WASHINGTON MUTUAL, INC
Form 424B5
December 13, 2007

Table of Contents

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Offered	Maximum Aggregate Offering Price	Amount of Registration Fee(1)
7.75% Series R Non-Cumulative Perpetual Convertible Preferred Stock, no par value and liquidation preference $1,000 per share	$3,000,000,000	$92,100

(1) A filing fee of $92,100 has been calculated in accordance with Rule 457(r) of the Securities Act of 1933 in connection with the securities offered from Registration Statement No. 333-130929 by means of this prospectus supplement.

Filed Pursuant to Rule 424(b)(5)
under the Securities Act of 1933
Registration Statement No. 333-130929

Prospectus Supplement to Prospectus Dated January 9, 2006

3,000,000 Shares

7.75% SERIES R NON-CUMULATIVE PERPETUAL CONVERTIBLE PREFERRED STOCK

Washington Mutual, Inc. is offering 3,000,000 shares of our 7.75% Series R Non-Cumulative Perpetual Convertible Preferred Stock, referred to as the Series R Preferred Stock.

Dividends on the Series R Preferred Stock will be payable quarterly in arrears, when, as and if declared by our board of directors, at a rate of 7.75% per year on the liquidation preference of $1,000 per share. The dividend payment dates will the 15th day of each March, June, September and December, commencing on March 15, 2008, or the next business day if any such day is not a business day.

Dividends on the Series R Preferred Stock will be non-cumulative. If for any reason our board of directors does not declare full cash dividends on the Series R Preferred Stock for a dividend period, we will have no obligation to pay any dividends for that period, whether or not our board of directors declares dividends on the Series R Preferred Stock for any subsequent dividend period. However, with certain exceptions, if we have not declared, paid or set aside for payment full quarterly dividends on the Series R Preferred Stock for a particular dividend period, we may not declare or pay dividends on or redeem or purchase our common stock or other junior securities during the next succeeding dividend period.

Each share of the Series R Preferred Stock may be converted at any time, at the option of the holder, into 47.0535 shares of our common stock (which reflects an approximate initial conversion price of $21.25 per share of common stock) plus cash in lieu of fractional shares, subject to anti-dilution adjustments. The conversion rate will be adjusted as described herein upon the occurrence of certain make-whole acquisition transactions and other events.

The Series R Preferred Stock is not redeemable by us at any time. On or after December 18, 2012, if the closing price of our common stock exceeds 130% of the conversion price for 20 trading days during any consecutive 30 trading day period, including the last trading day of such period, ending on the trading day preceding the date we give notice of mandatory conversion, we may at our option cause some or all of the Series R Preferred Stock to be automatically converted into common stock at the then prevailing conversion rate.

Prior to this offering, there has been no public market for the Series R Preferred Stock. We have applied to list the Series R Preferred Stock on the New York Stock Exchange under the symbol WM PrR, and expect trading in the Series R Preferred Stock to begin within 30 days of December 17, 2007, the original issue date. Our common stock is listed on the New York Stock Exchange under the symbol WM. The last reported price of our common stock on December 11, 2007 was $17.42 per share.

The shares of Series R Preferred Stock are not savings accounts, deposits or other obligations of any bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Investing in the shares of Series R Preferred Stock involves risks. See Risk Factors beginning on page S-11.

	Per Share	Total
Price to the public	$ 1,000	$ 3,000,000,000
Underwriting discounts and commissions	$ 30	$ 90,000,000
Proceeds to Washington Mutual, Inc. (before expenses)	$ 970	$ 2,910,000,000

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of Series R Preferred Stock against payment in New York, New York on or about December 17, 2007.

LEHMAN BROTHERS **MORGAN STANLEY**

CREDIT SUISSE **GOLDMAN, SACHS & CO.**

BARCLAYS CAPITAL CITI
DEUTSCHE BANK SECURITIES JPMORGAN
RBS GREENWICH CAPITAL UBS INVESTMENT BANK
BNY CAPITAL MARKETS, INC.
CABRERA CAPITAL MARKETS, LLC
KEEFE, BRUYETTE & WOODS
RAMIREZ & CO., INC.
THE WILLIAMS CAPITAL GROUP, L.P.

December 11, 2007.

TABLE OF CONTENTS

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. No one is authorized to give you information other than that contained in this prospectus supplement and the accompanying prospectus. This prospectus supplement may be used only for the purpose for which it has been prepared. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it.

We are not, and the underwriters are not, making an offer to sell the shares of Series R Preferred Stock in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this prospectus supplement, the accompanying prospectus or any document incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date. This prospectus supplement and the accompanying prospectus do not constitute an offer, or an invitation on our behalf or on behalf of the underwriters, to subscribe for and purchase any of the shares of Series R Preferred Stock and may not

Table of Contents

be used for or in connection with an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of shares of Series R Preferred Stock and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, as well as the information incorporated by reference into both documents.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in this prospectus supplement.

As used in this prospectus supplement, the terms **we** , **us** , and **our** refer to Washington Mutual, Inc. and the term **Washington Mutual** refers to Washington Mutual, Inc. and its consolidated subsidiaries.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, or **SEC**. You may read and copy any document that we file at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. In addition, our SEC filings are available to the public from the SEC s web site at http://www.sec.gov. Our SEC filings are also available at the offices of the New York Stock Exchange, or **NYSE**. For further information on obtaining copies of our public filings at the NYSE, you should call 212-656-5060.

The SEC allows us to incorporate by reference the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement, and later information that we file with the SEC will automatically update and supersede this information. We incorporate by reference the following documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the **Exchange Act**), until the completion of the distribution of the securities:

- Our Annual Report on Form 10-K for the year ended December 31, 2006;

- Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2007, June 30, 2007 and September 30, 2007; and

- Our Current Reports on Form 8-K (in each case, other than information and exhibits furnished to and not filed with the SEC in accordance with SEC rules and regulations) filed on January 22, 2007, February 7, 2007, March 14, 2007, April 23, 2007, May 30, 2007, July 18, 2007, October 30, 2007, October 31, 2007, November 9, 2007, November 15, 2007 and December 10, 2007.

You may request a copy of these filings, at no cost, by writing or telephoning us at the following address:

Washington Mutual, Inc.
1301 Second Avenue
Seattle, Washington 98101

Telephone: (206) 500-5200
Attention: Investor Relations Department WMC2203

We have also filed a registration statement (No. 333-130929) with the SEC relating to the securities offered by this prospectus supplement and the accompanying prospectus. This prospectus supplement is part of

Table of Contents

the registration statement. You may obtain from the SEC a copy of the registration statement and exhibits that we filed with the SEC when we registered the securities. The registration statement may contain additional information that may be important to you.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain or incorporate by reference forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the **Securities Act**), and Section 21E of the Exchange Act. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words such as expects, anticipates, intends, plans, believe seeks, estimates, or words of similar meaning, or future or conditional verbs such as will, would, should, could may.

Forward-looking statements provide management s current expectations or predictions of future conditions, events or results. They may include projections of our revenues, income, earnings per share, capital expenditures, dividends, capital structure or other financial items, descriptions of management s plans or objectives for future operations, products or services, or descriptions of assumptions underlying or relating to the foregoing. They are not guarantees of future performance. By their nature, forward-looking statements are subject to risks and uncertainties. These statements speak only as of the date they are made. Management does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statements were made except as required by federal securities law.

There are a number of significant factors which could cause actual conditions, events or results to differ materially from those described in the forward-looking statements, many of which are beyond management s control or its ability to accurately forecast or predict. Factors that might cause our future performance to vary from that described in our forward-looking statements include market, credit, operational, regulatory, strategic, liquidity, capital and economic factors as described under Risk Factors in this prospectus supplement and in our periodic reports filed with the SEC, including, without limitation, a continued general decline in U.S. housing prices and mortgage activity, continued increases in the delinquency rates of borrowers, and a continued reduction in the availability of secondary markets for our mortgage loan products. In addition, other factors could adversely affect our results and this list is not a complete set of all potential risks or uncertainties. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included or incorporated by reference in this prospectus supplement.

Table of Contents

SUMMARY

This summary highlights information contained elsewhere, or incorporated by reference, in this prospectus supplement. As a result, it does not contain all the information that may be important to you. To understand this offering fully, you must read this entire prospectus supplement and the accompanying prospectus carefully, including the risk factors beginning on page S-11 and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus.

Washington Mutual, Inc.

With a history dating back to 1889, Washington Mutual, Inc. is a retailer of financial services to consumers and small businesses. Based on our consolidated total assets at September 30, 2007, we were the largest thrift holding company in the United States and seventh largest among all U.S.-based bank and thrift holding companies. We operate principally in California, Washington, Oregon, Illinois, Florida, Texas and the greater New York/New Jersey metropolitan area, and have operations in 25 other states. As of September 30, 2007, we served the needs of approximately 19.9 million consumer households through 2,212 retail banking stores, 463 lending stores and centers, 3,968 ATMs, telephone call centers and online banking. As of September 30, 2007, on a consolidated basis, we had total assets of approximately $330 billion, total liabilities of approximately $306 billion, total deposits of approximately $194 billion and total stockholders equity of approximately $24 billion.

Our earnings are primarily driven by lending to consumers and small businesses and by deposit-taking activities which generate net interest income, and by activities that generate noninterest income, including the sale and servicing of loans and the provision of fee-based services to our customers.

We operate through four main business segments: the Retail Banking Group, the Card Services Group, the Commercial Group and the Home Loans Group. The Retail Banking Group, the Card Services Group and the Home Loans Group are consumer-oriented, while the Commercial Group serves commercial customers.

Retail Banking Group. The principal activities of the Retail Banking Group include: (1) offering a comprehensive line of deposit and other retail banking products and services to consumers and small businesses; (2) holding both our portfolio of home loans held for investment and the substantial majority of our portfolio of home equity loans and lines of credit (but not our portfolio of mortgage loans to higher risk borrowers originated or purchased through the subprime mortgage channel); (3) originating home equity loans and lines of credit; and (4) providing investment advisory and brokerage services, sales of annuities and other financial services.

Card Services Group. The Card Services Group manages our credit card operations. The group s principal activities include (1) issuing credit cards; (2) either holding outstanding balances on credit cards in portfolio or securitizing and selling them; (3) servicing credit card accounts; and (4) providing other cardholder services. Credit card balances that are held in our loan portfolio generate interest income from finance charges on outstanding card balances, and noninterest income from the collection of fees associated with the credit card portfolio, such as performance fees (late, overlimit and returned check charges), annual membership fees and cash advance and balance transfer fees.

Commercial Group. The principal activities of the Commercial Group include: (1) providing financing to developers and investors for multi-family dwellings and, to a lesser extent, other commercial properties; (2) servicing multi-family and other commercial real estate loans and holding such loans in its portfolio as part of its commercial asset management business; and (3) providing limited deposit services to commercial customers.

Home Loans Group. The principal activities of the Home Loans Group include: (1) originating and servicing home loans; (2) originating and servicing home equity loans and lines of credit; (3) holding certain residential mortgages in its loan portfolio, including mortgage loans to higher risk borrowers that were offered

Table of Contents

through the subprime mortgage channel; and (4) making available insurance-related products and participating in reinsurance activities with other insurance companies.

We are incorporated in the state of Washington and are a savings and loan holding company. We own two banking subsidiaries as well as numerous nonbank subsidiaries. As a savings and loan holding company, we are subject to regulation by the Office of Thrift Supervision (the **OTS**). Our banking subsidiaries, Washington Mutual Bank and Washington Mutual Bank fsb, are subject to regulation and examination by the OTS (their primary federal regulator) as well as the Federal Deposit Insurance Corporation (the **FDIC**). Our principal business offices are located at 1301 Second Avenue, Seattle, Washington 98101.

Recent Developments

Capital and Liquidity Strengthening Measures

On December 10, 2007, we announced a series of measures designed to address the challenges we face from the continuing disruptions in the mortgage and capital markets by strengthening our capital and liquidity resources and accelerating the alignment of our Home Loans business with our Retail Banking operations. These measures include this offering as well as a planned major reduction in company-wide noninterest expense (such reduction estimated at approximately $500 million for 2008) as a result of a substantial resizing of our Home Loans business and reduced corporate support expense, together with a significant change in the strategic focus of our Home Loans business in response to a changed market.

In addition, our board of directors intends to reduce the quarterly dividend rate on our common stock to $0.15 per share from the most recent quarterly rate of $0.56 per share, which we anticipate will result in potential capital savings in 2008 of approximately $1.4 billion.

As previously announced, we believe that the mortgage market is undergoing a fundamental shift due to credit dislocation and a prolonged period of reduced capital markets liquidity. As a result, we expect national mortgage originations to shrink by approximately 40 percent in 2008 compared to 2007. To reflect the changes in this market, we will substantially adjust and resize our Home Loans business and also reduce corporate support expense. These actions include:

- discontinuing all remaining lending through our subprime mortgage channel,
- closing approximately 190 of our 336 home loan centers and sales offices,
- closing nine Home Loans processing and call centers,
- eliminating approximately 2,600 Home Loans positions, or about 22 percent of the Home Loans staff,
- eliminating approximately 550 corporate and other support positions, and
- closing WaMu Capital Corp., our institutional broker-dealer business, as well as our mortgage banker finance warehouse lending operation,

At the same time, we plan to accelerate our previously announced strategy to expand our focus on mortgage lending directly to customers through our retail banking stores and other retail distribution channels. We will also add bank loan consultants to support our retail store network.

As a result of the fundamental shift in the mortgage market and the actions we are taking to resize our Home Loans business, we will incur a fourth quarter after-tax charge of approximately $1.6 billion for the write-down of all the goodwill associated with the Home Loans business. This non-cash charge will not affect our tangible or regulatory capital or our liquidity.

Financial Update

Loan Loss Provision. Continued deterioration in the mortgage markets and declining housing prices have led to increasing fourth quarter charge-offs and delinquencies in our loan portfolio. As a result, we now expect our fourth quarter 2007 provision for loan losses to be between $1.5 and $1.6 billion, approximately twice the level of expected fourth quarter net charge-offs.

Table of Contents

We currently expect our first quarter 2008 provision for loan losses to be in the range of $1.8 to $2.0 billion, reflecting an increase in provision which we expect to be well ahead of charge-offs, which are also expected to increase significantly during that quarter. The first quarter 2008 range reflects our current view that prevailing adverse conditions in the credit and housing markets will persist through 2008.

While difficult to predict, we also currently expect quarterly loan loss provisions through the end of 2008 to remain elevated, generally consistent with our expectation for the first quarter of 2008. We anticipate that there may be some additional variation depending on the level of credit card securitization activity during any quarter.

Noninterest Expense. We expect that our expense reduction steps described above will result in approximately $140 million in additional expenses in the fourth quarter of 2007. We are targeting company-wide noninterest expense at or below $8.0 billion for 2008.

Fourth Quarter Loss. Including the effect of non-cash, goodwill-related charges, we expect to report a net loss for the fourth quarter of 2007.

As discussed in this prospectus supplement and the documents incorporated in it by reference, our business, financial condition and operating results have been and continue to be adversely affected by ongoing disruptions in the mortgage and capital markets, among other trends. Further significant deterioration in these markets or other trends that affect us could adversely affect the outlook for our operations as described above.

For a discussion of factors that could affect our business, financial condition and operating results in the fourth quarter of this year and in future periods, see Special Note Regarding Forward-Looking Statements and Risk Factors.

Table of Contents

THE OFFERING

Issuer	Washington Mutual, Inc., a Washington corporation.
Securities Offered	3,000,000 shares of 7.75% Series R Non-Cumulative Perpetual Convertible Preferred Stock.
Dividends	Dividends on the Series R Preferred Stock will be payable quarterly if, when and as declared by our board of directors out of legally available funds at an annual rate of 7.75% on the per share liquidation preference of $1,000 per share. Dividends on the Series R Preferred Stock will be non-cumulative. If for any reason our board of directors does not declare full cash dividends on the Series R Preferred Stock for a quarterly dividend period, we will have no obligation to pay any dividends for that period, whether or not our board of directors declares dividends on the Series R Preferred Stock for any subsequent dividend period.
Dividend Payment Dates	March 15, June 15, September 15 and December 15 of each year (or the following business day if such date is not a business day), commencing on March 15, 2008.
Dividend Stopper	With certain limited exceptions, if we do not pay full quarterly dividends on the Series R Preferred Stock for a particular dividend period, we may not pay dividends on, or repurchase, redeem or make a liquidation payment with respect to, our common stock or other junior securities during the next succeeding dividend period.
Redemption	The Series R Preferred Stock is not redeemable.
Maturity	Perpetual.
Conversion Right	Each share of the Series R Preferred Stock may be converted at any time, at the option of the holder, into 47.0535 shares of our common stock (which reflects an approximate initial conversion price of $21.25 per share of our common stock) plus cash in lieu of fractional shares, subject to anti-dilution adjustments. If the conversion date is prior to the record date for any declared cash dividend for the dividend period in which you elect to convert, you will not receive any declared cash dividends for that dividend period. If the conversion date is after the record date for any declared cash dividend and prior to the dividend payment date, you will receive that cash dividend on the relevant dividend payment date if you were the holder of record on the record date for that dividend; however, whether or not you were the holder of record on the record date, you must pay to the conversion agent when you convert your shares of Series R Preferred Stock an amount in cash

	equal to the full dividend actually paid on the dividend payment date for the then-current dividend period on the shares being converted, unless your shares are being converted as a consequence of a mandatory conversion at our option, a make-whole acquisition or a fundamental change as described below.
Mandatory Conversion at Our Option	On or after December 18, 2012, we may, at our option, at any time or from time to time cause some or all of the Series R Preferred Stock to be converted into shares of our common stock at the then applicable conversion rate. We may exercise our conversion right if, for 20 trading days within any period of 30 consecutive trading

Table of Contents

days, including the last trading day of such period, ending on the trading day preceding the date we give notice of mandatory conversion, the closing price of our common stock exceeds 130% of the then applicable conversion price of the Series R Preferred Stock.

Conversion Upon Certain Acquisitions

The following provisions will apply if one of the following events occur:

a person or group within the meaning of Section 13(d) of the Exchange Act files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the direct or indirect ultimate beneficial owner, as defined in Rule 13d-3 under the Exchange Act, of our common equity representing more than 50% of the voting power of our common stock; or

consummation of any consolidation or merger of us or similar transaction or any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of us and our subsidiaries, taken as a whole, to any person other than one of our subsidiaries, in each case pursuant to which our common stock will be converted into cash, securities or other property.

These transactions are referred to as **make-whole acquisitions** ; provided, however that a make-whole acquisition will not be deemed to have occurred if at least 90% of the consideration received by holders of our common stock in the transaction or transactions consists of shares of common stock or American Depositary Receipts in respect of common stock that are traded on a U.S. national securities exchange or that will be so traded when issued or exchanged in connection with a make-whole acquisition.

Upon a make-whole acquisition, we will, under certain circumstances, be required to pay a make-whole adjustment in the form of an increase in the conversion rate upon any conversions of the Series R Preferred Stock that occur during the period beginning on the effective date of the make-whole acquisition and ending on the date that is 30 days after the effective date as described herein. The make-whole adjustment will be payable in shares of our common stock or the consideration into which our common stock has been converted or exchanged in connection with the make-whole acquisition.

The amount of the make-whole adjustment, if any, will be based on the stock price and the effective date of the make-whole acquisition. A description of how the make-whole adjustment will be determined and a table showing the make-whole adjustment that would apply at various stock prices and effective dates is set forth under Description of Series R Preferred Stock Conversion Upon Fundamental Change.

Conversion Upon Fundamental Change

If the reference price (as defined under Description of Series R Preferred Stock Conversion Upon Fundamental Change) in connection with a fundamental change (as defined under Description of Series R Preferred Stock Conversion Upon Fundamental Change) is less than the applicable conversion price, each share of Series R Preferred Stock may be converted during the period

Table of Contents

	beginning on the effective date of the fundamental change and ending on the date that is 30 days after the effective date of such fundamental change at an adjusted conversion price equal to the greater of (1) the reference price and (2) $8.71, which is 50% of the closing price of our common stock on the date of this prospectus supplement, subject to adjustment. If the reference price is less than $8.71, holders will receive a maximum of 114.8106 shares of our common stock per share of Series R Preferred Stock, subject to adjustment, which may result in a holder receiving value that is less than the liquidation preference of the Series R Preferred Stock. In lieu of issuing common stock upon conversion in the event of a fundamental change, we may at our option, and if we obtain any necessary regulatory approval, make a cash payment equal to the reference price for each share of common stock otherwise issuable upon conversion. See Description of Series R Preferred Stock Conversion Upon Fundamental Change.
Reorganization Events (Including Mergers)	The following provisions apply in the event of certain **reorganization events,** which include, subject to certain exceptions: any consolidation or merger of us with or into another person in each case pursuant to which our common stock will be converted into cash, securities or other property; any sale, transfer, lease or conveyance to another person of all or substantially all of our property and assets in each case pursuant to which our common stock will be converted into cash, securities or other property; or certain reclassifications of our common stock or statutory exchanges of our securities. Each share of the Series R Preferred Stock outstanding immediately prior to the reorganization events will become convertible at the option of the holders of the Series R Preferred Stock into the kind of securities, cash and other property receivable in the reorganization event by holders of our common stock. See Description of Series R Preferred Stock Reorganization Events.
Anti-Dilution Adjustments	The conversion rate may be adjusted in the event of, among other things, (1) increases in cash dividends, (2) dividends or distributions in common stock or other property, (3) certain issuances of stock purchase rights, (4) certain self tender offers or (5) subdivisions, splits and combinations of the common stock. See Description of Series R Preferred Stock Anti-Dilution Adjustments.
Liquidation Rights	Upon our voluntary or involuntary liquidation, dissolution or winding-up, holders of Series R Preferred Stock will be entitled to receive out of our assets that are legally available for distribution to stockholders, before any

distribution is made to holders of our common stock or other junior securities, a liquidating distribution in the amount of $1,000 per share of Series R Preferred Stock plus any declared and unpaid dividends, without accumulation of any undeclared dividends. Distributions will be made pro rata as to the Series R Preferred Stock and any other parity securities and only to

	the extent of our assets, if any, that are available after satisfaction of all liabilities to creditors.
Voting Rights	Holders of the Series R Preferred Stock will have no voting rights, except with respect to certain fundamental changes in the terms of the Series R Preferred Stock and certain other matters. In addition, if dividends on the Series R Preferred Stock are not paid in full for six dividend periods, whether consecutive or not, the holders of Series R Preferred Stock, acting as a class with any other parity securities having similar voting rights, will have the right to elect two directors to our board. The terms of office of these directors will end when we have paid or set aside for payment full quarterly dividends for four consecutive dividend periods. See Description of Series R Preferred Stock Voting Rights.
Ranking	The Series R Preferred Stock will rank, with respect to the payment of dividends and distributions upon liquidation, dissolution or winding-up, senior to our common stock, our Series RP Preferred Stock and each other class or series of preferred stock we may issue in the future the terms of which do not expressly provide that it ranks on a parity with or senior to the Series R Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution of Washington Mutual, Inc. The Series R Preferred Stock will rank on a parity with our outstanding Series K Preferred Stock and any Series I Preferred Stock, Series J Preferred Stock, Series L Preferred Stock, Series M Preferred Stock and Series N Preferred Stock we may issue in the future and each other class or series of preferred stock we may issue in the future the terms of which expressly provide that such class or series will rank on a parity with the Series R Preferred Stock as to dividend rights and rights on liquidation, winding up and dissolution of Washington Mutual, Inc. As of September 30, 2007, 500 shares of our Series K Preferred Stock were outstanding. See Description of Other Preferred Stock.
Preemptive Rights	None.
Listing	Prior to this offering, there has been no public market for the Series R Preferred Stock. We have applied to list the Series R Preferred Stock on the New York Stock Exchange under the symbol WM PrR. If the application is approved, we expect trading in the Series R Preferred Stock to begin within 30 days of December 17, 2007, the original issue date. Our common stock is listed on the New York Stock Exchange under the symbol WM.
Use of Proceeds	We expect to receive net proceeds from this offering of approximately \$2.9 billion, after expenses and underwriting discounts and commissions. We intend initially to contribute up to \$1.0 billion of the net proceeds from this offering to Washington Mutual Bank, our principal bank subsidiary, as additional capital, and retain the remaining net proceeds at

our holding company for general corporate purposes. See Use of Proceeds.

Table of Contents

Certain U.S. Federal Income Tax Considerations	For a discussion of certain U.S. federal income tax considerations of purchasing, owning and disposing of the Series R Preferred Stock and any common stock received upon its conversion, see Certain U.S. Federal Income Tax Considerations. Dividends paid to non-corporate U.S. holders in taxable years beginning before January 1, 2011 generally should be taxable at a maximum rate of 15%, subject to certain conditions and limitations. Dividends paid to corporate U.S. holders generally should be eligible for the dividends received deduction, subject to certain conditions and limitations. Dividends paid to non-U.S. holders generally should be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.
Risk Factors	For a discussion of risks and uncertainties involved with an investment in our Series R Preferred Stock and our common stock, see Risk Factors beginning on page S-11 of this prospectus supplement.

Table of Contents

Summary Financial and Other Information

The following table presents our summary consolidated condensed financial and other information as of and for the nine months ended September 30, 2007 and 2006 and as of and for the years ended December 31, 2006, 2005, 2004, 2003 and 2002. We derived the summary consolidated condensed financial information as of and for the years ended December 31, 2006, 2005 and 2004 from our audited financial statements which are incorporated by reference in this prospectus supplement. We derived the summary consolidated condensed financial information as of and for the years ended December 31, 2003 and 2002 from our audited financial statements which are not incorporated by reference in this prospectus supplement. We derived the summary consolidated condensed financial information as of and for the nine months ended September 30, 2007 and 2006 from our unaudited financial statements which are not incorporated by reference in this prospectus supplement. The unaudited financial statements have been prepared on substantially the same basis as the audited financial statements and include all adjustments that we consider necessary for a fair presentation of our financial position and results of operations for all periods presented.

The summary consolidated condensed results are not indicative of the expected future operating results. The results for any interim period are not necessarily indicative of the results that may be expected for a full fiscal year. The following summary historical financial and other information should be read together with Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2006 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 and the historical financial statements and notes thereto incorporated by reference in this prospectus supplement.

	Nine Months Ended September 30,		Year Ended December 31,				
	2007	2006	2006	2005	2004	2003	2002
	(Unaudited)						
	($ in millions, except ratios and percentages)						
Income statement data:							
Net interest income	$ 6,131	$ 6,123	$ 8,121	$ 8,218	$ 7,411	$ 7,865	$ 8,288
Provision for loan and lease losses	1,574	472	816	316	209	42	404
Non-interest income	4,678	4,786	6,377	5,097	4,061	5,437	4,174
Non-interest expense	6,434	6,551	8,807	7,620	7,332	7,267	6,081
Income from discontinued operations, net of taxes		27	444	38	434	111	90
Net income	1,801	2,501	3,558	3,432	2,878	3,880	3,861
Balance sheet data (at period end):							
Securities	$ 28,406	$ 29,017	$ 24,978	$ 24,659	$ 19,219	$ 36,707	$ 43,905
Loans held for sale	7,586	23,720	44,970	33,582	42,743	20,837	39,623
Loans held in portfolio	237,132	241,765	224,960	229,632	207,071	175,150	143,028
Mortgage servicing rights	6,794	6,288	6,193	8,041	5,906	6,354	5,341

Goodwill	9,062	8,368	9,050	8,298	6,196	6,196	6,213
Assets	330,110	348,877	346,288	343,573	307,581	275,178	268,225
Deposits	194,280	210,882	213,956	193,167	173,658	153,181	155,516
Securities sold under agreements to repurchase	4,732	13,665	11,953	15,532	15,944	28,333	16,717
Advances from Federal Home Loan Banks	52,530	47,247	44,297	68,771	70,074	48,330	51,265
Other borrowings	40,887	33,883	32,852	23,777	18,498	15,483	14,712
Total liabilities	306,169	322,419	319,319	316,294	286,692	255,773	248,501
Stockholders equity	23,941	26,458	26,969	27,279	20,889	19,405	19,724

	Nine Months Ended September 30, 2007 (Unaudited)	Nine Months Ended September 30, 2006 (Unaudited)	Year Ended December 31, 2006	Year Ended December 31, 2005	Year Ended December 31, 2004
	($ in millions, except ratios and percentages)				
Other financial data:					
Profitability					
Return on average assets[1]	0.74%	0.96%	1.02%	1.05%	1.01%
Return on average common equity[1]	9.96	12.68	13.52	14.91	14.26
Net interest margin	2.85	2.64	2.60	2.79	2.94
Efficiency ratio[2][3]	59.53	60.05	60.75	57.23	63.91
Asset Quality					
Nonperforming assets/total assets[4][5]	1.65%	0.69%	0.80%	0.57%	0.58%
Allowance as a percentage of total loans held in portfolio[4]	0.80%	0.64%	0.72%	0.74%	0.63%
Net charge-offs	$ 876	$ 375	$ 510	$ 244	$ 135
Capital Adequacy (at period end)					
Capital Ratios for Washington Mutual, Inc.:					
Stockholders equity to total assets	7.25%	7.58%	7.79%	7.94%	6.79%
Tangible equity to total tangible assets[6]	5.60	5.86	6.04	5.62	4.94
Total risk-based capital to total risk-weighted assets[7]	10.67	11.10	11.77	10.80	11.20
Tier 1 capital to average total assets[7]	5.86	6.28	6.35	5.83	5.41
Capital Ratios for Washington Mutual Bank (well-capitalized minimum):					
Tier 1 capital to adjusted total assets (5.00)%	6.40	6.47	6.79	6.47	5.35
Adjusted tier 1 capital to total risk-weighted assets (6.00)%	7.60	8.12	8.28	8.49	7.96
Total risk-based capital to total risk-weighted assets (10.00)%	11.24	11.30	12.16	11.50	11.53

(1) Includes income from continuing and discontinued operations.

(2) Based on continuing operations.

(3) The efficiency ratio is defined as noninterest expense divided by total revenue (net interest income and noninterest income).

(4) At period end.

(5) Excludes non-accrual loans held for sale.

(6) Excludes unrealized net gain/loss on available-for-sale securities and derivatives, goodwill and intangible assets, but includes mortgage servicing rights (**MSR**) and transition adjustments related to the adoption of Financial Accounting Standards Board Statement No. 158, Employer s Accounting for Defined Benefit Pension and Other

Postretirement Plans, as of December 31, 2006. These adjustments are applied to both the numerator and the denominator. Minority interests of $1.96 billion for September 30, 2006, $2.94 billion for September 30, 2007 and $2.45 billion for December 31, 2006 are included in the numerator.

(7) Estimates of what the total risk-based capital to total risk-weighted assets and Tier 1 capital to average total assets ratios would be if Washington Mutual, Inc. were a bank holding company subject to the regulatory capital guidelines of the Board of Governors of the Federal Reserve System (the **Federal Reserve Board**). The amounts and components of total risk-based capital and Tier 1 capital included in these estimates are based on our judgment of what may be included as such capital under the Federal Reserve Board regulatory capital guidelines and are not reported to or approved by the Federal Reserve Board.

Table of Contents

RISK FACTORS

An investment in the Series R Preferred Stock or our common stock is subject to certain risks. You should carefully consider the risks described below, as well as the other information included or incorporated by reference into this prospectus supplement and the accompanying prospectus, including our financial statements and the notes thereto, before making an investment decision.

Risks Relating to Our Business

If current market conditions persist, our ability to raise liquidity including through the sale of mortgage loans in the secondary market or otherwise may be adversely affected.

Our liquidity may be affected by an inability to access the capital markets or by unforeseen demands on cash. This situation may arise due to circumstances beyond our control, such as a general market disruption. During the first nine months of this year and continuing into the fourth quarter of 2007, there has been significant volatility in the subprime secondary mortgage market which has spread into markets for all other nonconforming residential mortgages. Since the latter part of July 2007, liquidity in the secondary market for nonconforming residential mortgage loans and securities backed by such loans has diminished significantly. While these market conditions persist, our ability to raise liquidity through the sale of mortgage loans in the secondary market will be adversely affected. As a result of these conditions in the secondary mortgage markets, we have in recent periods retained for our own account substantially all of the nonconforming mortgage loans we originate or purchase. We cannot predict with any degree of certainty how long these market conditions may continue or whether liquidity for nonconforming residential mortgages will improve, although it is our current expectation that the existing turmoil in the secondary mortgage markets will continue to significantly and adversely affect loan origination volumes and gain on sale results during the remainder of 2007 and into 2008.

In addition, in response to market conditions and events affecting us, several rating agencies have recently downgraded or assigned a negative outlook to our credit ratings. For example, on December 11, 2007, our long-term credit ratings were downgraded by Moody s and Fitch and assigned a negative outlook by DBRS. We cannot predict whether the rating agencies will take further negative actions with respect to our credit ratings. Such actions could have the effect of increasing our borrowing costs, making it more difficult for our banking subsidiaries to attract institutional or wholesale deposits or otherwise making financing more difficult. This offering is intended to enhance our ability to meet our liquidity needs. However, we may not be able to raise the amount of capital we intend to raise in this offering, and, even if we do so, we cannot assure you that the proceeds of this offering will be adequate to meet our liquidity needs.

Changes in interest rates may adversely affect our business, including net interest income and earnings.

Like other financial institutions, we raise funds for our business by, among other things, borrowing money in the capital markets and from the Federal Home Loan Bank system and accepting deposits from depositors, which we use to make loans to customers and invest in debt securities and other interest-earning assets. We earn interest on these loans and assets and pay interest on the money we borrow and on the deposits we accept from depositors. Changes in interest rates, including changes in the relationship between short-term rates and long-term rates, may have negative effects on our net interest income and therefore our earnings. If the rate of interest we pay on our borrowings and deposits increases more than the rate of interest we earn on our assets, our net interest income, and therefore our earnings, would likely be adversely affected. Our earnings could also be negatively affected if the interest rates we charge on our earning assets fall more quickly than the rates we pay on our borrowings and deposits. Changes in interest rates and responses by our competitors to those changes may affect the rate of customer pre-payments for mortgages and other term loans and may affect the balances customers carry on their credit cards. These changes can reduce the overall yield on our assets. Changes in interest rates and responses by our competitors to these changes may also affect customer decisions to maintain balances in the deposit accounts they have with us. These changes may require us to replace withdrawn balances with higher-cost alternative sources of funding.

Table of Contents

In addition, changes in interest rates may affect our mortgage banking business in complex and significant ways. For example, changes in interest rates can affect gain from mortgage loans and loan servicing fees, which are the principal components of revenue from sales and servicing of home mortgage loans. When mortgage rates decline, the fair value of MSR asset generally declines and gain from mortgage loans tends to increase, to the extent we are able to sell or securitize mortgage loans in the secondary market. When mortgage rates rise, we generally expect loan volumes and payoffs in our servicing portfolio to decrease. As a result, the fair value of our MSR asset generally increases and gain from mortgage loans decreases. In recent periods, however, declines in general interest rates have not resulted in an increase in prepayment rates, due in part to the reduced liquidity in the mortgage markets making refinancing by borrowers more difficult.

As part of our overall risk management activities, we seek to mitigate changes in the fair value of our MSR asset by purchasing and selling financial instruments, entering into interest rate contracts and forward commitments to purchase or sell mortgage-backed securities and adjusting the mix and amount of such financial instruments or contracts to take into account the effects of different interest rate environments. The MSR asset and the mix of financial instruments used to mitigate changes in its fair value are not perfectly correlated. This imperfect correlation creates the potential for excess MSR risk management gains or losses during any period. Management must exercise judgment in selecting the amount, type and mix of financial instruments and contracts to mitigate changes in the fair value of our MSR. We cannot assure you that the amount, type and mix of financial instruments and contracts we select will fully offset significant changes in the fair value of the MSR, and our actions could negatively impact our earnings. Our reliance on these risk management instruments may be impacted by periods of illiquidity in the secondary markets, which could negatively impact the performance of the MSR risk management instruments. For further discussion of how interest rate risk, basis risk, volatility risk and prepayment risk are managed, see Management s Discussion and Analysis of Financial Condition and Results of Operations Market Risk Management in our Annual Report on Form 10-K for the year ended December 31, 2006.

We use estimates in determining the fair value of certain of our assets, which estimates may prove to be incorrect and result in significant changes in valuation.

A portion of our assets are carried on our balance sheet at fair value, including: our MSR, trading assets including certain retained interests from securitization activities, available-for-sale securities and derivatives. Generally, for assets that are reported at fair value, we use quoted market prices or internal valuation models that utilize observable market data inputs to estimate their fair value. In certain cases, observable market prices and data may not be readily available or their availability may be diminished due to market conditions. We use financial models to value certain of these assets. These models are complex and use asset specific collateral data and market inputs for interest rates. We cannot assure you that we can properly manage the complexity of our models and valuations to ensure, among other things, that the models are properly calibrated, the assumptions are reasonable, the mathematical relationships used in the model are predictive and remain so over time, and the data and structure of the assets and hedges being modeled are properly input. Such assumptions are complex as we must make judgments about the effect of matters that are inherently uncertain. Different assumptions could result in significant changes in valuation, which in turn could result in significant changes in the dollar amount of assets we report on our balance sheet. We may in the future also elect to carry a portion of our liabilities at fair value, in which case the same risks as described above would also apply to our determinations of the fair values of such liabilities.

Economic conditions that negatively affect housing prices and the job market have resulted, and may continue to result, in a deterioration in credit quality of our loan portfolios, and such deterioration in credit quality has had, and could continue to have, a negative impact on our business.

Washington Mutual is one of the nation s largest lenders, and a deterioration in the credit quality of our loan portfolios can have a negative impact on our earnings resulting from increased provisioning for loan and lease losses and from increased nonaccrual loans, which could cause a decrease in our interest-earning assets. Credit risk is the risk of loss due to adverse changes in a borrower s ability to meet its financial obligations on agreed upon terms. The overall credit quality of our loan portfolios is impacted by the strength of the

Table of Contents

U.S. economy and local economies in which we conduct our lending operations as well as trends in residential housing prices. We continually monitor changes in the economy, particularly unemployment rates and housing prices, because these factors can impact the ability of our borrowers to repay their loans. Economic trends that negatively affect housing prices and the job market could result in, among other things, a deterioration in the credit quality of our loan portfolios. As previously announced, we believe that the U.S. mortgage market is undergoing a dramatic shift, and we expect that national origination volumes may decline by as much as 40 percent in 2008 compared to 2007. In addition, during the course of 2007 deteriorating trends in housing prices and economic conditions in many parts of the United States have resulted in significant increases in loan delinquencies and losses in our mortgage portfolios, which we expect to continue into 2008. We cannot assure you that housing prices, mortgage availability and economic conditions will not experience significant further deterioration in the future with further adverse effects on our operating results, business and financial condition.

We make various assumptions and judgments about the collectibility of our loan portfolios. In determining the amount of the allowance for loan losses, we review our loans and our loss and delinquency experience, and we evaluate present and foreseeable economic conditions and trends. If our assumptions are incorrect, our allowance for loan losses may be insufficient to cover probable incurred losses in our loan portfolios, resulting in additions to our allowance which would reduce our earnings in the period in which the additional provisions are taken. In addition, the OTS periodically reviews our allowance for loan losses and may require us to increase our provision for loan losses or recognize further loan charge-offs. As explained under Summary Recent Developments in this prospectus supplement, we currently expect to increase the amount of our provision for loan losses in the fourth quarter of 2007 and in 2008. These amounts are based on, among other factors, our assumptions and forecasts for delinquency and default rates on our loan portfolios, and the amount of loans charged off, in those periods. These assumptions and forecasts may prove to be incorrect. If the actual delinquency and default rates and the actual amount of loans charged off in future periods prove to be higher than our current assumptions and forecasts, we may have to increase further our provision for loan losses. Any increase in our provision for loan losses, our allowance for loan losses or loan charge-offs could have a material adverse effect on our results of operations and financial condition.

We offer credit cards to our customers and retain certain credit card balances in our portfolio and securitize and sell other credit card balances. Credit cards typically have smaller balances, shorter lifecycles and experience higher delinquency and charge-off rates than real estate secured loans. Account management efforts, seasoning and economic conditions, including unemployment rates and housing prices, affect the overall credit quality of our credit card portfolio.

Until recently, we originated and purchased from third-party lenders loans to higher risk borrowers through our subprime mortgage channel. Borrowers in the subprime mortgage channel tend to have greater vulnerability to changes in economic and housing market factors, such as increases in unemployment, a slowdown in housing price appreciation or declines in housing prices, than do other borrowers. The performance of this loan portfolio in recent quarters has been, and in the future will likely continue to be, negatively impacted by a variety of factors, including changes in the economic factors noted above, which negatively impact borrowers.

Certain of our loan products have features that may result in increased credit risk.

We have significant portfolios of home equity loans, which are secured by a first or second lien on the borrower s property. When we hold a second lien on a property which is subordinate to a first lien mortgage held by another lender, both the probability of default and severity of loss risk is generally higher than when we hold both the first and second lien positions. Home equity loans and lines of credit with combined loan-to-value ratios of greater than 80 percent also expose us to greater credit risk than home loans with loan-to-value ratios of 80 percent or less at origination. This greater credit risk arises because, in general, both default risk and the severity of risk is higher when borrowers have less equity in their homes.

We originate Option ARM loans for sale and securitization and for our home loan portfolio. Borrowers with Option ARM loans have the option of making minimum payments based on the rate charged during the introductory period, which is generally lower than the fully-indexed rate. If, as permitted by the loan terms, borrowers continue to make minimum payments after the introductory period ends, those borrowers may experience negative amortization as unpaid interest is deferred and added to the principal amount of the loan. The risk that Option ARM borrowers will be unable to make increased loan payments as a result of negative amortization or as a result of the interest rate on the loan adjusting upward to the fully-indexed rate, both of which can occur simultaneously in certain situations, are the principal risks associated with the Option ARM product.

We originate interest-only loans that we either securitize or hold in our portfolio. Borrowers with interest-only loans are initially required to make payments that are sufficient to cover accrued interest. After a predetermined period (generally five years), the payments are reset to allow the loan to fully amortize over its remaining life. Borrowers with interest-only loans are particularly affected by unemployment, declining housing prices and reduced home price appreciation. Such economic trends could cause the credit performance of interest-only loans to deteriorate with a negative impact on our results.

For further discussion of credit risk, see Management s Discussion and Analysis of Financial Condition and Results of Operations Credit Risk Management in our Annual Report on Form 10-K for the year ended December 31, 2006.

We are subject to risks related to credit card operations, and this may adversely affect our credit card portfolio and our ability to continue growing the credit card business.

Credit card lending brings with it certain risks and uncertainties. These include the composition and risk profile of our credit card portfolio and our ability to continue growing the credit card business. The success of the credit card business also depends, in part, on the success of our product development, product rollout efforts and marketing initiatives, including the rollout of credit card products to our existing retail and mortgage loan customers, and our ability to continue to successfully target creditworthy customers. Recent disputes involving the Visa and MasterCard networks, including their membership standards and pricing structures, could also result in changes that would be adverse to the credit card business. For example, in the third quarter of 2007, Visa Inc., Visa USA and Visa International and five of its member banks, including us, reached a settlement agreement with American Express with respect to an antitrust lawsuit against us. In connection with the settlement, we recognized a $38 million charge to noninterest expense in our third quarter 2007 results of operations, and recorded a corresponding liability at September 30, 2007 to establish a litigation settlement reserve, representing our share of the settlement liability. Certain member banks have commenced informal discussions with the Office of the Chief Accountant of the SEC regarding the appropriate accounting treatment of a related judgment sharing agreement among the member banks and Visa. At this time we cannot predict the outcome of these discussions. Other disputes involving Visa and its members remain unresolved. See Management s Discussion and Analysis of Financial Condition and Results of Operations Credit Card Industry Litigation in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2007. Changes in interest rates can also negatively affect the credit card business, including costs associated with funding the credit card portfolio, as described above under Changes in interest rates may adversely affect our business, including net interest income and earnings.

We are subject to operational risk, which may result in incurring financial and reputational losses.

We are exposed to many types of operational risk, including the risk of fraud by employees or outsiders, the risk of operational errors, including clerical or record-keeping errors or those resulting from faulty or disabled computer or telecommunications systems. Given our high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully corrected. Our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering with or manipulation of those systems will result in losses that are difficult to detect.

We may be subject to disruptions of our systems, arising from events that are wholly or partially beyond our control (including, for example, computer viruses or electrical or telecommunications outages), which may give rise to losses in service to customers and to financial loss or liability. We are further exposed to the risk that our external vendors may be unable to fulfill their contractual obligations (or will be subject to the same risk of fraud or operational errors by their respective employees as we are) and to the risk that our (or our vendors) business continuity and data security systems prove to be inadequate. We rely on offshoring of services to vendors in foreign countries for certain functions and this creates the risk of incurring losses arising from unfavorable political, economic and legal developments in those countries.

We also face the risk that the design of our controls and procedures may prove to be inadequate or are circumvented, thereby causing delays in detection of errors or inaccuracies in data and information. Although we maintain a system of controls designed to keep operational risk at appropriate levels, it is possible that any lapses in the effective operations of our controls and procedures could materially affect our earnings or harm our reputation. In an organization as large and complex as Washington Mutual, lapses or deficiencies in internal control over financial reporting could be material to us.

In addition, we are heavily dependent on the strength and capability of our technology systems which we use both to interface with our customers and to manage our internal financial and other systems. Our ability to run our business in compliance with applicable laws and regulations is dependent on these infrastructures.

We depend on the expertise of key personnel and face competition for talent. Our success depends, in large part, on our ability to hire and retain key people. If we are unable to retain these people and to attract talented people, or if key people fail to perform properly, our business may suffer. For further discussion of operational risks, see Management s Discussion and Analysis of Financial Condition and Results of Operations Operational Risk Management in our Annual Report on Form 10-K for the year ended December 31, 2006.

Changes in the regulation of financial services companies, housing government-sponsored enterprises and credit card lenders could adversely affect us.

The banking and financial services industries, in general, are heavily regulated. Proposals for legislation further regulating the banking and financial services industry are continually being introduced in the United States Congress. The agencies regulating the financial services industry also periodically adopt changes to their regulations.

Proposals that are now receiving a great deal of attention and could significantly impact our business include changes to capital requirements, consumer protection initiatives relating to bank overdraft practices, security of customer information, marketing practices, nontraditional mortgage loan products including Option ARM loans and interest-only products, credit card lending practices, fees charged to merchants for credit and debit card transactions and predatory lending. For instance, in June 2007, under the Home Ownership Equity Protection Act, the Federal Reserve Board held a public hearing in order to gather information on how it might use its rulemaking authority to curb abusive lending practices in the home mortgage market, including the subprime sector. There have also been a number of legislative hearings and proposals for increased regulation of residential mortgage lending. For example, the U.S. Senate Banking Committee has issued a Statement of Principles as guidance for companies servicing mortgages of subprime borrowers. The U.S. House of Representatives Financial Services Committee has recently held hearings on home mortgage lending, including predatory lending practices, and may propose new legislation governing the mortgage markets. On December 5, 2007, President Bush proposed a plan for a five year moratorium on interest rate resets for certain subprime mortgages held by qualifying borrowers. Other public officials and private groups have proposed similar plans. In addition, there continues to be a focus on reform of the housing government-sponsored enterprises including the federal home loan bank system. We are unable to predict whether any of these proposals will be implemented or in what form and what effect any such proposal could have on our business or operating results.

It is possible that one or more legislative proposals may be adopted or regulatory changes may be made that would have an adverse effect on our business. For further discussion of the regulation of financial services, see Regulation and Supervision in our Annual Report on Form 10-K for the year ended December 31, 2006.

We are subject to significant competition from banking and nonbanking companies.

We operate in a highly competitive environment and expect competition to continue as financial services companies combine to produce larger companies that are able to offer a wide array of financial products and services at competitive prices with attractive terms. In addition, customer convenience and service capabilities, such as product lines offered and the accessibility of services, are significant competitive factors.

Our most direct competition for loans comes from commercial banks, other savings institutions, investment banking firms, national mortgage companies and other credit card lenders. Our most direct competition for deposits comes from commercial banks, other savings institutions and credit unions doing business in our markets. As with all banking organizations, we also experience competition from nonbanking sources, including mutual funds, corporate and government debt securities and other investment alternatives offered within and outside of our primary markets. In addition, technological advances and the growth of e-commerce have made it possible for non-depository institutions to offer products and services that were traditionally offered only by banks. Many of these competitors have fewer regulatory constraints and some have lower cost structures.

In addition, we compete on the basis of transaction execution, innovation and technology. Our industry is subject to rapid and significant technological changes. In order to compete in our industry, we must continue to invest in technologies across all of our businesses, including transaction processing, data management, customer interactions and communications and risk management and compliance systems. We expect that new technologies will continue to emerge, and these new services and technologies could be superior to or render our technologies obsolete. Our future success will depend in part on our ability to continue to develop and adapt to technological changes and evolving industry standards. If we are not able to invest successfully in and compete at the leading edge of technological advances across all of our businesses, our revenues and profitability could suffer.

Our business and earnings are highly sensitive to general business, economic and market conditions, and continued deterioration in these conditions may adversely affect our business and earnings.

Our business and earnings are highly sensitive to general business and economic conditions. These conditions include the slope of the yield curve, inflation, the money supply, the value of the U.S. dollar as compared to foreign currencies, fluctuations in both debt and equity capital markets, and the strength of the U.S. economy and the local economies in which we conduct business. Changes in these conditions may adversely affect our business and earnings. For example, when short-term interest rates rise, there is a lag period until adjustable-rate mortgages reprice. As a result, we may experience compression of our net interest margin with a commensurate adverse effect on earnings. Likewise, as has occurred in recent quarters, our earnings could also be adversely affected when a flat or inverted yield curve develops, as this may inhibit our ability to grow our adjustable-rate mortgage portfolio and may also cause margin compression. A prolonged economic downturn could increase the number of customers who become delinquent or default on their loans, or a rising interest rate environment could increase the negative amortization of Option ARM loans, which may eventually result in increased delinquencies and defaults. Rising interest rates could also decrease customer demand for loans. During 2007, the housing market in the United States (including California and Florida, where the properties securing approximately 46.4% and 9.5%, respectively, of our outstanding mortgage loans by principal balance are located) began to experience significant adverse trends, including accelerating price depreciation in some markets and rising delinquency and default rates. This has resulted in higher levels of charge-offs and provisions for loan and lease losses, which have adversely affected our earnings. In addition, during the second half of 2007, disruptions in the capital markets began to substantially limit the ability of mortgage originators, including ourselves, to sell mortgage loans to the capital markets through whole loan sales or any securitization format. We cannot predict how long these adverse conditions will continue or whether they will worsen materially.

Our business and earnings are significantly affected by the fiscal and monetary policies of the federal government and its agencies. We are particularly affected by the policies of the Federal Reserve Board, which regulates the supply of money and credit in the United States. Federal Reserve policies directly and indirectly

Table of Contents

influence the yield on our interest-earning assets and the cost of our interest-bearing liabilities. Changes in those policies are beyond our control and are difficult to predict.

We may face damage to our professional reputation and business as a result of allegations and negative public opinion as well as pending and threatened litigation.

Reputational risk, meaning the risk to earnings and capital from negative public opinion, is inherent in our business. Negative public opinion can result from the actual or perceived manner in which we conduct our business activities, which include our sales and trading practices, our loan origination and servicing activities, our retail banking and credit card operations, our management of actual or potential conflicts of interest and ethical issues and our protection of confidential customer information. Negative public opinion can adversely affect our ability to keep and attract customers. We cannot assure you that we will be successful in avoiding damage to our business from reputational risk.

We also face risks arising from any supervisory actions taken by our regulators. Effective October 17, 2007, Washington Mutual Bank consented to the issuance of an OTS cease and desist order requiring Washington Mutual Bank to comply with the Bank Secrecy Act (**BSA**) and to strengthen and improve its programs and controls for compliance with the BSA and related anti-money laundering and other laws and regulations. Although no fines or restrictions on Washington Mutual Bank s activities have been imposed by the OTS, failure by us to comply with the terms of this order or other applicable laws and regulations could have a material adverse effect on our business, financial condition or operating results.

The volume of claims and amount of damages and penalties claimed in litigation and regulatory proceedings against financial institutions remain high. Substantial legal liability or significant regulatory action against us and our subsidiaries could have material adverse financial effects or cause significant reputational harm to us, which in turn could seriously harm our business prospects. On November 1, 2007, the New York State Attorney General filed a lawsuit against First American Corporation and one of its subsidiaries that acted as an appraisal management company for us alleging, among other things, that we conspired with First American to falsely inflate the valuations done by First American s appraisers in connection with loans originated by us during the past several years. We were not named in this complaint. Thereafter, three securities class actions were filed against us and certain of our officers alleging that we violated securities laws by allegedly making false and misleading statements and omissions concerning, among other things, the allegations in the New York State Attorney General s complaint as well as various aspects of our performance and accounting in light of that alleged conspiracy and of changing conditions in the home lending and credit markets. In addition, three shareholder derivative claims have been filed against our board of directors and certain of our officers, as well as three actions asserting claims under the U.S. Employee Retirement Income Security Act of 1974, as amended, which we refer to as ERISA, on behalf of putative classes of participants in or beneficiaries of our 401(k) benefit plan have been filed. These derivative and ERISA actions are based in large part on the allegations in the New York Attorney General s complaint and the securities class actions. For further discussion of pending legal actions that may affect us, see Legal Proceedings in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.

Risks Relating to the Offering

Our ability to pay dividends on the Series R Preferred Stock will depend upon the operations of our subsidiaries.

We are a holding company and our principal source of cash is dividends and other distributions from our banking and non-banking operating subsidiaries. If we are unable to receive dividends from our operating subsidiaries, we may not be able to pay dividends on the Series R Preferred Stock. Federal laws and regulations limit the amount of dividends and other distributions that our banking subsidiaries, Washington Mutual Bank and Washington Mutual Bank fsb, are permitted to pay or make, and, although Washington Mutual Bank fsb may currently pay dividends to Washington

Mutual Bank without prior approval from the OTS, such approval is currently required in connection with the payment of a dividend or the making of a distribution by Washington Mutual Bank to us. Each of Washington Mutual Bank and Washington Mutual

Bank fsb has a policy to remain well capitalized in order to meet capital adequacy requirements under federal law and, accordingly, generally would not pay dividends to the extent payment of the dividend would result in it not being well-capitalized. See Business Regulation and Supervision in our Annual Report on Form 10-K for the year ended December 31, 2006.

We are subject to restrictions on paying cash dividends.

On March 7, 2006, Washington Mutual Preferred Funding (Cayman) I Ltd. issued $750,000,000 of 7.25% Perpetual Non-cumulative Preferred Securities and Washington Mutual Preferred Funding Trust I issued $1,250,000,000 of Fixed-to-Floating Rate Perpetual Non-cumulative Trust Securities. On December 6, 2006, Washington Mutual Preferred Funding Trust II issued $500,000,000 of Fixed-to-Floating Rate Perpetual Non-cumulative Trust Securities. On May 21, 2007, Washington Mutual Preferred Funding Trust III issued $500,000,000 of Fixed-to-Floating Rate Perpetual Non-cumulative Trust Securities. On October 18, 2007, Washington Mutual Preferred Funding Trust IV issued $1,000,000,000 of Fixed-to-Floating Rate Perpetual Non-cumulative Trust Securities. These securities are collectively referred to herein as **Preferred and Trust Securities.** Payments to investors in respect of the Preferred and Trust Securities are funded by distributions on certain series of securities issued by Washington Mutual Preferred Funding LLC, one of our indirect subsidiaries, with similar terms to the relevant series of Preferred and Trust Securities, which we refer to as the **LLC Preferred Securities.**

If for any dividend period full dividends are not paid in respect of the LLC Preferred Securities or the Preferred and Trust Securities, then we generally will be prohibited from declaring or paying any dividends or other distributions, or redeeming, purchasing or acquiring, any of our capital securities, including the Series R Preferred Stock, during the next succeeding dividend period applicable to any of the LLC Preferred Securities or the Preferred and Trust Securities.

In addition, any other financing agreements that we enter into in the future may limit our ability to pay cash dividends on our capital stock, including the Series R Preferred Stock. In the event that any other financing agreements in the future restrict our ability to pay dividends in cash on the Series R Preferred Stock, we may be unable to pay dividends in cash on the Series R Preferred Stock unless we can refinance amounts outstanding under those agreements.

Further, Washington law provides that we may pay dividends on the Series R Preferred Stock only if after payment of such dividends we would be able to pay our liabilities as they become due in the usual course of business and only to the extent by which our total assets after payment of such dividends exceed the sum of our total liabilities plus the amount that, if we were to be dissolved at the time of the distribution, would be needed to satisfy preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the distributions. Lastly, even if we are permitted under our contractual obligations and Washington law to pay cash dividends on the Series R Preferred Stock, we may not have sufficient cash to pay dividends in cash on the Series R Preferred Stock.

Dividends on the Series R Preferred Stock are non-cumulative.

Dividends on the Series R Preferred Stock are non-cumulative. Consequently, if our board of directors does not authorize and declare a dividend for any dividend period, holders of the Series R Preferred Stock will not be entitled to receive a dividend for such period, and such undeclared dividend will not accrue and be payable. We will have no obligation to pay dividends for a dividend period after the dividend payment date for such period if our board of directors has not declared such dividend before the related dividend payment date, whether or not dividends are declared for any subsequent dividend period with respect to the Series R Preferred Stock. Our board of directors may determine that it would be in our best interest to pay less than the full amount of the stated dividends on the Series R Preferred Stock or no dividend for any quarter even if funds are available. Factors that would be considered by our board of directors in making this determination are our financial condition and capital needs, the impact of current and pending legislation and regulations, economic conditions, tax considerations, and such other factors as our board of directors may deem relevant.

Table of Contents

The market price of the Series R Preferred Stock will be directly affected by the market price of our common stock, which may be volatile.

To the extent that a secondary market for the Series R Preferred Stock develops, we believe that the market price of the Series R Preferred Stock will be significantly affected by the market price of our common stock. We cannot predict how the shares of our common stock will trade in the future. This may result in greater volatility in the market price of the Series R Preferred Stock than would be expected for nonconvertible preferred stock. From January 1, 2005 to November 30, 2007, the reported high and low sales prices for our common stock ranged from a low of $16.75 per share to a high of $47.01 per share. The market price of our common stock will likely continue to fluctuate in response to a number of factors including the following, most of which are beyond our control:

- actual or anticipated quarterly fluctuations in our operating and financial results;
- developments related to investigations, proceedings or litigations that involve us;
- changes in financial estimates and recommendations by financial analysts;
- dispositions, acquisitions and financings;
- actions of our current shareholders, including sales of common stock by existing shareholders and our directors and executive officers;
- changes in the ratings of our other securities;
- fluctuations in the stock price and operating results of our competitors;
- regulatory developments; and
- developments related to the financial services industry.

The market price of our common stock may also be affected by market conditions affecting the stock markets in general, including price and trading fluctuations on the New York Stock Exchange. These conditions may result in (i) volatility in the level of, and fluctuations in, the market prices of stocks generally and, in turn, our common stock and (ii) sales of substantial amounts of our common stock in the market, in each case that could be unrelated or disproportionate to changes in our operating performance. These broad market fluctuations may adversely affect the market prices of our common stock, and, in turn, the Series R Preferred Stock.

In addition, we expect that the market price of the Series R Preferred Stock will be influenced by yield and interest rates in the capital markets, our creditworthiness and the occurrence of events affecting us that do not require an adjustment to the conversion rate.

There may be future sales or other dilution of our equity, which may adversely affect the market price of our common stock or the Series R Preferred Stock.

Except as described under Underwriting Lock-Up Agreements, we are not restricted from issuing additional common stock or preferred stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common stock or preferred stock or any substantially similar securities. The market price of our common stock or preferred stock could decline as a result of sales of a large number of shares of common stock or preferred stock or similar securities in the market after this offering or the perception that such sales could occur.

Each share of Series R Preferred Stock will be convertible at the option of the holder thereof into 47.0535 shares of our common stock, subject to anti-dilution adjustments. The conversion of some or all of the Series R Preferred Stock will dilute the ownership interest of our existing common stockholders. Any sales in the public market of our common stock issuable upon such conversion could adversely affect prevailing market prices of the outstanding shares of our common stock and the Series R Preferred Stock. In addition, the existence of our Series R Preferred Stock may encourage short selling or arbitrage trading activity by

Table of Contents

market participants because the conversion of our Series R Preferred Stock could depress the price of our equity securities.

The issuance of additional preferred shares could adversely affect holders of common stock, which may negatively impact your investment.

Our board of directors is authorized to issue additional classes or series of preferred shares without any action on the part of the stockholders. The board of directors also has the power, without stockholder approval, to set the terms of any such classes or series of preferred shares that may be issued, including voting rights, dividend rights and preferences over the common stock with respect to dividends or upon the liquidation, dissolution or winding up of our business and other terms. If we issue preferred shares in the future that have a preference over the common stock with respect to the payment of dividends or upon liquidation, dissolution or winding up, or if we issue preferred shares with voting rights that dilute the voting power of the common stock, the rights of holders of the common stock or the market price of the common stock could be adversely affected. As noted above, a decline in the market price of the common stock may negatively impact the market price for the Series R Preferred Stock.

Holders of the Series R Preferred Stock will have no rights as holders of common stock until they acquire the common stock.

Until the conversion of your Series R Preferred Stock into common stock, you will have no rights with respect to the common stock, including voting rights (except as described under Description of Series R Preferred Stock Voting Rights and as required by applicable state law), rights to respond to tender offers and rights to receive any dividends or other distributions on the common stock, but your investment in our Series R Preferred Stock may be negatively affected by these events. Upon conversion, you will be entitled to exercise the rights of a holder of common stock only as to matters for which the record date occurs on or after the applicable conversion date. For example, in the event that an amendment is proposed to our articles of incorporation or bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to the conversion date, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock that may occur as a result of such amendment.

You will have limited voting rights.

Until and unless we are in arrears on our dividend payments on the Series R Preferred Stock for six dividend periods, whether consecutive or not, you will have no voting rights except with respect to certain fundamental changes in the terms of the Series R Preferred Stock and certain other matters. If dividends on the Series R Preferred Stock are not paid in full for six dividend periods, whether consecutive or not, the holders of Series R Preferred Stock, acting as a class with any other parity securities having similar voting rights, will have the right to elect two directors to our board. The terms of office of these directors will end when we have paid or set aside for payment full quarterly dividends for four consecutive dividend periods. See Description of Series R Preferred Stock Voting Rights.

The Series R Preferred Stock is a new series of securities and an active trading market for it may not develop.

Prior to this offering, there has been no public market for the Series R Preferred Stock. The Series R Preferred Stock is expected to be listed on the New York Stock Exchange within 30 days of December 17, 2007, the original issue date. There can be no assurance, however, that an active trading market will develop, or if developed, that an active trading market will be maintained. The underwriters have advised us that they intend to facilitate secondary market trading by making a market in the Series R Preferred Stock. However, the underwriters are not obligated to make a market in the Series R Preferred Stock and may discontinue market making activities at any time.

S-20

Table of Contents

The Series R Preferred Stock will rank junior to all of our and our subsidiaries liabilities in the event of a bankruptcy, liquidation or winding up.

In the event of bankruptcy, liquidation or winding up, our assets will be available to pay obligations on the Series R Preferred Stock only after all of our liabilities have been paid. In addition, the Series R Preferred Stock will rank in parity with the other series of preferred stock and will effectively rank junior to all existing and future liabilities of our subsidiaries and the capital stock (other than common stock) of the subsidiaries held by entities or persons other than us or entities owned or controlled by us. The rights of holders of the Series R Preferred Stock to participate in the assets of our subsidiaries upon any liquidation, reorganization, receivership or conservatorship of any subsidiary will rank junior to the prior claims of that subsidiary s creditors and equity holders. As of September 30, 2007, we had total consolidated liabilities of approximately $306 billion. In the event of bankruptcy, liquidation or winding up, there may not be sufficient assets remaining, after paying our and our subsidiaries liabilities, to pay amounts due on any or all of the Series R Preferred Stock then outstanding.

The conversion rate of the Series R Preferred Stock may not be adjusted for all dilutive events that may adversely affect the market price of the Series R Preferred Stock or the common stock issuable upon conversion of the Series R Preferred Stock.

The number of shares of our common stock that you are entitled to receive upon conversion of a share of Series R Preferred Stock is subject to adjustment for certain events arising from increases in cash dividends, dividends or distributions in common stock or other property, certain issuances of stock purchase rights, certain self tender offers, subdivisions, splits and combinations of the common stock and certain other actions by us that modify our capital structure. See Description of Series R Preferred Stock Anti-Dilution Adjustments. We will not adjust the conversion rate for other events, including offerings of common stock for cash by us or in connection with acquisitions. There can be no assurance that an event that adversely affects the value of the Series R Preferred Stock, but does not result in an adjustment to the conversion rate, will not occur. Further, if any of these other events adversely affects the market price of our common stock, it may also adversely affect the market price of the Series R Preferred Stock. In addition, except as described under Underwriting Lock-Up Agreements, we are not restricted from offering common stock in the future or engaging in other transactions that could dilute our common stock.

The delivery of additional make-whole shares in respect of conversions following a make-whole acquisition or adjustment to the conversion rate in respect of conversions following a fundamental change may not adequately compensate you.

If a make-whole acquisition occurs prior to conversion, we will, under certain circumstances, increase the conversion rate in respect of any conversions of the Series R Preferred Stock that occur during the period beginning on the effective date of the make-whole acquisition and ending on the date that is 30 days after the effective date by a number of additional shares of common stock. The number of make-whole shares, if any, will be based on the stock price and the effective date of the make-whole acquisition. See Description of Series R Preferred Stock Conversion Upon Certain Acquisitions. Although this adjustment is designed to compensate you for the lost option value of your Series R Preferred Stock, it is only an approximation of such lost value and may not adequately compensate you for your actual loss.

In addition, if a fundamental change occurs prior to conversion, we will, under certain circumstances, increase the conversion rate in respect of any conversions of the Series R Preferred Stock that occur during the period beginning on the effective date of the fundamental change and ending on the date that is 30 days after the effective date. See Description of Series R Preferred Stock Conversion Upon Fundamental Change. However, if the applicable reference price is less than $8.71, holders will receive a maximum of 114.8106 shares of our common stock per share of Series R Preferred Stock, subject to adjustment, which may result in a holder receiving value that is less than the liquidation preference of the Series R Preferred Stock.

Table of Contents

Our obligation to deliver make-whole shares or to adjust the conversion rate in respect of conversions following a fundamental change could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness, as applied to such payments.

You may be subject to tax upon an adjustment to the conversion rate of the Series R Preferred Stock even though you do not receive a corresponding cash distribution.

The conversion rate of the Series R Preferred Stock is subject to adjustment in certain circumstances, including the payment of cash dividends. If the conversion rate is adjusted as a result of a distribution that is taxable to our common stockholders, such as a cash dividend, you will be deemed to have received for U.S. federal income tax purposes a taxable dividend to the extent of our earnings and profits without the receipt of any cash. If you are a non-U.S holder (as defined in Certain U.S. Federal Income Tax Considerations), such deemed dividend may be subject to U.S. federal withholding tax (currently at a 30% rate, or such lower rate as may be specified by an applicable treaty), which may be set off against subsequent payments on the Series R Preferred Stock. See Certain U.S. Federal Income Tax Considerations.

Table of Contents

USE OF PROCEEDS

We expect to receive net proceeds from this offering of approximately $2.9 billion, after expenses and underwriting discounts and commissions. We intend initially to contribute up to $1.0 billion of the net proceeds from this offering to Washington Mutual Bank, our principal bank subsidiary, as additional capital, and retain the remaining net proceeds at our holding company for general corporate purposes.

RATIO OF EARNINGS TO FIXED CHARGES AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED DIVIDENDS

The following table shows our ratio of earnings to fixed charges and our ratio of earnings to combined fixed charges and preferred dividends on a consolidated basis. The ratio of earnings to fixed charges has been computed by dividing net income plus all applicable income taxes plus fixed charges, by fixed charges. The ratio of earnings to combined fixed charges and preferred dividends has been computed by dividing net income plus all applicable income taxes plus fixed charges, by fixed charges and preferred dividend requirements.

Fixed charges consist of interest expense, either including or excluding interest on deposits as set forth below, and the portion of net rental expense deemed to be equivalent to interest on long-term debt. Interest expense, other than on deposits, includes interest on long-term debt, federal funds purchased and securities sold under agreements to repurchase, mortgages, commercial paper and other funds borrowed. The preferred dividend requirements represent the pretax earnings which would have been required to cover the dividend requirements on our preferred stock outstanding.