



# Washington Mutual

HOME LOANS AND INSURANCE SERVICES GROUP

Third Quarter 2002



## HOME LOANS AND INSURANCE SERVICES GROUP

### Forward-Looking Statements

“This presentation contains forward-looking statements, which are not historical facts and pertain to future operating results. These forward-looking statements are within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations and intentions and other statements contained in this document that are not historical facts. When used in this presentation, the words “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” or words of similar meaning, or future or conditional verbs, such as “will,” “would,” “should,” “could,” or “may” are generally intended to identify forward-looking statements. These forward-looking statements are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Actual results may differ materially from the results discussed in these forward-looking statements for the reasons, among others, discussed under the heading “Business-Factors That May Affect Future Results” in Washington Mutual’s 2001 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 September 30, 2002, which include: changes in general business and 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; the risk that the impact of rising interest rates may result in an increase in our cost of interest-bearing liabilities, which could outpace the increase in the yield on interest-earning assets and lead to a reduction in the net interest margin, along with the potential decreases in mortgage loan volumes and a corresponding reduction in gain from mortgage loans; the impact of falling interest rates may accelerate mortgage prepayment rates, which would increase the impairment on mortgage servicing rights (“MSR”) and may result in balance sheet shrinkage causing a potential reduction in net interest income; the risk that our inability to effectively integrate the operations and personnel of companies we have acquired could adversely affect our earnings and financial condition; the concentration of operations in California could adversely affect our operating results if the California economy or real estate market declines; competition from other financial services companies in our markets could adversely affect our ability to achieve our financial goals; changes in the regulation of financial services companies could adversely affect our business.

### Business Segment Financial Information

Business segment financial information is prepared for management information purposes and uses methodologies which do not conform to generally accepted accounting principles. These methodologies include internal allocations of the cost of funds, hedge gains or losses, loan loss provisions and certain overhead items.



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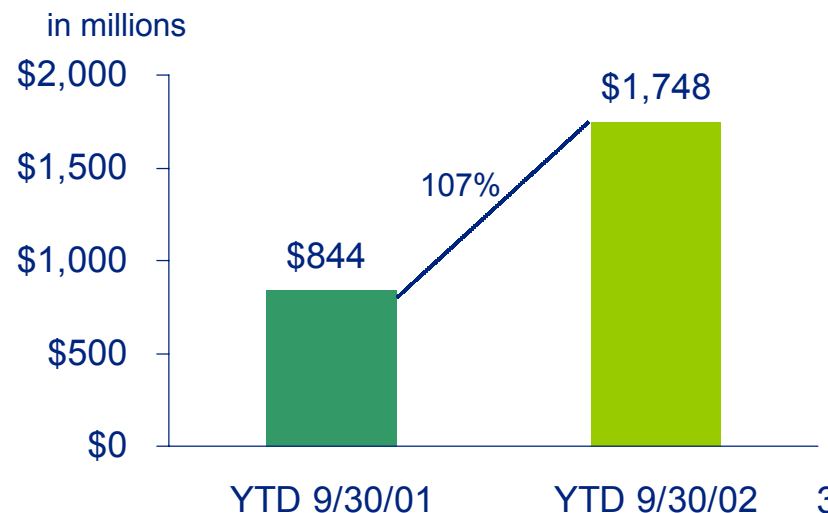
### At a Glance



Our lines of business:

- Mortgage servicing
- Mortgage origination
- Insurance services

Segment Net Income Growth





## HOME LOANS AND INSURANCE SERVICES GROUP

### Our Goals

#### As America's Lending Leader. . .

- Be the industry's low-cost provider
- Deliver the highest level of service
- Build brand awareness
- Within a five-year period, originate and service one out of every five loans nationwide



## HOME LOANS AND INSURANCE SERVICES GROUP

# Mortgage Industry Overview



## HOME LOANS AND INSURANCE SERVICES GROUP

### Mortgage Industry Trends

- Growth
- Consolidation
- Risk management



## HOME LOANS AND INSURANCE SERVICES GROUP

### Drivers of Growth: Projected Single-Family Mortgage Debt Outstanding

	Annual Growth Rate		
	Actual <sup>(a)</sup>		Forecast Range <sup>(b)</sup>
	1980s	1990s	2000s
Households	1.5%	1.4%	1.3 - 1.4%
Homeownership Rate	(0.2)	0.5	0.5 - 0.6
Average Home Price Gains	7.3	3.6	5.0 - 6.5
SF Residential Investment	8.6%	5.5%	6.8% - 8.5%
Debt-to-Value Ratio	2.0	1.6	1.3 - 1.7
SF Mortgage Debt Outstanding	10.6%	7.0%	8.1% - 10.2%

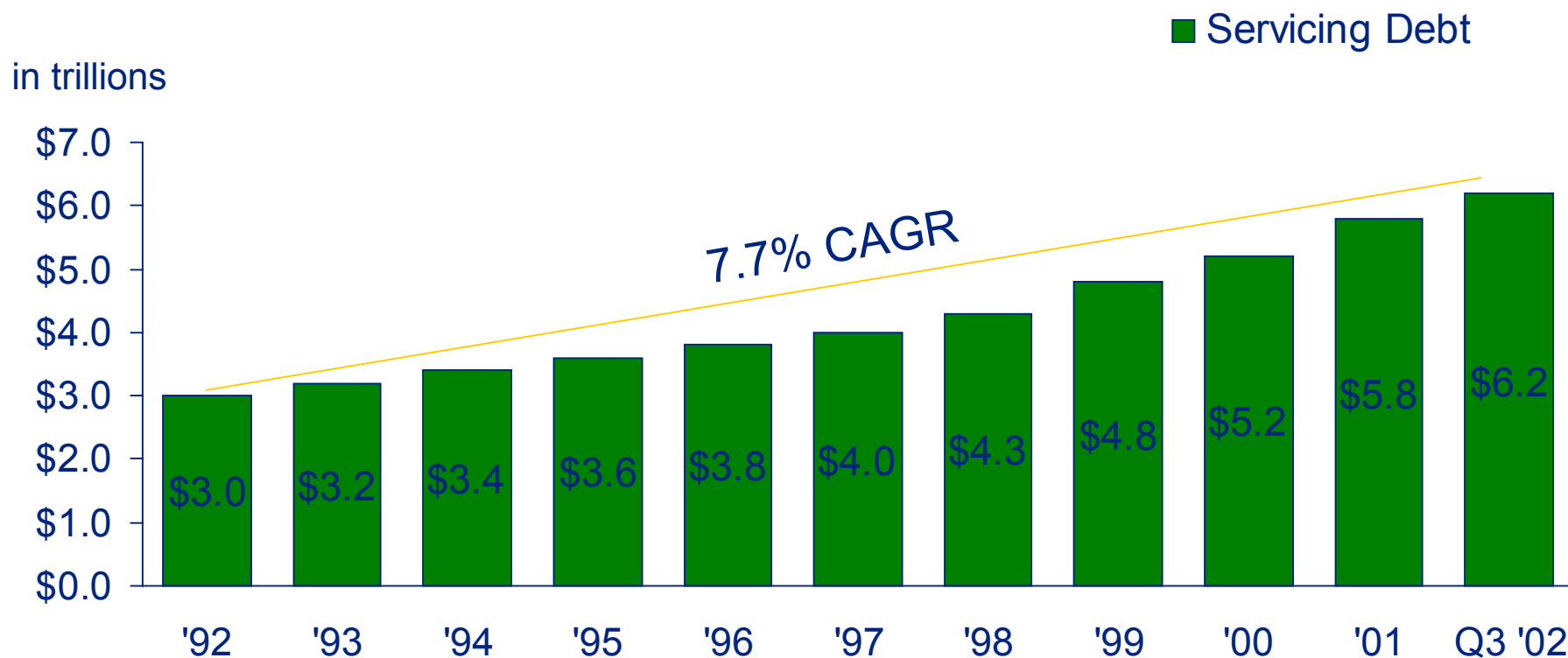
(a) Bureau of the Census, Federal Reserve Board, Office of Federal Housing Enterprise Oversight and National Association of Realtors, as of period presented

(b) Fannie Mae Forecast, October 2002



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### Mortgage Servicing Market Trends

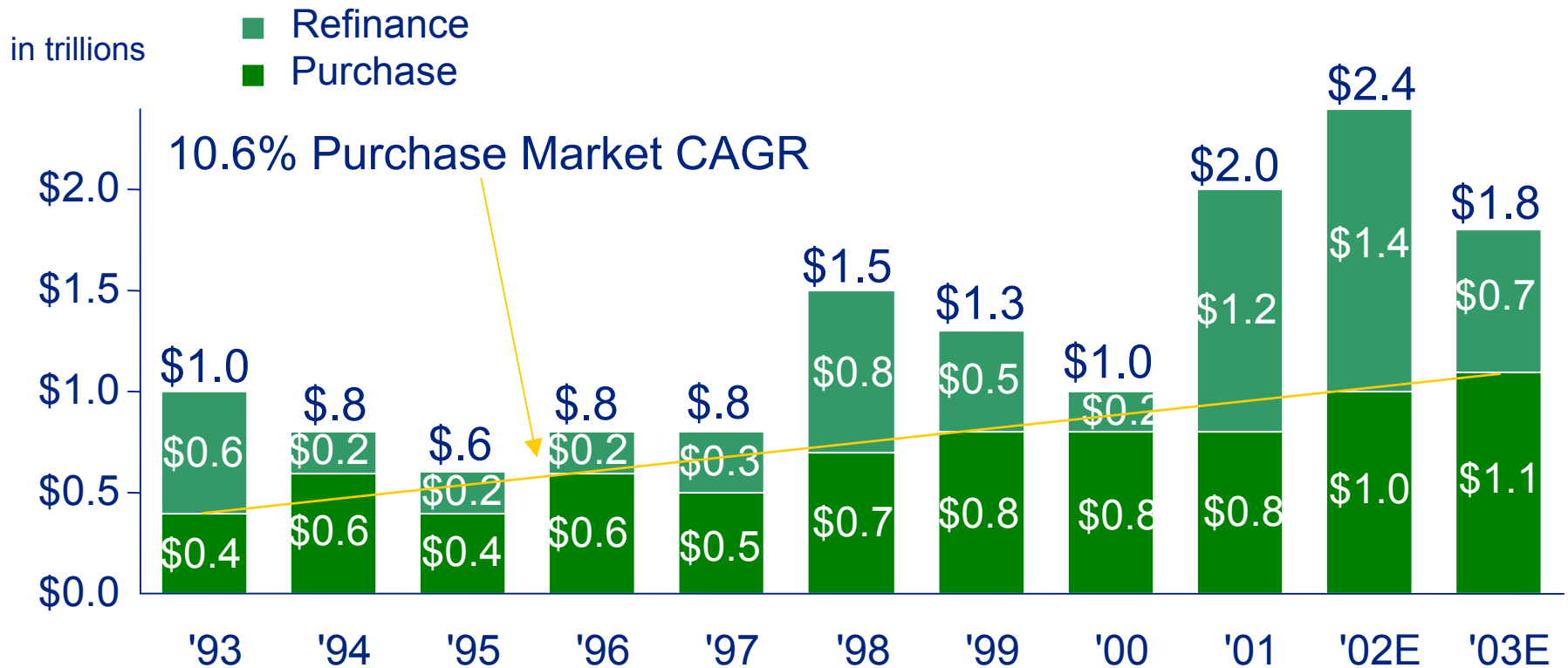


Source: Inside Mortgage Finance



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### Mortgage Origination Market Trends

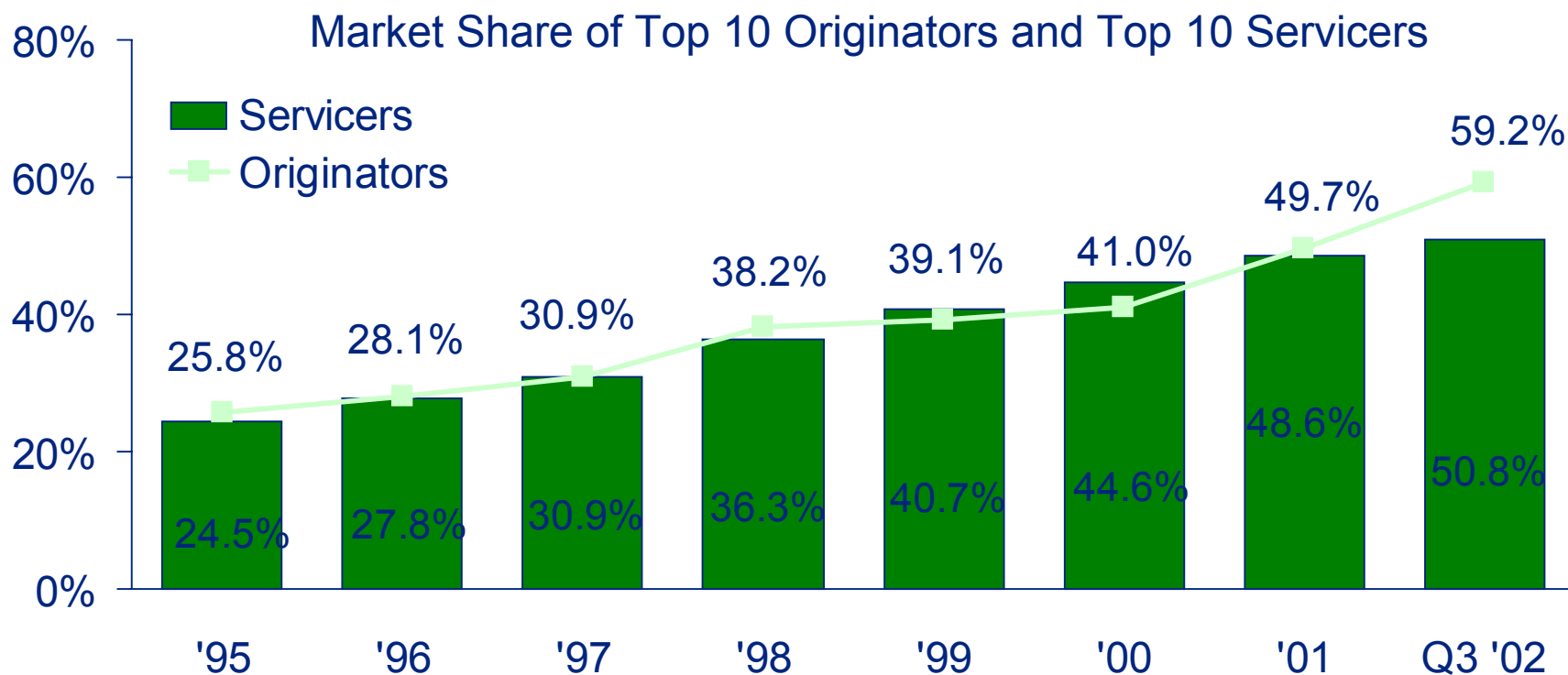


Source: Mortgage Bankers Association, Mortgage Finance Forecast, October 2002



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# Accelerating Consolidation in the Mortgage Industry





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### Risk Management

- Interest rate risk
- Mortgage servicing rights
- Credit quality



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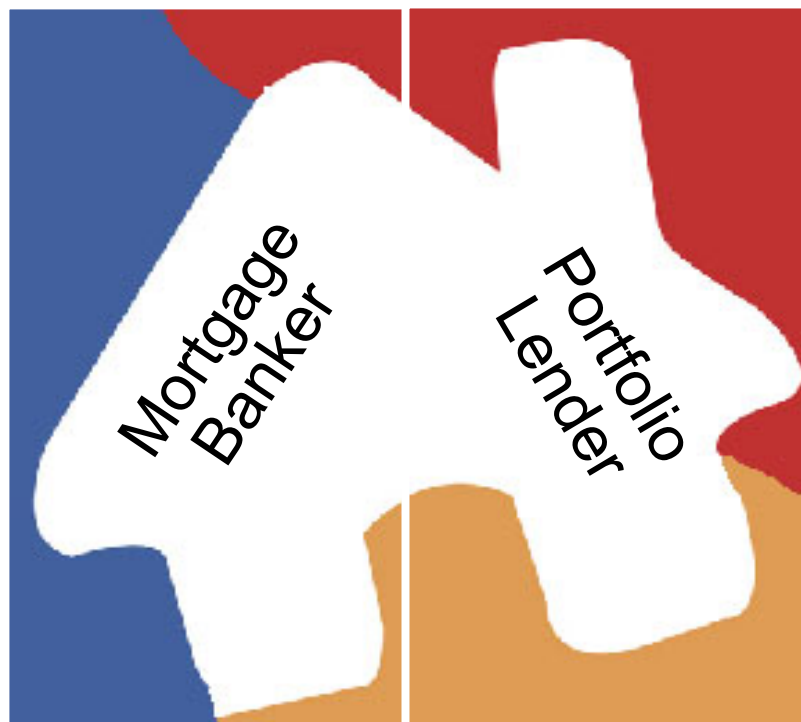
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# Competitive Strengths



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### Unique Business Model



A mortgage product for all interest rate cycles



## HOME LOANS AND INSURANCE SERVICES GROUP

### Maximize Economies of Scale

- Integrate acquired companies successfully
- Leverage technology investments across the business
- Drive cost efficiencies through every step of the loan process
- Maximize cross-sell and additional revenue opportunities



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### Customer Relationship Management

- State-of-the-art Home Loan customer relationship management tools deployed
  - Self service customer information available on-line
  - Customer service access to real-time customer information
  - Customer retention management
- Mortgage servicing rights are a component of maintaining and growing customer relationships



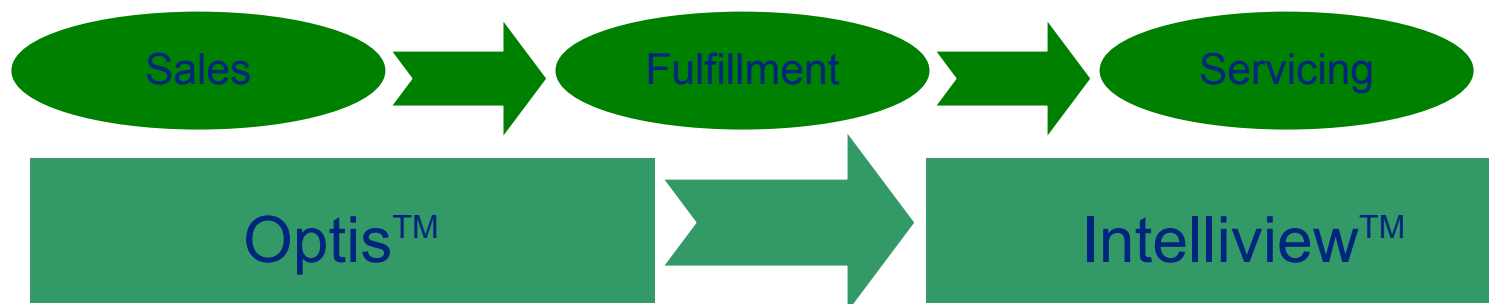
## HOME LOANS AND INSURANCE SERVICES GROUP

### Integrated Technology & Solution Approach

- Speed of Decision - Automated Approval
- Reliability of Close

- Channel Focused Loan Fulfillment Centers
- Operational Efficiencies

- Customer Relationship Management
- Customer Satisfaction

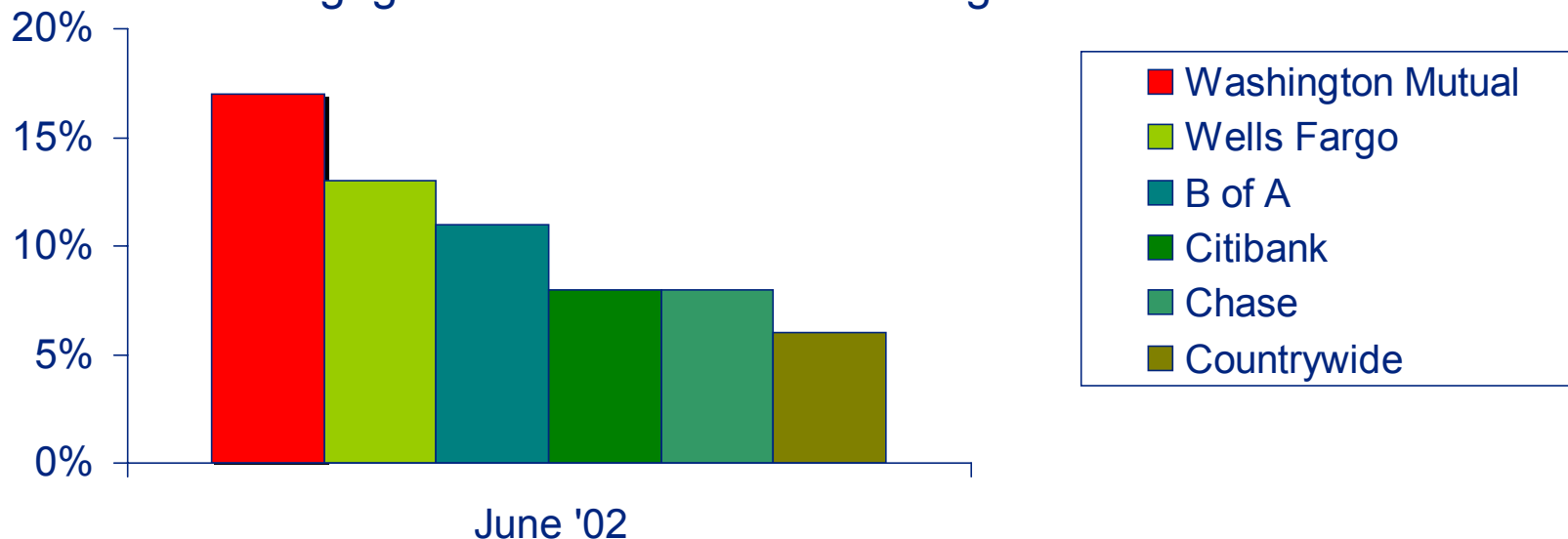




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### Brand Awareness

Mortgage Brand Awareness Rankings

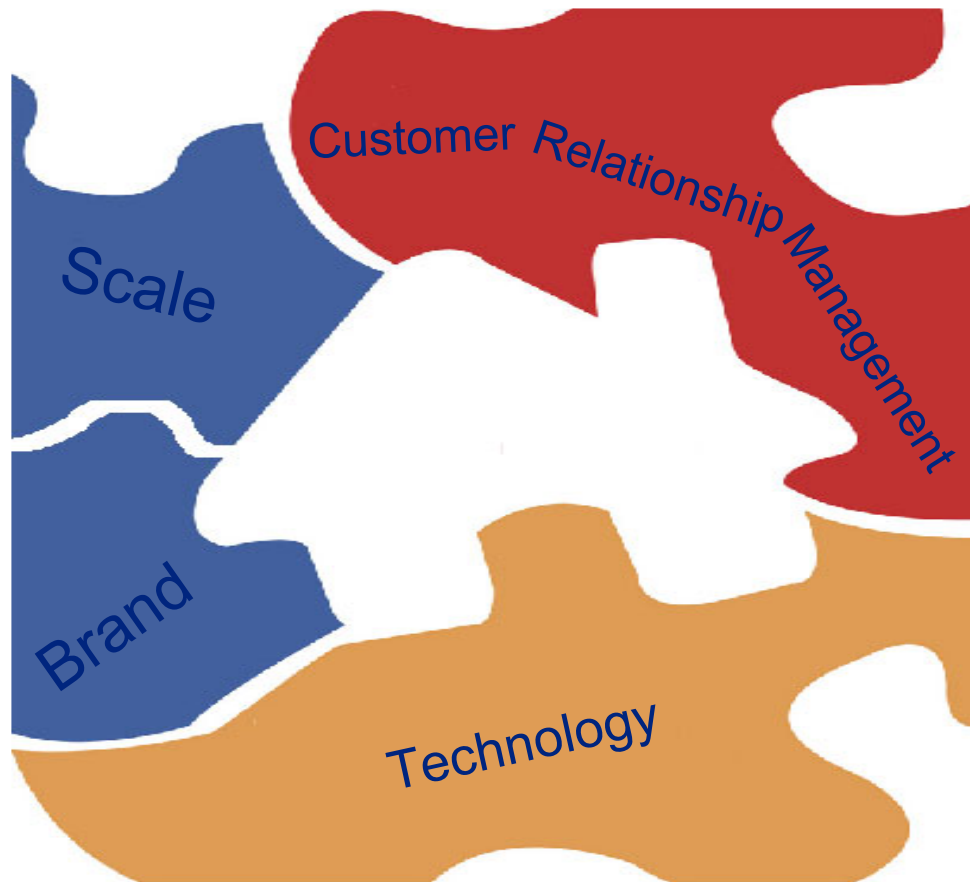


- The Power of Yes - the #1 recognized mortgage brand
- Our creative and innovative advertising continues to build national awareness



## HOME LOANS AND INSURANCE SERVICES GROUP

### Our Business Strategy





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## HOME LOANS AND INSURANCE SERVICES GROUP

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# Strategic Objectives



## HOME LOANS AND INSURANCE SERVICES GROUP

### Building America's Lending Leader

- Market Share

- Servicing

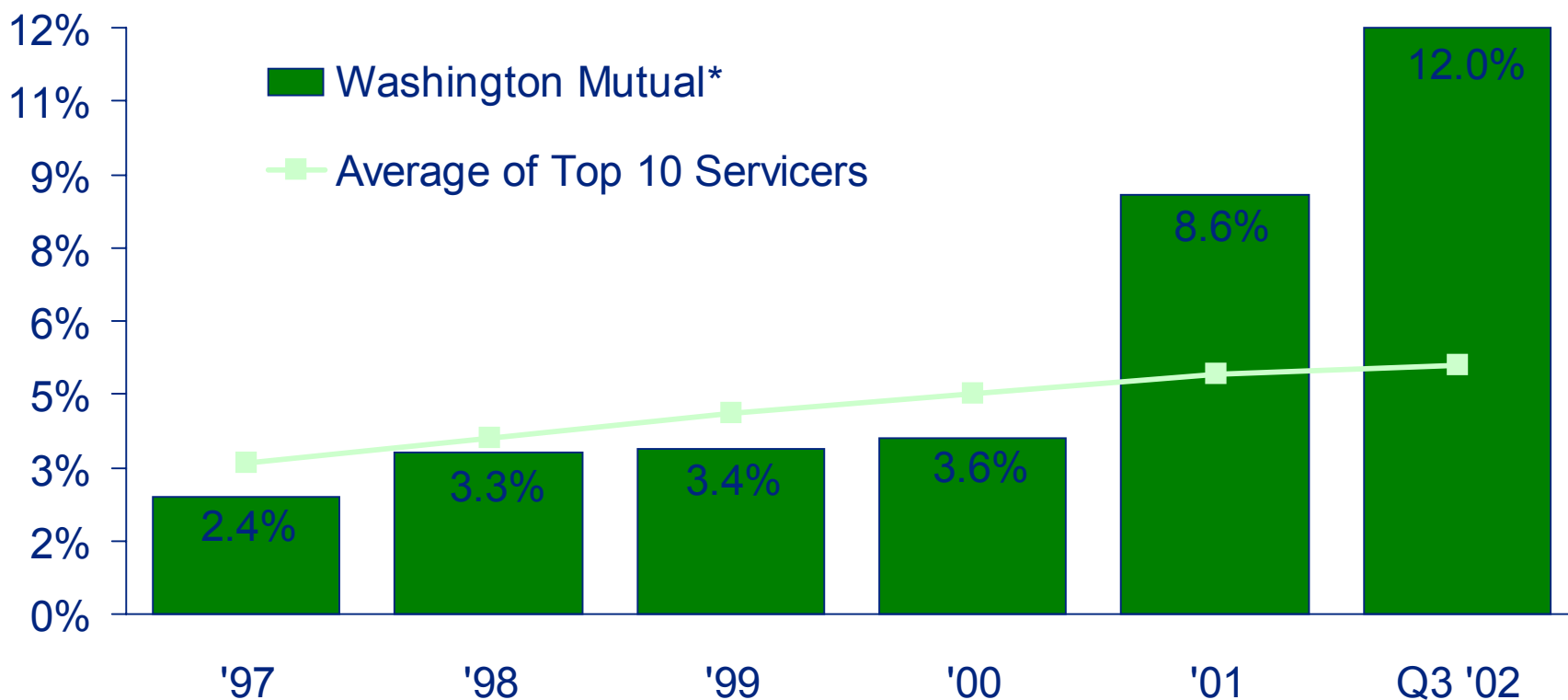
- Production

- Profitability



## HOME LOANS AND INSURANCE SERVICES GROUP

### Mortgage Servicing Market Share Growth

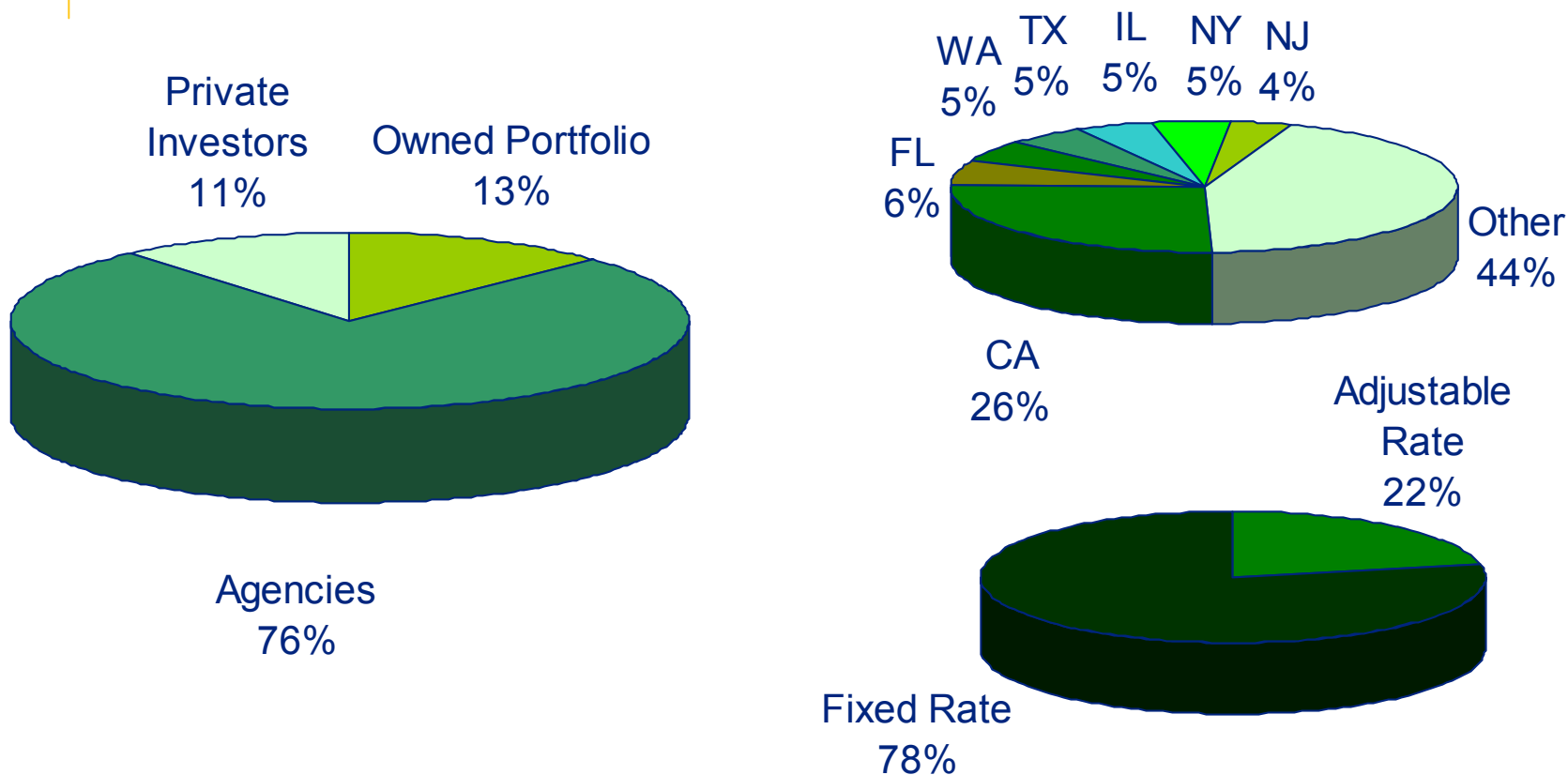


\* Mortgage servicing portfolio is for Washington Mutual, Inc. as of 9/30/02  
Source: Inside Mortgage Finance



## HOME LOANS AND INSURANCE SERVICES GROUP

### Mortgage Servicing Portfolio\*

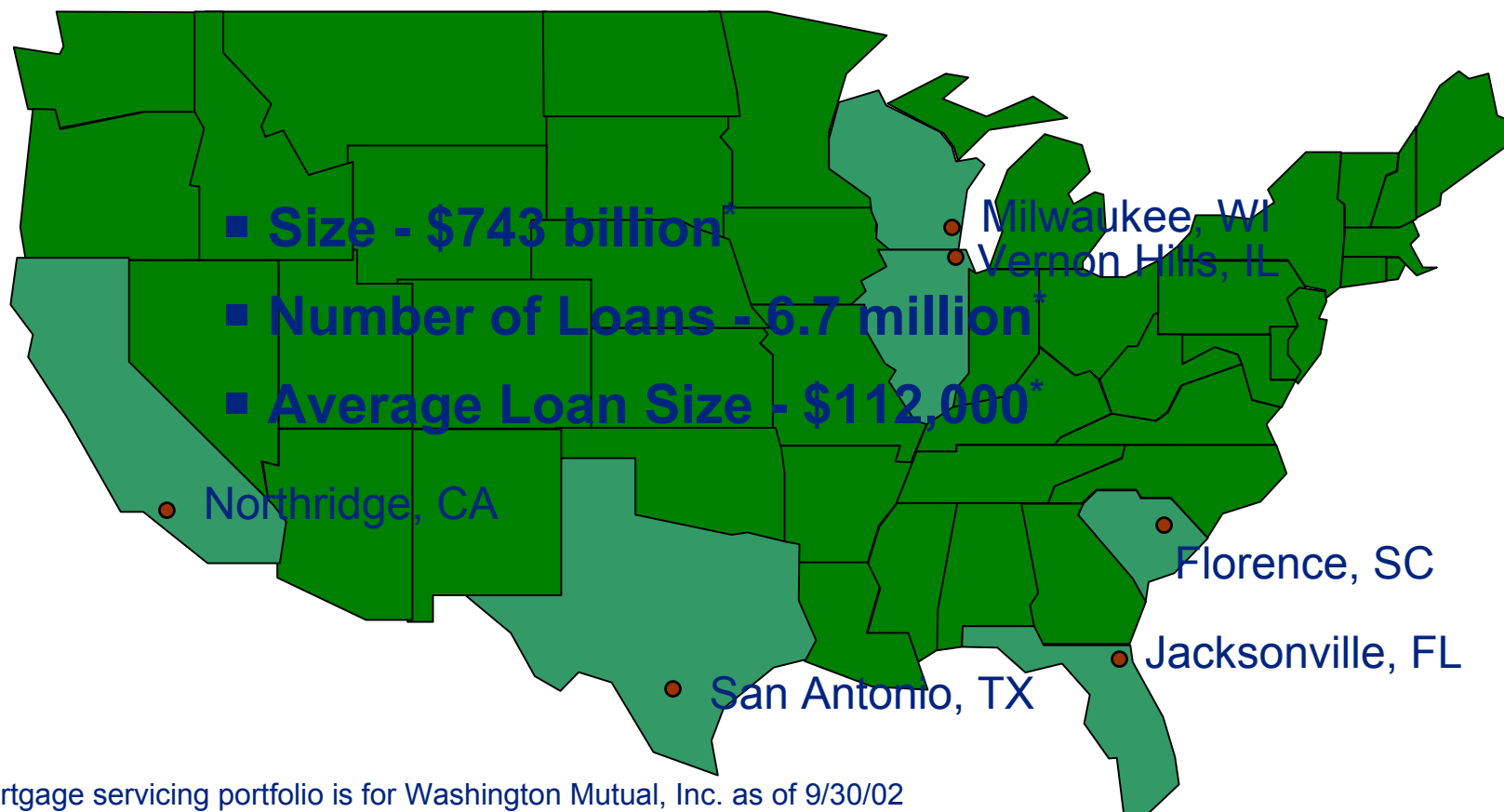


\* Mortgage servicing portfolio is for Washington Mutual, Inc. as of 9/30/02



## HOME LOANS AND INSURANCE SERVICES GROUP

### Mortgage Servicing Profile



\* Mortgage servicing portfolio is for Washington Mutual, Inc. as of 9/30/02



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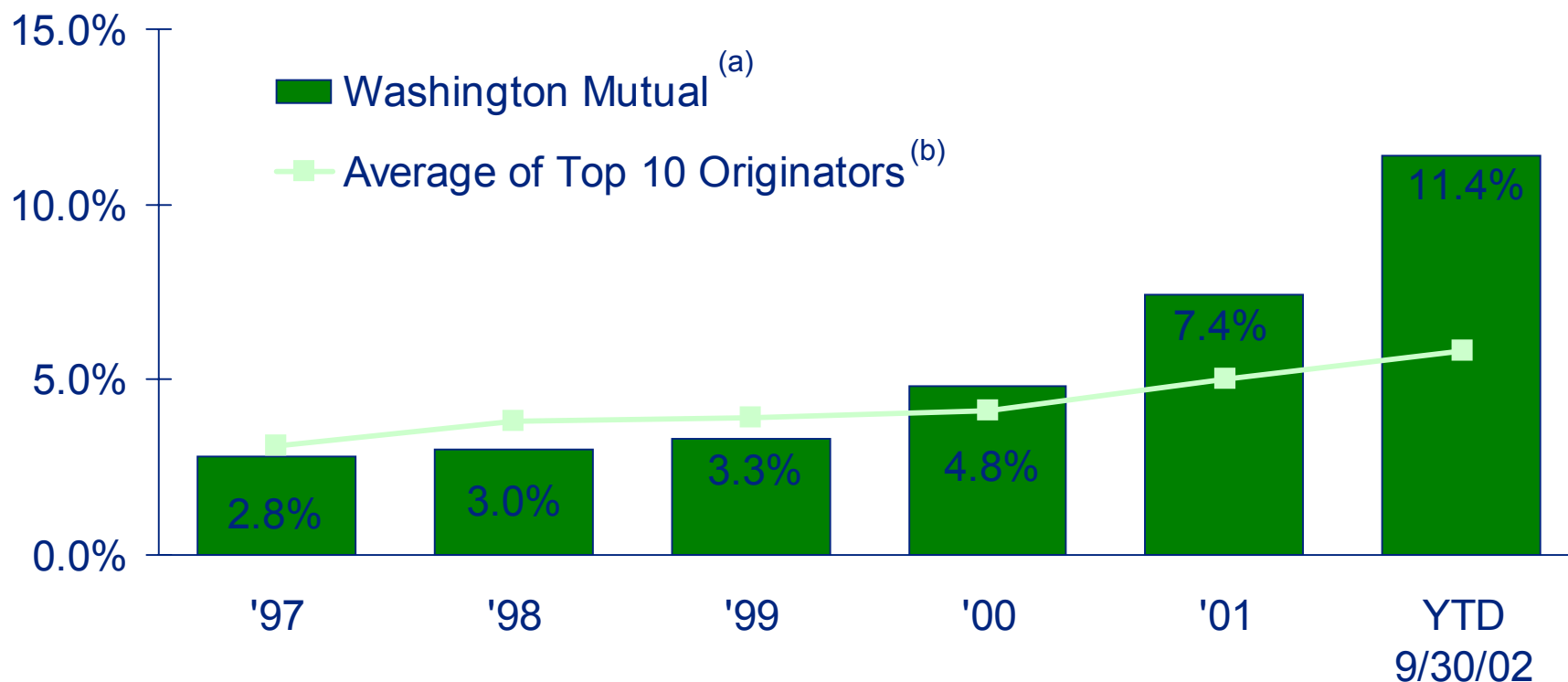
### Building America's Lending Leader

- Market Share
  - Servicing
  - Production
- Profitability



## HOME LOANS AND INSURANCE SERVICES GROUP

### Mortgage Origination Market Share Growth



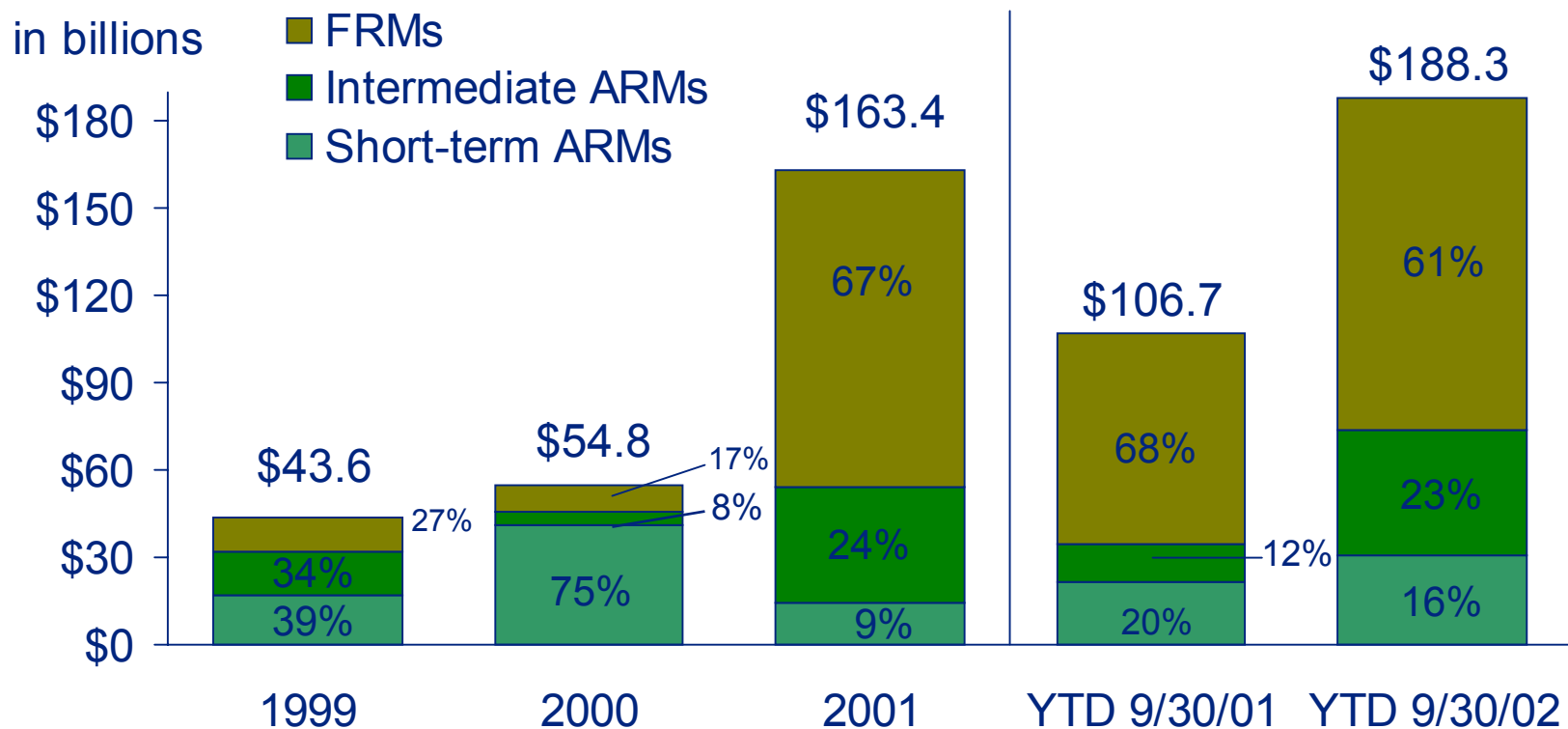
(a) WMI market share (1) excludes co-issues (\$10.6 billion YTD 9/30/02) and originations of acquired companies prior to their acquisition and (2) includes first mortgages originated by WM Finance and home equity lines and loans originated by Banking and Financial Services

(b) Source: Inside Mortgage Finance



## HOME LOANS AND INSURANCE SERVICES GROUP

### Mortgage Loan Volume by Product Mix\*



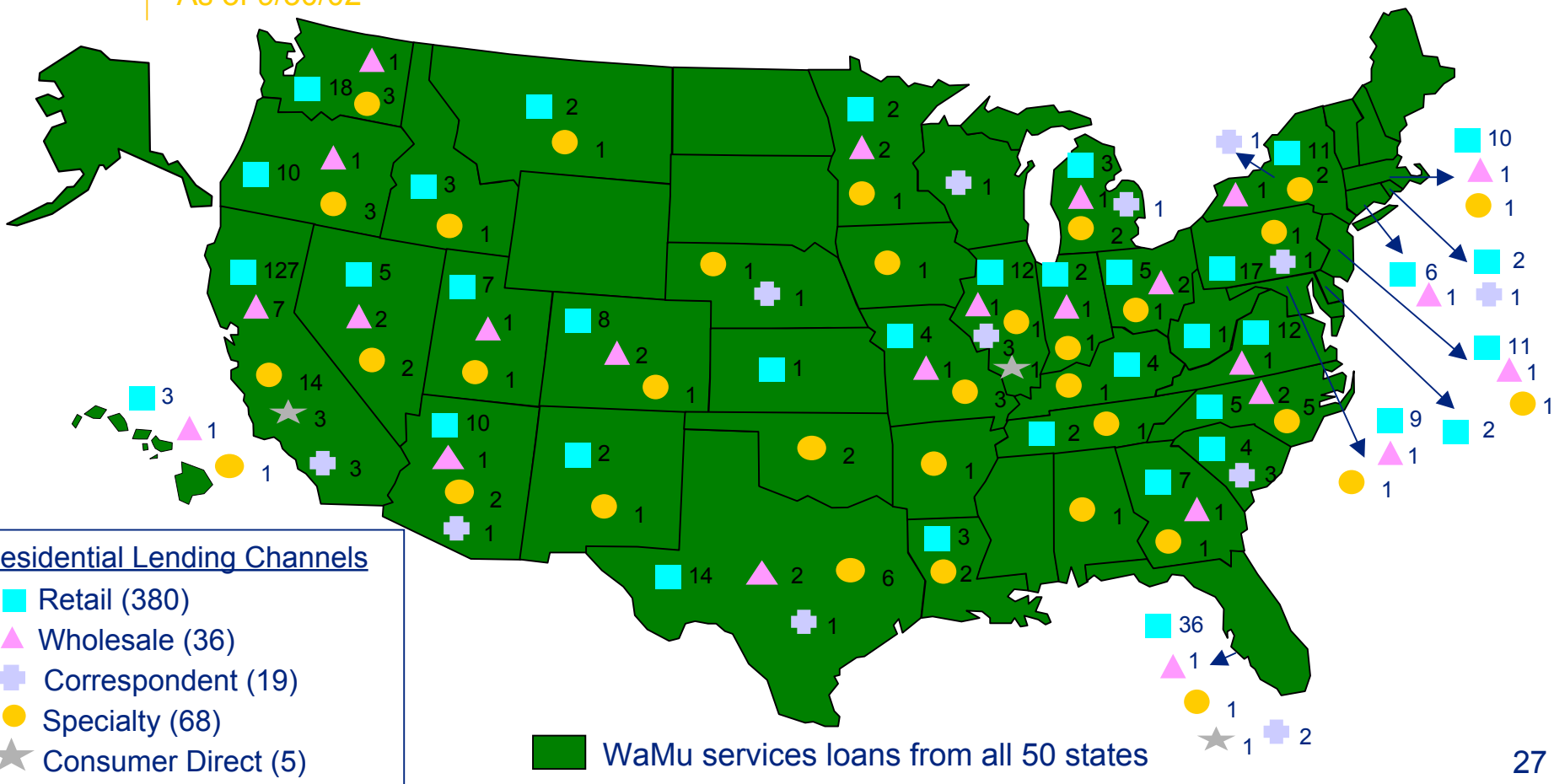
\* WMI mortgage loan volume (1) excludes co-issues (\$10.6 billion YTD 9/30/02) and originations of acquired companies prior to their acquisition and (2) includes first mortgages originated by WM Finance and home equity lines and loans originated by Banking and Financial Services



# HOME LOANS AND INSURANCE SERVICES GROUP

## Nationwide Presence

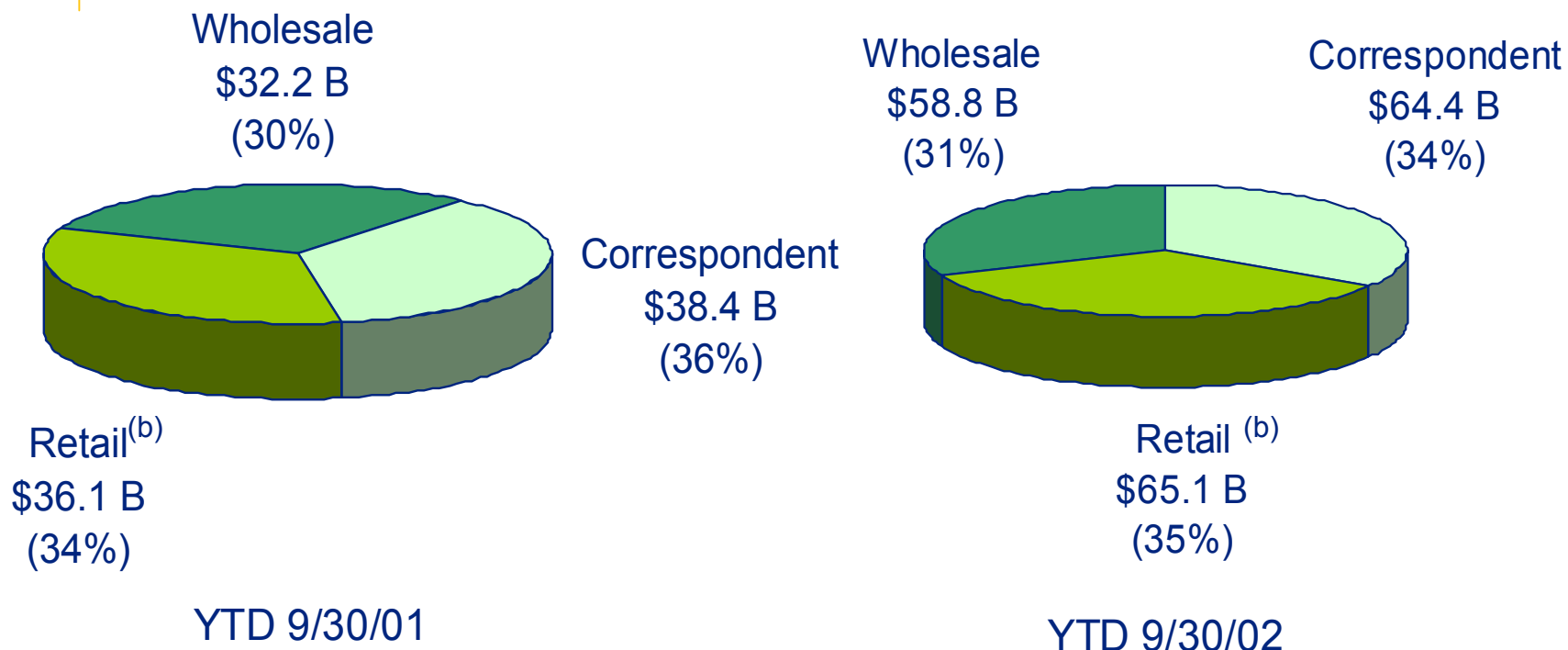
As of 9/30/02





## HOME LOANS AND INSURANCE SERVICES GROUP

### Mortgage Loan Volume by Channel<sup>(a)</sup>

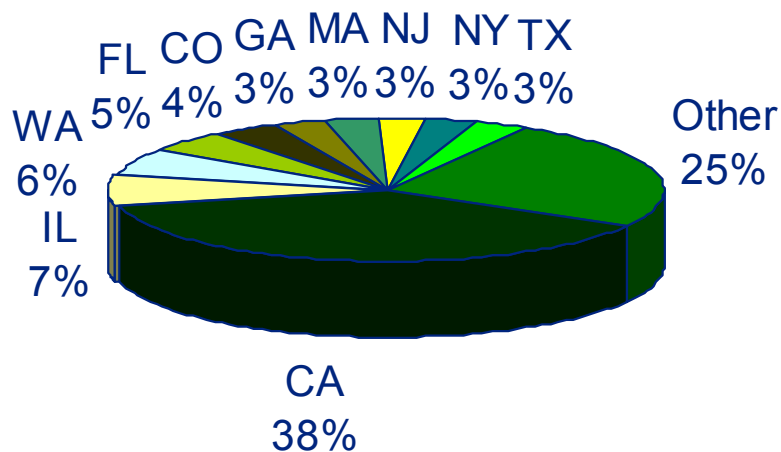


(a) WMI mortgage loan volume (1) excludes co-issues (\$10.6 billion YTD 9/30/02) and originations of acquired companies prior to their acquisition and (2) includes first mortgages originated by WM Finance and home equity lines and loans originated by Banking and Financial Services  
(b) Retail includes Home Loan centers, consumer direct, and Consumer Banking financial centers

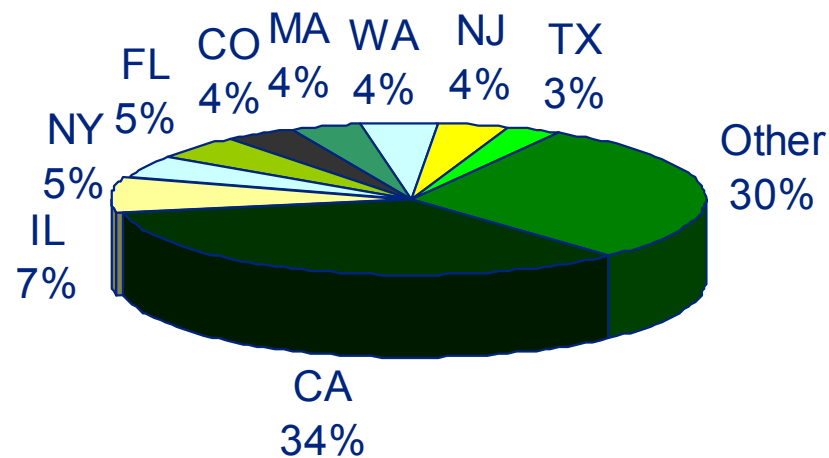


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### Mortgage Loan Volume by Geographic Mix\*



YTD 9/30/01



YTD 9/30/02

\* Excludes co-issues (\$10.6 billion YTD 9/30/02), bulk purchases and originations by acquired companies prior to their acquisition by Washington Mutual



## HOME LOANS AND INSURANCE SERVICES GROUP

### Building America's Lending Leader

- Market Share
  - Servicing
  - Production
- Profitability

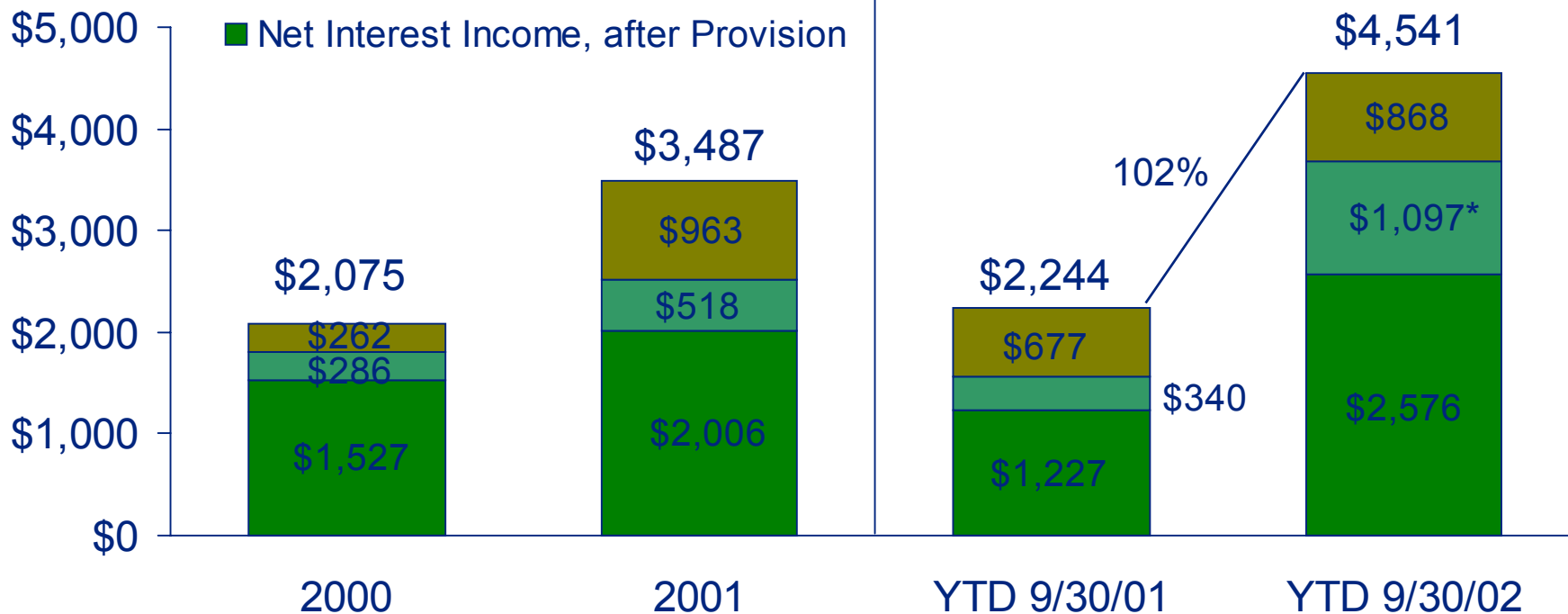


## HOME LOANS AND INSURANCE SERVICES GROUP

### Revenue Stabilization

- Gain from Mortgage Loans
- Servicing and Other Fee Income
- Net Interest Income, after Provision

in millions



\* Includes effects of inter-segment hedge allocation



## HOME LOANS AND INSURANCE SERVICES GROUP

### Fee-based Business Units

#### Home Loans & Insurance Services

##### Washington Mutual Insurance Services, Inc.

- Provider of property & casualty insurance products and life and other insurance products
- Manager of captive reinsurance

##### Washington Mutual Mortgage Securities Corp.

- Outlet for non-agency loan products
- Issuer of private mortgage backed securities
- Master servicer

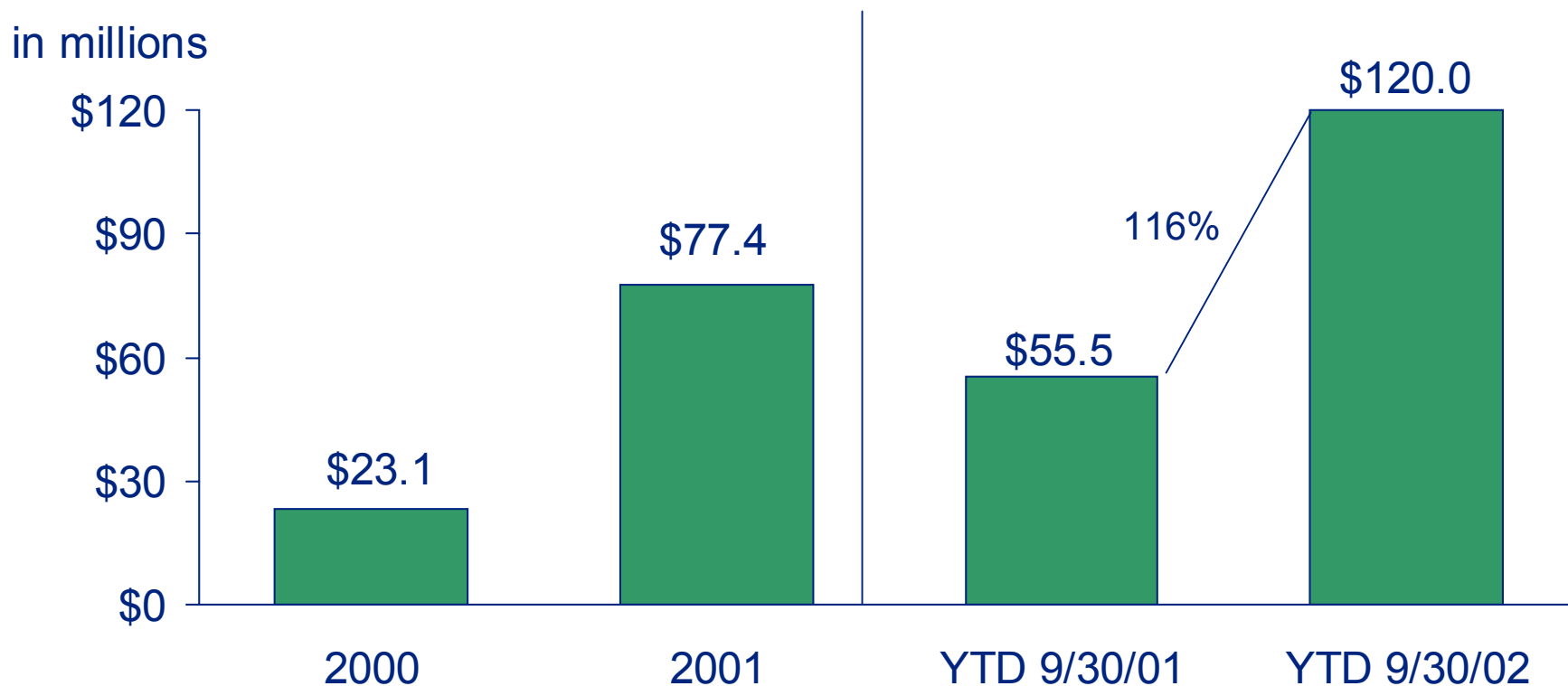
##### Washington Mutual Capital Corp.

- Operations began 7/1/02
- Registered broker/dealer
- Distributor of mortgage-related products



## HOME LOANS AND INSURANCE SERVICES GROUP

### Insurance Revenue





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### Segment Income Statement

(in millions)	YTD 9/30/02	YTD 9/30/01	(%) change
Net interest income after provision	\$ 2,576	\$ 1,227	110 %
Noninterest income	1,965 *	1,017	93
Noninterest expense	1,724	851	102
Net income	1,748	844	107 %

\* Includes effects of inter-segment hedge allocation



## HOME LOANS AND INSURANCE SERVICES GROUP

### HomeSide Lending Acquisition Closed

- Completed October 1, 2002
- Acquired 1.4 million customer relationships nationwide
- Purchase price approximately \$1.3 billion in cash
  - Includes purchase of HomeSide's MSR's pertaining to a servicing portfolio of \$131 billion subserviced by WM, related MSR hedges, other assets and assumed debt



## HOME LOANS AND INSURANCE SERVICES GROUP

### Acquisition & Integration Update

- ✓ Bank United
- ✓ Fleet Mortgage
- ✓ Dime/NAMC
- ✓ PNC Mortgage
- ✓ HomeSide

#### Integration Timeline



\* Acquisition of the operations and technology of HomeSide Lending, Inc. occurred in Q1 '02



## HOME LOANS AND INSURANCE SERVICES GROUP

### Summary

- Building America's lending leader
- Stability, growth and profitability through unique business strategy
- Strong contributor to WaMu's enterprise goal of being America's leading retailer of consumer financial services



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 **Washington Mutual**