 261,298          |
| Interest-bearing deposits   | 119,952          | 119,394          | 118,001          | 112,969           | 108,441          |
| Noninterest-bearing deposits  | 46,505           | 40,478           | 37,515           | 27,639            | 20,628           |

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|                     |        |        |        |        |        |
|---------------------|--------|--------|--------|--------|--------|
| Stockholders equity | 21,061 | 20,687 | 20,134 | 20,178 | 19,597 |
|---------------------|--------|--------|--------|--------|--------|

- (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     |             |                                |                   |             |                                |                   |             |                                |
|---|-------------------|-------------|--------------------------------|-------------------|-------------|--------------------------------|-------------------|-------------|--------------------------------|
|   | June 30, 2003     |             |                                | Mar. 31, 2003     |             |                                | June 30, 2002     |             |                                |
|   | Balance           | Rate        | Interest<br>Income/<br>Expense | Balance           | Rate        | Interest<br>Income/<br>Expense | Balance           | Rate        | Interest<br>Income/<br>Expense |
| <b>Average Balances and Weighted Average Interest Rates</b>         |                   |             |                                |                   |             |                                |                   |             |                                |
| <b>Assets</b>   |                   |             |                                |                   |             |                                |                   |             |                                |
| Interest-earning assets:  |                   |             |                                |                   |             |                                |                   |             |                                |
| Federal funds sold and securities purchased under resale agreements | \$ 3,448          | 1.29%       | \$ 11                          | \$ 5,132          | 1.25%       | \$ 16                          | \$ 1,995          | 1.89%       | \$ 10                          |
| Available-for-sale securities <sup>(1)</sup> :                      |                   |             |                                |                   |             |                                |                   |             |                                |
| Mortgage-backed securities  | 24,087            | 5.22        | 314                            | 26,209            | 5.30        | 347                            | 22,471            | 5.96        | 335                            |
| Investment securities   | 14,969            | 4.15        | 155                            | 14,989            | 4.55        | 170                            | 38,436            | 4.97        | 477                            |
| Loans held for sale <sup>(2)</sup>                                  | 46,727            | 5.36        | 626                            | 42,327            | 5.57        | 589                            | 22,211            | 6.50        | 361                            |
| Loans held in portfolio <sup>(2)</sup> :                            |                   |             |                                |                   |             |                                |                   |             |                                |
| Loans secured by real estate:                                       |                   |             |                                |                   |             |                                |                   |             |                                |
| Home loans  | 83,426            | 4.95        | 1,033                          | 83,105            | 5.21        | 1,083                          | 86,315            | 6.02        | 1,299                          |
| Purchased specialty mortgage finance                                | 10,475            | 5.50        | 144                            | 10,075            | 5.95        | 150                            | 9,028             | 6.39        | 144                            |
| <b>Total home loans</b>   | <b>93,901</b>     | <b>5.01</b> | <b>1,177</b>                   | <b>93,180</b>     | <b>5.29</b> | <b>1,233</b>                   | <b>95,343</b>     | <b>6.05</b> | <b>1,443</b>                   |
| Home construction loans:  |                   |             |                                |                   |             |                                |                   |             |                                |
| Builder <sup>(3)</sup>  | 1,103             | 4.77        | 13                             | 1,056             | 5.03        | 13                             | 1,379             | 6.15        | 21                             |
| Custom <sup>(4)</sup>   | 927               | 7.48        | 17                             | 920               | 7.75        | 18                             | 893               | 8.58        | 19                             |
| Home equity loans and lines of credit:                              |                   |             |                                |                   |             |                                |                   |             |                                |
| Banking subsidiaries  | 19,238            | 5.13        | 246                            | 17,247            | 5.43        | 234                            | 12,819            | 6.01        | 193                            |
| Washington Mutual Finance   | 2,041             | 11.77       | 60                             | 1,958             | 11.94       | 58                             | 2,116             | 12.16       | 64                             |
| Multi-family  | 19,036            | 5.34        | 255                            | 18,476            | 5.66        | 262                            | 17,425            | 5.98        | 261                            |
| Other real estate   | 7,306             | 6.25        | 114                            | 7,747             | 6.34        | 122                            | 8,410             | 6.71        | 142                            |
| <b>Total loans secured by real estate</b>                           | <b>143,552</b>    | <b>5.25</b> | <b>1,882</b>                   | <b>140,584</b>    | <b>5.52</b> | <b>1,940</b>                   | <b>138,385</b>    | <b>6.19</b> | <b>2,143</b>                   |
| Consumer:   |                   |             |                                |                   |             |                                |                   |             |                                |
| Banking subsidiaries  | 1,253             | 8.93        | 28                             | 1,343             | 8.90        | 30                             | 2,719             | 9.31        | 63                             |
| Washington Mutual Finance   | 1,732             | 19.61       | 85                             | 1,720             | 19.30       | 83                             | 1,702             | 18.68       | 79                             |
| Commercial business   | 4,952             | 4.38        | 55                             | 4,735             | 4.47        | 53                             | 3,862             | 5.13        | 50                             |
| <b>Total loans held in portfolio</b>                                | <b>151,489</b>    | <b>5.41</b> | <b>2,050</b>                   | <b>148,382</b>    | <b>5.68</b> | <b>2,106</b>                   | <b>146,668</b>    | <b>6.37</b> | <b>2,335</b>                   |
| Other   | 5,301             | 4.61        | 61                             | 4,651             | 5.56        | 64                             | 4,723             | 5.67        | 67                             |
| <b>Total interest-earning assets</b>                                | <b>246,021</b>    | <b>5.23</b> | <b>3,217</b>                   | <b>241,690</b>    | <b>5.45</b> | <b>3,292</b>                   | <b>236,504</b>    | <b>6.06</b> | <b>3,585</b>                   |
| Noninterest-earning assets:   |                   |             |                                |                   |             |                                |                   |             |                                |
| Mortgage servicing rights   | 4,754             |             |                                | 5,456             |             |                                | 7,828             |             |                                |
| Goodwill  | 6,253             |             |                                | 6,267             |             |                                | 6,152             |             |                                |
| Other   | 27,090            |             |                                | 27,437            |             |                                | 16,365            |             |                                |
| <b>Total assets</b>   | <b>\$ 284,118</b> |             |                                | <b>\$ 280,850</b> |             |                                | <b>\$ 266,849</b> |             |                                |



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| <b>Liabilities</b>                                 |                   |             |              |                   |             |              |                   |             |              |
|--|-------------------|-------------|--------------|-------------------|-------------|--------------|-------------------|-------------|--------------|
| Interest-bearing liabilities:                      |                   |             |              |                   |             |              |                   |             |              |
| Deposits:  |                   |             |              |                   |             |              |                   |             |              |
| Interest-bearing checking                          | \$ 60,597         | 1.74        | 262          | \$ 58,222         | 1.92        | 276          | \$ 36,991         | 2.65        | 245          |
| Savings accounts and money market deposit accounts | 28,229            | 0.98        | 69           | 27,968            | 1.07        | 74           | 32,249            | 1.51        | 122          |
| Time deposit accounts                              | 31,318            | 2.77        | 217          | 32,866            | 2.93        | 237          | 38,991            | 3.09        | 299          |
| <b>Total interest-bearing deposits</b>             | <b>120,144</b>    | <b>1.83</b> | <b>548</b>   | <b>119,056</b>    | <b>2.00</b> | <b>587</b>   | <b>108,231</b>    | <b>2.47</b> | <b>666</b>   |
| Federal funds purchased and commercial paper       | 3,843             | 1.37        | 13           | 2,385             | 1.42        | 9            | 3,562             | 1.96        | 17           |
| Securities sold under agreements to repurchase     | 20,040            | 2.66        | 134          | 20,371            | 2.76        | 140          | 35,812            | 2.44        | 218          |
| Advances from Federal Home Loan Banks              | 51,916            | 2.56        | 334          | 55,844            | 2.72        | 378          | 59,651            | 2.75        | 410          |
| Other  | 14,898            | 4.37        | 163          | 15,487            | 4.16        | 161          | 13,976            | 4.98        | 174          |
| <b>Total interest-bearing liabilities</b>          | <b>210,841</b>    | <b>2.26</b> | <b>1,192</b> | <b>213,143</b>    | <b>2.41</b> | <b>1,275</b> | <b>221,232</b>    | <b>2.69</b> | <b>1,485</b> |
| Noninterest-bearing sources:                       |                   |             |              |                   |             |              |                   |             |              |
| Noninterest-bearing deposits                       | 43,536            |             |              | 38,851            |             |              | 22,417            |             |              |
| Other liabilities                                  | 8,548             |             |              | 8,223             |             |              | 3,799             |             |              |
| Stockholders equity                                | 21,193            |             |              | 20,633            |             |              | 19,401            |             |              |
| <b>Total liabilities and stockholders equity</b>   | <b>\$ 284,118</b> |             |              | <b>\$ 280,850</b> |             |              | <b>\$ 266,849</b> |             |              |
| Net interest spread and net interest income        |                   |             |              |                   |             |              |                   |             |              |
|  |                   | 2.97        | \$ 2,025     |                   | 3.04        | \$ 2,017     |                   | 3.37        | \$ 2,100     |
| Impact of noninterest-bearing sources              |                   |             |              |                   |             |              |                   |             |              |
|  |                   | 0.33        |              |                   | 0.28        |              |                   | 0.17        |              |
| <b>Net interest margin</b>                         |                   | <b>3.30</b> |              |                   | <b>3.32</b> |              |                   | <b>3.54</b> |              |

(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.

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

(dollars in millions)

(unaudited)

|   | Six Months Ended  |             |                                |                   |             |                                |
|---|-------------------|-------------|--------------------------------|-------------------|-------------|--------------------------------|
|   | June 30, 2003     |             |                                | June 30, 2002     |             |                                |
|   | Balance           | Rate        | Interest<br>Income/<br>Expense | Balance           | Rate        | Interest<br>Income/<br>Expense |
| <b>Average Balances and Weighted Average Interest Rates</b>         |                   |             |                                |                   |             |                                |
| <b>Assets</b>   |                   |             |                                |                   |             |                                |
| Interest-earning assets:  |                   |             |                                |                   |             |                                |
| Federal funds sold and securities purchased under resale agreements | \$ 4,286          | 1.27%       | \$ 27                          | \$ 1,569          | 1.79%       | \$ 14                          |
| Available-for-sale securities <sup>(1)</sup> :                      |                   |             |                                |                   |             |                                |
| Mortgage-backed securities  | 25,142            | 5.26        | 661                            | 23,852            | 5.66        | 676                            |
| Investment securities   | 14,979            | 4.35        | 325                            | 43,822            | 4.96        | 1,083                          |
| Loans held for sale <sup>(2)</sup>                                  | 44,539            | 5.46        | 1,216                          | 24,712            | 6.51        | 804                            |
| Loans held in portfolio <sup>(2)</sup> :                            |                   |             |                                |                   |             |                                |
| Loans secured by real estate:                                       |                   |             |                                |                   |             |                                |
| Home loans  | 83,255            | 5.08        | 2,116                          | 87,255            | 6.10        | 2,661                          |
| Purchased specialty mortgage finance                                | 10,286            | 5.72        | 294                            | 8,785             | 6.64        | 292                            |
| <b>Total home loans</b>   | <b>93,541</b>     | <b>5.15</b> | <b>2,410</b>                   | <b>96,040</b>     | <b>6.15</b> | <b>2,953</b>                   |
| Home construction loans:  |                   |             |                                |                   |             |                                |
| Builder <sup>(3)</sup>  | 1,080             | 4.90        | 27                             | 1,473             | 6.09        | 44                             |
| Custom <sup>(4)</sup>   | 923               | 7.61        | 35                             | 911               | 8.14        | 37                             |
| Home equity loans and lines of credit:                              |                   |             |                                |                   |             |                                |
| Banking subsidiaries  | 18,248            | 5.28        | 480                            | 11,966            | 6.01        | 360                            |
| Washington Mutual Finance   | 2,004             | 11.91       | 118                            | 2,106             | 12.05       | 127                            |
| Multi-family  | 18,758            | 5.50        | 516                            | 17,483            | 6.16        | 539                            |
| Other real estate   | 7,525             | 6.30        | 237                            | 8,417             | 6.88        | 289                            |
| <b>Total loans secured by real estate</b>                           | <b>142,079</b>    | <b>5.39</b> | <b>3,823</b>                   | <b>138,396</b>    | <b>6.29</b> | <b>4,349</b>                   |
| Consumer:   |                   |             |                                |                   |             |                                |
| Banking subsidiaries  | 1,293             | 8.94        | 57                             | 2,784             | 9.32        | 130                            |
| Washington Mutual Finance   | 1,728             | 19.57       | 168                            | 1,715             | 18.59       | 159                            |
| Commercial business   | 4,844             | 4.42        | 107                            | 4,202             | 5.12        | 108                            |
| <b>Total loans held in portfolio</b>                                | <b>149,944</b>    | <b>5.55</b> | <b>4,155</b>                   | <b>147,097</b>    | <b>6.45</b> | <b>4,746</b>                   |
| Other   | 4,978             | 5.05        | 125                            | 4,737             | 6.15        | 145                            |
| <b>Total interest-earning assets</b>                                | <b>243,868</b>    | <b>5.34</b> | <b>6,509</b>                   | <b>245,789</b>    | <b>6.08</b> | <b>7,468</b>                   |
| Noninterest-earning assets:   |                   |             |                                |                   |             |                                |
| Mortgage servicing rights   | 5,103             |             |                                | 7,419             |             |                                |
| Goodwill  | 6,259             |             |                                | 5,875             |             |                                |
| Other   | 27,246            |             |                                | 16,468            |             |                                |
| <b>Total assets</b>   | <b>\$ 282,476</b> |             |                                | <b>\$ 275,551</b> |             |                                |

**Liabilities**

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Interest-bearing liabilities:

|  |            |      |          |            |      |          |
|--|------------|------|----------|------------|------|----------|
| Deposits:  |            |      |          |            |      |          |
| Interest-bearing checking                          | \$ 59,416  | 1.83 | 538      | \$ 30,468  | 2.70 | 407      |
| Savings accounts and money market deposit accounts | 28,056     | 1.03 | 143      | 33,771     | 1.54 | 262      |
| Time deposit accounts                              | 32,088     | 2.85 | 454      | 40,504     | 3.20 | 648      |
| <hr/>  |            |      |          |            |      |          |
| Total interest-bearing deposits                    | 119,560    | 1.91 | 1,135    | 104,743    | 2.52 | 1,317    |
| Federal funds purchased and commercial paper       | 3,118      | 1.42 | 22       | 4,558      | 1.94 | 45       |
| Securities sold under agreements to repurchase     | 20,205     | 2.71 | 274      | 44,582     | 1.95 | 431      |
| Advances from Federal Home Loan Banks              | 53,869     | 2.64 | 712      | 62,461     | 2.69 | 833      |
| Other  | 15,208     | 4.26 | 324      | 14,066     | 4.96 | 346      |
| <hr/>  |            |      |          |            |      |          |
| Total interest-bearing liabilities                 |            |      | 2,467    |            |      | 2,972    |
|  | 211,960    | 2.34 |          | 230,410    | 2.59 |          |
| <hr/>  |            |      |          |            |      |          |
| Noninterest-bearing sources:                       |            |      |          |            |      |          |
| Noninterest-bearing deposits                       | 41,249     |      |          | 22,526     |      |          |
| Other liabilities                                  | 8,369      |      |          | 3,669      |      |          |
| Stockholders equity                                | 20,898     |      |          | 18,946     |      |          |
| <hr/>  |            |      |          |            |      |          |
| Total liabilities and stockholders equity          | \$ 282,476 |      |          | \$ 275,551 |      |          |
| <hr/>  |            |      |          |            |      |          |
| Net interest spread and net interest income        |            | 3.00 | \$ 4,042 |            | 3.49 | \$ 4,496 |
| <hr/>  |            |      |          |            |      |          |
| Impact of noninterest-bearing sources              |            | 0.31 |          |            | 0.16 |          |
| Net interest margin                                |            | 3.31 |          |            | 3.65 |          |
| <hr/>  |            |      |          |            |      |          |

(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.

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

(dollars in millions)

(unaudited)

|  | Quarter Ended    |                  |                  | Six Months Ended |                  |
|--|------------------|------------------|------------------|------------------|------------------|
|  | June 30,<br>2003 | Mar. 31,<br>2003 | June 30,<br>2002 | June 30,<br>2003 | June 30,<br>2002 |
| <b>Loan Volume</b>                                 |                  |                  |                  |                  |                  |
| Home loans:  |                  |                  |                  |                  |                  |
| Adjustable rate                                    | \$ 24,847        | \$ 23,431        | \$ 16,093        | \$ 48,278        | \$ 32,701        |
| Fixed rate   | 78,650           | 69,510           | 30,999           | 148,160          | 70,230           |
| Specialty mortgage finance <sup>(1)</sup>          | 4,658            | 4,529            | 3,074            | 9,187            | 6,201            |
| <hr/>  |                  |                  |                  |                  |                  |
| Total home loan volume                             | 108,155          | 97,470           | 50,166           | 205,625          | 109,132          |
| Home construction loans:                           |                  |                  |                  |                  |                  |
| Builder <sup>(2)</sup>                             | 606              | 477              | 519              | 1,083            | 885              |
| Custom <sup>(3)</sup>                              | 273              | 163              | 206              | 436              | 354              |
| Home equity loans and lines of credit:             |                  |                  |                  |                  |                  |
| Banking subsidiaries                               | 7,152            | 5,196            | 3,679            | 12,348           | 7,159            |
| Washington Mutual Finance                          | 287              | 287              | 349              | 574              | 591              |
| Multi-family                                       | 2,022            | 1,797            | 1,242            | 3,819            | 2,106            |
| Other real estate                                  | 595              | 281              | 324              | 876              | 668              |
| <hr/>  |                  |                  |                  |                  |                  |
| Total loans secured by real estate                 | 119,090          | 105,671          | 56,485           | 224,761          | 120,895          |
| Consumer:  |                  |                  |                  |                  |                  |
| Banking subsidiaries                               | 61               | 59               | 231              | 120              | 469              |
| Washington Mutual Finance                          | 462              | 424              | 471              | 886              | 873              |
| Commercial business                                | 709              | 466              | 592              | 1,175            | 1,229            |
| <hr/>  |                  |                  |                  |                  |                  |
| Total loan volume                                  | \$ 120,322       | \$ 106,620       | \$ 57,779        | \$ 226,942       | \$ 123,466       |
| <hr/>  |                  |                  |                  |                  |                  |
| <b>Loan Volume by Channel</b>                      |                  |                  |                  |                  |                  |
| Originated   | \$ 73,711        | \$ 61,288        | \$ 39,667        | \$ 134,999       | \$ 83,205        |
| Purchased/Correspondent                            | 46,611           | 45,332           | 18,112           | 91,943           | 40,261           |
| <hr/>  |                  |                  |                  |                  |                  |
| Total loan volume by channel                       | \$ 120,322       | \$ 106,620       | \$ 57,779        | \$ 226,942       | \$ 123,466       |
| <hr/>  |                  |                  |                  |                  |                  |
| <b>Refinancing Activity <sup>(4)</sup></b>         |                  |                  |                  |                  |                  |
| Home loan refinancing                              | \$ 81,511        | \$ 72,448        | \$ 27,160        | \$ 153,959       | \$ 67,250        |
| Home construction loans                            | 13               | 12               | 15               | 25               | 28               |
| Home equity loans and lines of credit and consumer | 1,203            | 693              | 687              | 1,896            | 1,328            |
| Multi-family and other real estate                 | 893              | 707              | 536              | 1,600            | 858              |
| <hr/>  |                  |                  |                  |                  |                  |
| Total refinancing                                  | \$ 83,620        | \$ 73,860        | \$ 28,398        | \$ 157,480       | \$ 69,464        |
| <hr/>  |                  |                  |                  |                  |                  |
| <b>Home Loan Volume by Index:</b>                  |                  |                  |                  |                  |                  |
| Short-term adjustable-rate mortgages:              |                  |                  |                  |                  |                  |
| Treasury indices                                   | \$ 5,510         | \$ 4,539         | \$ 5,002         | \$ 10,049        | \$ 11,482        |
| COFI   | 198              | 249              | 1,444            | 447              | 2,172            |
| Other  | 223              | 218              | 122              | 441              | 212              |

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|  |                   |                  |                  |                   |                   |
|--|-------------------|------------------|------------------|-------------------|-------------------|
| Total short-term adjustable-rate mortgages | 5,931             | 5,006            | 6,568            | 10,937            | 13,866            |
| Medium-term adjustable-rate mortgages      | 22,070            | 21,530           | 12,317           | 43,600            | 24,149            |
| Fixed-rate mortgages                       | 80,154            | 70,934           | 31,281           | 151,088           | 71,117            |
| <b>Total home loan volume</b>              | <b>\$ 108,155</b> | <b>\$ 97,470</b> | <b>\$ 50,166</b> | <b>\$ 205,625</b> | <b>\$ 109,132</b> |

- (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.

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

(dollars in millions)

(unaudited)

|  | Change from<br>Mar. 31, 2003<br>to June 30, 2003 | June 30,<br>2003  | Mar. 31,<br>2003  | June 30,<br>2002  |
|--|--|-------------------|-------------------|-------------------|
| <b>Loans by Property Type and Mortgage-Backed Securities ( MBS )</b>               |  |                   |                   |                   |
| Loans held in portfolio:   |  |                   |                   |                   |
| Loans secured by real estate:  |  |                   |                   |                   |
| Home loans   | \$ 94  | \$ 83,839         | \$ 83,745         | \$ 84,896         |
| Purchased specialty mortgage finance   | 232  | 10,836            | 10,604            | 8,808             |
| <b>Total home loans</b>  | <b>326</b>                                       | <b>94,675</b>     | <b>94,349</b>     | <b>93,704</b>     |
| Home construction loans:   |  |                   |                   |                   |
| Builder <sup>(1)</sup>   | 74   | 1,121             | 1,047             | 1,236             |
| Custom <sup>(2)</sup>  | 37   | 963               | 926               | 897               |
| Home equity loans and lines of credit:   |  |                   |                   |                   |
| Banking subsidiaries   | 2,416  | 20,505            | 18,089            | 13,553            |
| Washington Mutual Finance  | 56   | 2,073             | 2,017             | 2,229             |
| Multi-family   | 864  | 19,482            | 18,618            | 17,567            |
| Other real estate  | (228)  | 7,122             | 7,350             | 8,379             |
| <b>Total loans secured by real estate</b>  | <b>3,545</b>                                     | <b>145,941</b>    | <b>142,396</b>    | <b>137,565</b>    |
| Consumer:  |  |                   |                   |                   |
| Banking subsidiaries   | (73)   | 1,207             | 1,280             | 2,664             |
| Washington Mutual Finance  | 25   | 1,743             | 1,718             | 1,706             |
| Commercial business  | (188)  | 4,975             | 5,163             | 3,938             |
| <b>Total loans held in portfolio</b>   | <b>3,309</b>                                     | <b>153,866</b>    | <b>150,557</b>    | <b>145,873</b>    |
| Less: allowance for loan and lease losses  | -  | (1,680)           | (1,680)           | (1,665)           |
| Loans securitized and retained as MBS  | (893)  | 22,776            | 23,669            | 19,344            |
| <b>Total net loans held in portfolio and loans securitized and retained as MBS</b> | <b>2,416</b>                                     | <b>174,962</b>    | <b>172,546</b>    | <b>163,552</b>    |
| Loans held for sale <sup>(3)</sup>   | (3,383)  | 40,631            | 44,014            | 21,940            |
| <b>Total net loans and loans securitized and retained as MBS</b>                   | <b>(967)</b>                                     | <b>215,593</b>    | <b>216,560</b>    | <b>185,492</b>    |
| Purchased MBS  | (1,000)  | 2,099             | 3,099             | 5,354             |
| <b>Total net loans and MBS</b>   | <b>\$ (1,967)</b>                                | <b>\$ 217,692</b> | <b>\$ 219,659</b> | <b>\$ 190,846</b> |

(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.

(3) Fair value of loans held for sale was \$40.63 billion, \$44.02 billion and \$21.95 billion as of June 30, 2003, March 31, 2003 and June 30, 2002.

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

(dollars in millions)

(unaudited)

|  | Change from<br>Mar. 31, 2003<br>to June 30, 2003 | June 30,<br>2003      | % of<br>total | Mar. 31,<br>2003      | % of<br>total | June 30,<br>2002      | % of<br>total |
|--|--|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|
| <b>Loans Secured by Real Estate and MBS</b>    |  |                       |               |                       |               |                       |               |
| Short-term adjustable-rate loans and MBS:      |  |                       |               |                       |               |                       |               |
| COFI   | \$ (2,198)                                       | \$ 24,065             | 12%           | \$ 26,263             | 12%           | \$ 31,293             | 17%           |
| Treasury indices                               | 2,694  | 47,001                | 22            | 44,307                | 21            | 37,527                | 20            |
| Other  | 773  | 30,401 <sup>(1)</sup> | 14            | 29,628 <sup>(1)</sup> | 14            | 23,749 <sup>(1)</sup> | 13            |
| <hr/>  |  |                       |               |                       |               |                       |               |
| Total short-term adjustable-rate loans and MBS | 1,269  | 101,467               | 48            | 100,198               | 47            | 92,569                | 50            |
| Medium-term adjustable-rate loans and MBS      | (426)  | 53,068                | 25            | 53,494                | 25            | 49,835                | 27            |
| Fixed-rate loans                               | (2,945)  | 52,870                | 25            | 55,815                | 26            | 37,211                | 20            |
| Fixed-rate MBS                                 | 403  | 3,938                 | 2             | 3,535                 | 2             | 4,511                 | 3             |
| <hr/>  |  |                       |               |                       |               |                       |               |
| Total loans secured by real estate and MBS     | \$ (1,699)                                       | \$ 211,343            | 100%          | \$ 213,042            | 100%          | \$ 184,126            | 100%          |

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

|                |        |
|----------------|--------|
| June 30, 2003: | \$ 2.8 |
| Mar. 31, 2003: | 2.8    |
| June 30, 2002: | 2.8    |

|   | Mar. 31, 2003<br>to June 30, 2003 | Dec. 31, 2002<br>to June 30, 2003 |
|---|-----------------------------------|-----------------------------------|
| <b>Rollforward of Loans Held for Sale</b>     |                                   |                                   |
| Balance, beginning of period                  | \$ 44,014                         | \$ 33,996                         |
| Loans originated and purchased                | 94,708                            | 177,282                           |
| Loans sold and other                          | (98,091)                          | (170,647)                         |
| <hr/>   |                                   |                                   |
| Balance, end of period                        | \$ 40,631                         | \$ 40,631                         |
| <hr/>   |                                   |                                   |
| <b>Rollforward of Loans Held in Portfolio</b> |                                   |                                   |
| Balance, beginning of period                  | \$ 150,557                        | \$ 147,528                        |
| Loans originated and purchased                | 25,614                            | 49,660                            |
| Loan payments and other                       | (22,305)                          | (43,322)                          |

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|                        |    |         |    |         |
|------------------------|----|---------|----|---------|
| Balance, end of period | \$ | 153,866 | \$ | 153,866 |
|------------------------|----|---------|----|---------|

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

*(dollars in millions)*

*(unaudited)*

|  | Mar. 31, 2003<br>to June 30, 2003 | Dec. 31, 2002<br>to June 30, 2003 |
|--|-----------------------------------|-----------------------------------|
| <b>Rollforward of Mortgage Servicing Rights ( MSR<sup>1</sup>)</b> |                                   |                                   |
| Balance, beginning of period                                       | \$ 5,210                          | \$ 5,341                          |
| Home loans:  |                                   |                                   |
| Additions  | 976                               | 1,915                             |
| Amortization   | (1,032)                           | (2,000)                           |
| Impairment   | (309)                             | (272)                             |
| Sales of MSR   | (247)                             | (388)                             |
| Net change in commercial real estate MSR                           |                                   | 2                                 |
| Balance, end of period <sup>(2)</sup>                              | \$ 4,598                          | \$ 4,598                          |
| <b>Rollforward of Valuation Allowance for MSR Impairment</b>       |                                   |                                   |
| Balance, beginning of period                                       | \$ 3,864                          | \$ 4,521                          |
| Impairment   | 309                               | 272                               |
| Other than temporary impairment                                    | (579)                             | (1,115)                           |
| Sales of MSR   | (150)                             | (234)                             |
| Balance, end of period   | \$ 3,444                          | \$ 3,444                          |
| <b>Rollforward of Loans Serviced for Others</b>                    |                                   |                                   |
| Balance, beginning of period                                       | \$ 591,917                        | \$ 604,504                        |
| Home loans:  |                                   |                                   |
| Additions  | 105,992                           | 185,508                           |
| Sales of servicing   | (2,960)                           | (2,960)                           |
| Loan payments and other  | (110,867)                         | (203,423)                         |
| Net change in commercial real estate loans serviced for others     | (259)                             | 194                               |
| Balance, end of period   | \$ 583,823                        | \$ 583,823                        |
|  |                                   | <b>June 30, 2003</b>              |
|  |                                   | <b>Balance</b>                    |
| <b>Total Servicing Portfolio</b>                                   |                                   |                                   |
| Loans serviced for others  |                                   | \$ 583,823                        |
| Servicing on retained MBS  |                                   | 4,293                             |
| Servicing on owned loans   |                                   | 180,377                           |
| Subservicing portfolio   |                                   | 2,453                             |
| Total servicing portfolio  |                                   | \$ 770,946                        |

**June 30, 2003**

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|   | <u>Unpaid Principal<br/>Balance</u> | <u>Weighted Average<br/>Servicing Fee</u> |
|---|-------------------------------------|---|
| <b>Loans Serviced for Others by Loan Type</b> |                                     | (in basis points, annualized)             |
| Government                                    | \$ 74,618                           | 53  |
| Agency  | 387,922                             | 30  |
| Private                                       | 106,449                             |   |