

WASHINGTON MUTUAL INC

Form DEF 14A

March 17, 2006

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**UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549**

SCHEDULE 14A

Proxy Statement Pursuant To Section 14(a) of
 The Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
 Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials

WASHINGTON MUTUAL, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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**1201 Third Avenue, Suite 1601
Seattle, Washington 98101
March 17, 2006**

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Washington Mutual, Inc. shareholders that will be held in the S. Mark Taper Foundation Auditorium on Tuesday, April 18, 2006, at 1:30 p.m., local time, at Benaroya Hall, 200 University Street, Seattle, Washington 98101. The meeting will be webcast on the Washington Mutual website at www.wamu.com/ir. I look forward to greeting as many of our shareholders as possible at the Annual Meeting.

As set forth in the attached Proxy Statement, the meeting will be held to consider the following matters:

Øthe election of six directors;

Øthe ratification of the appointment of Washington Mutual's independent auditors for 2006;

Øthe approval of the Amended and Restated 2003 Equity Incentive Plan which, among other things, increases the number of shares of common stock that may be subject to awards made under the plan;

Øthe approval of the Washington Mutual, Inc. Executive Incentive Compensation Plan;

Øa Company proposal to declassify the Washington Mutual Board of Directors and establish annual director elections;

Øa shareholder proposal that is expected to be presented at the meeting; and

Øto transact such other business as may properly come before the meeting and any postponement(s) or adjournment(s).

Please read the attached Proxy Statement carefully for information about the matters upon which shareholders are being asked to consider and vote. In addition to these specific matters, there will be a report on the progress of Washington Mutual and an opportunity to ask questions of general interest to shareholders.

Your vote is important. Whether or not you attend the meeting in person, I urge you to promptly vote your proxy as soon as possible via the Internet, by telephone or by mail using the enclosed postage-paid reply envelope. If you decide to attend the meeting and vote in person, you will, of course, have that opportunity.

Thank you for your continued support of Washington Mutual, and again, I look forward to seeing you at the Annual Meeting.

Sincerely,

Kerry Killinger
Chairman and Chief Executive Officer

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**WASHINGTON MUTUAL, INC.
1201 Third Avenue, Suite 1601
Seattle, Washington 98101**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held April 18, 2006**

Meeting Date: Tuesday, April 18, 2006
Meeting Time: 1:30 p.m. (local time)
Location: S. Mark Taper Foundation Auditorium
Benaroya Hall
200 University Street
Seattle, Washington 98101
Record Date: February 24, 2006

Agenda:

1. To elect six directors, five for three-year terms and one for a one-year term;
2. To ratify the appointment of Deloitte & Touche LLP as the independent auditors of Washington Mutual, Inc. (the Company) for 2006;
3. To approve the Amended and Restated 2003 Equity Incentive Plan which, among other things, increases the number of shares of Company common stock that may be subject to awards made under the plan;
4. To approve the Washington Mutual, Inc. Executive Incentive Compensation Plan;
5. To approve a Company proposal to amend the Company s Articles of Incorporation (as amended) to declassify the Board of Directors and require annual elections for all Company directors commencing with the Company s 2007 Annual Meeting of Shareholders;
6. To consider a shareholder proposal regarding disclosure of the Company s political contributions if it is properly presented by the shareholder proponent at the meeting; and
7. To transact such other business as may properly come before the meeting or any adjournments or postponements.

The Board of Directors urges shareholders to vote FOR Items 1, 2, 3, 4, and 5, and AGAINST Item 6.

All of these items are more fully described in the Proxy Statement that follows. Shareholders of record at the close of business on the Record Date will be entitled to vote at the Annual Meeting and any adjournments thereof.

By order of the Board of Directors,

William L. Lynch
Secretary

Seattle, Washington
March 17, 2006

IMPORTANT

Whether or not you expect to attend the Annual Meeting in person, we urge you to vote your proxy at your earliest convenience via the Internet, by telephone or by mail using the enclosed postage-paid reply envelope. This will ensure the presence of a quorum at the Annual Meeting and will save Washington Mutual the expense of additional solicitation. Sending in your proxy will not prevent you from voting your shares in person at the Annual Meeting if you desire to do so. Your proxy is revocable at your option in the manner described in the Proxy Statement.

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**WASHINGTON MUTUAL, INC.
1201 Third Avenue, Suite 1601
Seattle, Washington 98101**

**PROXY STATEMENT
For 2006 Annual Meeting of Shareholders
To Be Held on Tuesday, April 18, 2006**

The board of directors (the Board of Directors or the Board) of Washington Mutual, Inc. (Washington Mutual or the Company) is soliciting proxies to be voted at the Annual Meeting of Shareholders on April 18, 2006, at 1:30 p.m. (the Annual Meeting), and at any adjournments or postponements thereof, for the purposes set forth in the attached Notice of Annual Meeting of Shareholders. The Notice, this Proxy Statement and the form of proxy enclosed are first being sent to shareholders on or about March 17, 2006.

Questions and Answers about these Proxy Materials and the Annual Meeting:

Question: *Why am I receiving these materials?*

Answer: The Board of Directors is providing these proxy materials to you in connection with Washington Mutual's Annual Meeting of Shareholders, to be held on April 18, 2006. As a shareholder, you are invited to attend the Annual Meeting, and are entitled to, and requested to vote on the items of business described in this Proxy Statement.

Question: *What information is contained in this Proxy Statement?*

Answer: This information relates to the proposals to be voted on at the Annual Meeting, the voting process, compensation of the Company's directors and most highly paid executives, and certain other required information.

Question: *Who is soliciting my vote pursuant to this Proxy Statement?*

Answer: The Board of Directors is soliciting your vote at the 2006 Annual Meeting.

Question: *Who is entitled to vote?*

Answer: Only shareholders of record at the close of business on February 24, 2006 will be entitled to vote at the Annual Meeting.

Question: *How many shares are eligible to be voted?*

Answer: As of the record date of February 24, 2006, the Company had 991,987,122 shares of common stock (Common Stock) outstanding (including 6,000,000 shares of Common Stock held in escrow). Each outstanding share of Common Stock will entitle its holder to one vote on each of the six directors to be elected and one vote on each other matter to be voted on at the Annual Meeting.

Question: *What am I voting on?*

Answer: You are voting on the following matters:

ØThe election of six directors. The Company's nominees are Kerry K. Killinger, Thomas C. Leppert, Charles M. Lillis, Michael K. Murphy, Orin C. Smith and Regina Montoya.

ØRatification of the appointment by the Board's Audit Committee of Deloitte & Touche LLP as the Company's independent auditors for 2006.

ØApproval of the Amended and Restated 2003 Equity Incentive Plan which, among other things, increases the number of shares of Common Stock that may be made subject to Plan awards by an additional 65,000,000 shares.

ØApproval of the Washington Mutual, Inc. Executive Incentive Compensation Plan.

ØApproval of a Company proposal to amend the Company's Articles of Incorporation (as amended) to declassify the Board of Directors and establish annual elections, whereby all directors would stand for re-election annually.

ØTo consider a shareholder proposal regarding disclosure of the Company s political contributions and related practices, if the proposal is properly presented at the meeting by the shareholder proponent.

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Question: How does the Board recommend that I vote?

Answer: The Board recommends that you vote FOR each director nominee, FOR the ratification of the Audit Committee's appointment of Deloitte & Touche as independent auditors, FOR approval of the Amended and Restated 2003 Equity Incentive Plan, FOR approval of the Executive Incentive Compensation Plan, FOR approval of the Company proposal to declassify the Board, and AGAINST the shareholder proposal.

Question: How many votes are required to hold the Annual Meeting and what are the voting procedures?

Answer: Quorum Requirement: Washington law provides that any shareholder action at a meeting requires that a quorum exist with respect to that action. A quorum for the actions to be taken at the Annual Meeting will consist of a majority of all of the outstanding shares of Common Stock that are entitled to vote at the Annual Meeting. Therefore, at the Annual Meeting, the presence, in person or by proxy, of the holders of at least 495,993,562 shares of Common Stock will be required to establish a quorum. Shareholders of record who are present at the Annual Meeting in person or by proxy and who abstain are considered shareholders who are present and entitled to vote, and will count towards the establishment of a quorum. This will include brokers holding customers' shares of record who cause abstentions to be recorded at the Annual Meeting.

Required Votes: Each outstanding share of Common Stock is entitled to one vote on each proposal at the Annual Meeting.

Election of Directors: If there is a quorum at the Annual Meeting, the six nominees who receive the greatest number of votes cast for directors will be elected. There is no cumulative voting for Company directors.

Ratification of Independent Auditors, Approval of the Amended and Restated 2003 Equity Incentive Plan, Approval of the Executive Incentive Compensation Plan and Approval of the Shareholder Proposal: If there is a quorum, each of these actions will be approved if the number of votes cast in favor of the proposed action exceeds the number of votes cast against it.

Approval of the Company Proposal to Declassify the Board: If there is a quorum at the Annual Meeting, this action will be approved if votes representing a majority of the outstanding shares of Company Common Stock vote to approve the proposal.

Abstentions and broker non-votes will have no impact on the election of directors or the approval of the other proposed actions at the meeting, other than the approval of the Company proposal to declassify the Board. Abstentions and broker non-votes will have the same effect as votes against the proposal to declassify the Board because approval of that proposal requires the affirmative vote of a majority of the Company's outstanding shares entitled to vote.

Question: How may I cast my vote?

Answer: If you are the shareholder of record: You may vote by one of the following four methods (as instructed on the enclosed proxy card):

in person at the Annual Meeting,

via the Internet,

by telephone, or

by mail.

Whichever method you use, the proxies identified on the proxy card will vote the shares of which you are the shareholder of record in accordance with your instructions. If you submit a proxy card without giving specific voting instructions, the proxies will vote the shares as recommended by the Board of Directors.

If you own your shares in street name, that is, through a brokerage account or in another nominee form: You must provide instructions to the broker or nominee as to how your shares should be voted. Your broker or nominee will usually provide you with the appropriate instruction forms at the time you receive this Proxy Statement and the Company's Summary Annual Report. If you own your shares in this manner, you cannot vote in person at the Annual

Meeting unless you receive a proxy to do so from the broker or the nominee, and you bring the proxy to the Annual Meeting.

If you are a participant in the WaMu Savings Plan (the Plan): You have the right to direct Fidelity Management Trust Company (Fidelity), as trustee of the Plan, regarding how to vote the shares of Company Common Stock attributable to your individual account under the Plan. The enclosed proxy card can be used as a direction form to provide voting directions to Fidelity. Fidelity will vote shares of Common Stock attributable to participant accounts as directed by such participants. Fidelity will not vote shares of Common Stock attributable to participant accounts for which it does not receive participant direction by April 13, 2006.

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Question: How may I cast my vote over the Internet and by telephone?

Answer: Voting over the Internet: If you are a shareholder of record, you may use the Internet to transmit your vote up until 11:59 P.M. Eastern Time April 17, 2006. Visit *www.proxyvote.com* and have your proxy card in hand when you access the website and follow the instructions to obtain your records and to create an electronic voting instruction form.

Voting by Telephone: If you are a shareholder of record, you may call 1-800-690-6903 and use any touch-tone telephone to transmit your vote up until 11:59 P.M. Eastern Time April 17, 2006. Have your proxy card in hand when you call and then follow the instructions.

If you hold your shares in street name, that is through a broker, bank or other nominee, that institution will instruct you as to how your shares may be voted by proxy, including whether telephone or Internet voting options are available.

Question: How may I revoke or change my vote?

Answer: If you are the record owner of your shares, you may revoke your proxy at any time before it is voted at the Annual Meeting by:

Øsubmitting a new proxy card,

Ødelivering written notice to the Corporate Secretary of the Company prior to April 18, 2006, stating that you are revoking your proxy, or

Øattending the Annual Meeting and voting your shares in person.

Please note that attendance at the Annual Meeting will not, in itself, constitute revocation of your proxy.

Question: Who is paying for the costs of this proxy solicitation?

Answer: The Company will bear the cost of preparing, printing and mailing the materials in connection with this solicitation of proxies. In addition to mailing these materials, officers and regular employees of the Company may, without being additionally compensated, solicit proxies personally and by mail, telephone, facsimile or electronic communication. The Company will reimburse banks and brokers for their reasonable out-of-pocket expenses related to forwarding proxy materials to beneficial owners of stock or otherwise in connection with this solicitation. The Company has retained Georgeson Shareholder Communications Inc. to assist in the solicitation at a cost of approximately \$10,000, plus payment of reasonable out-of-pocket expenses incurred by Georgeson.

Question: Who will count the votes?

Answer: Automated Data Processing, Inc., the Company's inspector of elections for the Annual Meeting, will receive and tabulate the ballots and voting instruction forms.

Question: What happens if the Annual Meeting is postponed or adjourned?

Answer: Your proxy will still be effective and may be voted at the rescheduled meeting. You will still be able to change or revoke your proxy until it is voted.

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INFORMATION ABOUT THE MEETING

The Annual Meeting will be held at 1:30 p.m. (local time) on Tuesday, April 18, 2006, at the S. Mark Taper Foundation Auditorium at Benaroya Hall, 200 University Street, Seattle, Washington 98101. Listening devices will be available at the Annual Meeting for shareholders with impaired hearing.

The Company plans to webcast the Annual Meeting. The webcast may be accessed on the Washington Mutual website at www.wamu.com/ir during the Annual Meeting and for 30 days after the meeting.

ITEM 1. ELECTION OF DIRECTORS

Board Nominees

The Board of Directors has nominated each of the following persons for election as a Company director. Each of the nominees, except for Ms. Montoya, is currently a director of the Company and each has indicated that he or she is willing and able to serve as a director. Biographical and other information on each of the nominees and other current directors of the Company appears beginning on page 5 of this Proxy Statement.

Kerry K. Killinger
Thomas C. Leppert
Charles M. Lillis
Regina Montoya
Michael K. Murphy
Orin C. Smith

The Company's Articles of Incorporation currently provide that the number of directors will be fixed by the Company's Bylaws and divided into three classes. The Bylaws of the Company currently fix the size of the Board of Directors at 14 directors. The Company currently has 13 directors and if each of the six nominees are elected, it will continue to have 13 directors. The Company expects that the Board will amend the Bylaws at its next scheduled meeting to reduce the number of Board seats to 13. If they are re-elected at the Annual Meeting, the nominees, except for Ms. Montoya, would be elected to serve three-year terms to expire at the 2009 Annual Meeting and until their successors are elected and qualified. Under the current classification of the Board, Ms. Montoya would be elected to serve a one-year term to expire at the 2007 Annual Meeting.

If shareholders approve the Company's Proposal Item 5 to declassify the Board of Directors by amending the Company's Articles of Incorporation to provide for one-year director terms and annual director elections beginning at the 2007 Annual Meeting, all Company directors will be subject to re-election for one-year terms in 2007. Each director will then stand for re-election every year thereafter.

If any nominee becomes unable or unwilling to serve, which is not anticipated, the accompanying proxy may be voted for the election of such other person as shall be designated by the Governance Committee of the Board of Directors. Proxies granted may not be voted for a greater number of nominees than the six named above. Unless instructions to the contrary are specified in a proxy properly voted and returned through available channels, the proxies will be voted **FOR** each of the nominees listed above.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS
VOTE FOR EACH OF THE NOMINEES.**

Current Directors

Below is information regarding each of the Company's current directors, including five of the director nominees. Except as otherwise indicated, each Company director has been engaged in the principal occupation described below for at least five years.

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Anne V. Farrell

Director since 1994
Current term expires 2007

Mrs. Farrell, age 70, served as President and Chief Executive Officer of The Seattle Foundation, a charitable and educational corporate foundation, from 1984 until 2003, and currently serves as its President Emeritus. Mrs. Farrell also serves as a trustee of the registered investment companies that comprise the WM Group of Funds. The investment advisor to the funds is an indirect wholly-owned subsidiary of Washington Mutual. She also serves as a director of Recreational Equipment, Inc. (R.E.I.).

Stephen E. Frank

Director since 1997
Current term expires 2007

Mr. Frank, age 64, is a director of Aegis Insurance Services, Inc., Puget Energy, Inc., Intermec, Inc. and Northrup Grumman Corporation. On January 1, 2002, Mr. Frank retired as Chairman, President and Chief Executive Officer of Southern California Edison, the largest subsidiary of Edison International, a power company, where he had served since June 1995. From 1990 until 1995, Mr. Frank served as the President, Chief Operating Officer and a director of Florida Power & Light Company. Prior to that, he served as an Executive Vice President and Chief Financial Officer of TRW, Inc. and the Vice President, Controller and Treasurer of GTE Corporation.

Kerry K. Killinger

Director since 1988
Current term expires 2006

Mr. Killinger, age 56, has been Chairman and Chief Executive Officer of Washington Mutual since 1991, and was President until 2005. Mr. Killinger became President and a director in 1988, Chief Executive Officer in 1990 and Chairman of the Board of Directors in 1991. Mr. Killinger also serves as a director of Safeco Corporation and Green Diamond Resource Company.

Thomas C. Leppert

Director since 2005
Current term expires 2006

Mr. Leppert, age 51, has been the Chairman and Chief Executive Officer since September 1999 of The Turner Corporation, one of the nation's largest general construction companies with headquarters in Dallas, Texas. Before joining

Turner, Mr. Leppert served as the Trustee of the Estate of James Campbell from 1998-1999. From 1996 through 1997, Mr. Leppert served as the Vice Chairman of the Bank of Hawaii and Pacific Century Financial Corp. Mr. Leppert began his career with McKinsey & Company and was later elected a Principal, where he specialized in the financial services industry. In 1984, he was appointed by President Reagan as a White House Fellow and was assigned to the Department of the Treasury and White House staff, where he worked primarily on banking, finance and international trade issues.

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Charles M. Lillis

Director since 2005
Current term expires 2006

Mr. Lillis, age 64, is a co-founder and principal of LoneTree Partners, a private equity investing group with headquarters in Denver, Colorado. He is also a Managing Partner of Castle Pines Capital, a provider of channel finance solutions, with headquarters in Denver Colorado. Mr. Lillis served as the Chairman of the Board and Chief Executive Officer of MediaOne Group, Inc. from its inception in 1995 through the acquisition of MediaOne by AT&T Corp., which was completed in 2000. Mr. Lillis is a director of SUPERVALU Inc., Williams Companies, Medco Health Solutions, and SomaLogic Inc.

Phillip D. Matthews

Director since 1998
Current term expires 2008

Mr. Matthews, age 67, served as Chairman of Worldwide Restaurant Concepts, Inc. from 1996 through 2005. He currently is lead director of Wolverine World Wide, Inc., a footwear company, and served as its Chairman from 1993 through 1996. From 1981 to 1991, he was owner and Chief Executive Officer of Bell Helmets, Inc. and prior to that he was Executive Vice President and Chief Financial Officer of Dart Industries and its successor, Dart and Kraft, Inc. He is also a director of Panda Management Corp., Panda Express and Trojan Battery Company.

Michael K. Murphy

Director since 1985
Current term expires 2006

Mr. Murphy, age 69, is former Chairman and Chief Executive Officer of CPM Development Corporation, a construction materials manufacturer and the parent company of Central Pre-Mix Concrete Company and Inland Asphalt Company. Until the fourth quarter of 2005, Mr. Murphy also served as a trustee of the registered investment companies that comprise the WM Group of Funds. The investment advisor to the funds is an indirect wholly-owned subsidiary of Washington Mutual.

Margaret Osmer McQuade

Director since 2002
Current term expires 2007

Ms. Osmer McQuade, age 67, has been President of Qualitas International, an

international consulting firm, since 1993. She also serves as a director of River Capital International LLC.

Mary E. Pugh

Director since 1999
Current term expires 2008

Ms. Pugh, age 46, is founder, President and Chief Executive Officer of Pugh Capital Management, Inc. a fixed income money management company. Ms. Pugh is a trustee of The Seattle Foundation.

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William G. Reed, Jr.

Director since 1970
Current term expires 2008

Mr. Reed, age 67, was Chairman of Simpson Timber Company and Simpson Investment Company from 1971 to 1996. He serves as a director for Green Diamond Resource Company, PACCAR Inc., Safeco Corporation and The Seattle Times. He was Chairman of the Board of Safeco Corporation, a property and casualty insurance company, from January 2001 through December 2002 and lead independent director from 2002 through 2004. Mr. Reed chose not to stand for re-election as a director of Microsoft Corporation in 2004 after serving for 17 years.

Orin C. Smith

Director since 2005
Current term expires 2006

Mr. Smith, age 63, was President and Chief Executive Officer of Starbucks Corporation, a coffee retailer, from June 2000 until March 31, 2005. From June 1994 to May 2000, Mr. Smith served as Starbucks President and Chief Operating Officer, and from March 1990 to June 1994, he was Starbucks Vice President and Chief Financial Officer and later its Executive Vice President and Chief Financial Officer. Mr. Smith also serves on the board of directors of NIKE, Inc. and The Walt Disney Company.

James H. Stever

Director since 1991
Current term expires 2008

Mr. Stever, age 62, retired as Executive Vice President Public Policy of US WEST, Inc., a telecommunications company, on December 31, 1996, a position he had held since January 1996. He was Executive Vice President Public Policy and Human Resources of US WEST, Inc. from November 1994 to January 1996, and Executive Vice President Public Policy of US WEST, Inc. and US WEST Communication, Inc. from 1993 until 1994. He was President Public Policy of US WEST Communications, Inc. from 1990 until 1993 and President Business Division from 1988 until 1990.

Willis B. Wood, Jr.

Director since 1997
Current term expires 2006

Mr. Wood, age 71, retired as Chairman, Chief Executive Officer and director of

Pacific Enterprises, the holding company of Southern California Gas Company, in 1998. Mr. Wood had served in various positions, including as executive officer of Pacific Enterprises' subsidiaries, since 1960. Mr. Wood was chairman of the American Automobile Association (AAA) until 2005 and is a director of the Automobile Club of Southern California.

Mr. Wood has decided not to stand for re-election to the Board at the Annual Meeting. Mr. Wood would have become subject to the Company's director retirement policy in 2006.

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Additional Director Nominee

Below is information regarding the Company's additional director nominee for election to the Board at the Annual Meeting.

Regina Montoya

Regina Montoya, age 52, has been the Chief Executive Officer of Washington D.C.-based New America Alliance (NAA) since September 2005, and her responsibilities include developing strategic and tactical plans to fulfill the NAA's mission of promoting the advancement of the Latino community with a focus on economic empowerment. From 1996 until 2005, Ms. Montoya was the Founder and President of WORKRules, a Texas-based workforce training and media and community relations company, and from August 2002 until February 2005, Ms. Montoya was the Southwest Regional Director for AARP. A Harvard-trained attorney, Ms. Montoya has served in the White House as an Assistant to the President and Director of the Office of Intergovernmental Affairs.

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Washington Mutual values strong corporate governance principles and adheres to the highest ethical standards. These principles and standards, along with Washington Mutual's core values of fairness, caring, human, dynamic and driven, assist the Company in achieving its corporate mission. To foster strong corporate governance and business ethics, the Board of Directors continues to take many steps to strengthen and enhance the Company's corporate governance practices and principles. The Company has adopted Corporate Governance Guidelines to achieve the following goals:

- to promote the effective functioning of the Board;
- to ensure that the Company conducts its business in accordance with the highest legal and ethical standards; and
- to enhance shareholder value.

The following is a summary of some of the most significant governance principles as embodied in the Company's Corporate Governance Guidelines, and the Company's current practices with respect to many other aspects of strong corporate governance. The full text of the Company's Corporate Governance Guidelines is available on the Company's website at www.wamu.com/ir. Shareholders may also obtain a written copy of the guidelines at no cost by writing the Company at 1201 Third Avenue, Seattle, Washington, 98101, Attention: Investor Relations Department, WMT 2140, or by calling (206) 461-3187.

The Governance Committee of the Board of Directors administers the Corporate Governance Guidelines, reviews performance under the guidelines and the content of the guidelines annually and, when appropriate, recommends updates and revisions to the Board of Directors.

Board of Directors Independence

The Company currently has 13 directors. The Corporate Governance Guidelines require that the Board consist predominantly of non-management directors. This means directors who are not currently, and have not been, employees of the Company during the most recent three years. Currently, the Chief Executive Officer is the only director who is a member of the Company's management.

The Corporate Governance Guidelines also require that a substantial majority of the Board consist of independent directors. A director is independent for this purpose when the Board affirmatively determines that he or she has no material relationship with the Company, other than as a director. This determination is made in accordance with the Corporate Governance Guidelines, which are consistent with the applicable rules of the New York Stock Exchange (NYSE) and federal securities laws.

The Governance Committee is responsible for reviewing with the Board annually the appropriate criteria and standards for determining director independence consistent with all applicable legal requirements, including the NYSE rules and applicable Securities and Exchange Commission (SEC) rules and regulations. In accordance with applicable NYSE rules, the Company has established categories of immaterial relationships that are deemed not to have any bearing on a director's independence. Accordingly, the Corporate Governance Guidelines provide that a Company director will not be considered to lack independence solely as a result of any of the following relationships:

- if currently or at any time during the preceding three years the director was an employee or executive officer of, or a member of his or her immediate family was an employee or an executive officer of another company that makes payments to or receives payments from the Company for property or services in an amount which is less than \$1 million and less than two percent (2%) of the annual consolidated gross revenues of the other company, determined for the most recent completed fiscal year;
- if currently or at any time during the preceding three years the director or a member of his or her immediate family was a director of another company that makes payments to or receives payments from the Company for property or services in an amount which is less than the greater of \$1 million and

two percent (2%) of the annual consolidated gross revenues of the other company, determined for the most recent completed fiscal year;

- if the director or a member of his or her immediate family is an executive officer of another company which is indebted to the Company, or to which the Company is indebted, and the total amount of indebtedness

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either of them owes to the other is less than one percent (1%) of the total consolidated assets of the other company;

- if the director or a member of his or her immediate family serves as an officer, director or trustee of a tax exempt organization, and the Company's discretionary contributions to the organization are no greater than the greater of \$250,000 or one percent (1%) of that organization's total annual consolidated gross revenues (determined for the most recent completed fiscal year). The Company's automatic matching of employee charitable contributions will not be included in the amount of the Company's contributions for this purpose;
- if the director or a member of his or her immediate family serves as a non-employee director of another company (and has not been determined by such other company to be non-independent), on whose board one or more other Washington Mutual directors sit as non-employee directors; or
- if the director or a member of his or her immediate family maintains one or more deposit accounts with the Company, provided that there is no obligation or requirement to maintain the existence of such accounts and such accounts exist on terms and conditions that are no more favorable than those offered to the general public.

In February 2006 (and March 2006 with respect to Ms. Montoya), the Board determined that Ms. Montoya and all of the Company's current directors, other than Messrs. Wood, Leppert, Murphy and Killinger, Mrs. Farrell and Ms. Pugh, are independent in accordance with the Corporate Governance Guidelines because they have no relationships with the Company that are outside of the categorical standards listed above. The Board further determined that Messrs. Wood, Leppert and Murphy have the following relationships with the Company that are not material relationships and therefore that Messrs. Wood, Leppert and Murphy are independent directors:

- During 2005, Mr. Wood had a below market rate home loan to which the Company succeeded when it acquired Great Western Financial Corporation in 1997 (see page 32 of this Proxy Statement). Mr. Wood satisfied the balance of this loan in full in August 2005. The Board found this to be an immaterial relationship because the loan is no longer outstanding and was initially made by Great Western Financial Corporation and not the Company. Furthermore, pursuant to the terms of the loan, the Company was not able to demand prepayment of the loan or modify its terms unless the loan was in default. Mr. Wood is leaving the Board on April 18, 2006.
- Mr. Leppert is the Chairman and Chief Executive Officer of The Turner Corporation, a leading general builder in the United States (Turner). The Company has engaged Turner for general contracting services on several projects during the past three years. The Board has found this relationship to be an immaterial relationship because the amounts paid by the Company to Turner for these services are well below 0.05% of Turner's consolidated gross revenues for years during which the services were provided, and each of these construction jobs commenced prior to Mr. Leppert's election to the Company's Board.
- Until November 2005, Mr. Murphy served as a trustee of the registered investment companies that comprise the WM Group of Funds (the Funds). The investment advisor to the Funds is WM Advisors, Inc., an indirect wholly-owned subsidiary of the Company. The Funds paid Mr. Murphy trustee fees during each of the past three years. The Funds have paid WM Advisors fees for investment advisory shareholder services during each of the past three years. The Board has found this relationship to be an immaterial relationship because the Funds are not affiliated with the Company, Mr. Murphy was not an employee of the Funds, but rather was a member of the Funds' board of trustees substantially comprised of trustees found to be independent, and the amount of fees paid by the Funds to WM Advisors was substantially less than 2% of the Funds' total group managed assets.

The Board has found that Mr. Killinger, Mrs. Farrell and Ms. Pugh are not independent because of the following:

- Mr. Killinger is an executive officer of the Company.
- Mrs. Farrell was the President and Chief Executive Officer of The Seattle Foundation at a time when Mr. Killinger was a member of its executive committee, the committee that determined Mrs. Farrell's compensation. In accordance with the Company's Corporate Governance Guidelines and applicable NYSE rules, the Board will reconsider Mrs. Farrell's independence during 2006, after the third anniversary of her termination of employment with The Seattle Foundation.

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- Ms. Pugh is the founder and President of Pugh Capital Management, a company with which Washington Mutual transacted business in 2005 and prior years. The Board has determined that this relationship is a material relationship. It is more fully discussed in *Related Transactions and Other Matters* on page 32 of this Proxy Statement.

The Board also determined in February 2006 that all of the members of the Company's Audit Committee are independent in accordance with the Corporate Governance Guidelines and applicable SEC rules and regulations.

Responsibilities of the Board of Directors

In addition to each director's basic duties of care and loyalty, the Board of Directors has separate and specific obligations enumerated in the Corporate Governance Guidelines. Among other things, these obligations require directors to effectively monitor management's capabilities, compensation, leadership and performance, without undermining management's ability to successfully operate the business. In addition, the Board and the Board's committees have the authority to retain and establish the fees of outside legal, accounting or other advisors, as necessary, to carry out their responsibilities.

Directors are expected to avoid any action, position or interest that conflicts with an interest of the Company, or gives the appearance of a conflict. As a result, directors must disclose all business relationships with the Company and with any other person doing business with the Company to the entire Board and to recuse themselves from discussions and decisions affecting those relationships. The Company periodically solicits information from directors in order to monitor potential conflicts of interest and to confirm director independence.

Communication With Directors

Individuals may submit communications to the Board, the Board's executive session presiding director, or to the non-management directors as a group by sending the communications in writing to the following address: Washington Mutual, Inc., 1201 Third Avenue, WMT 1706, Seattle, Washington 98101. All correspondence should indicate whether it is addressed to the Board of Directors, the Presiding Director, or the Non-Management Directors. The Board has unanimously approved a process that is outlined in the Corporate Governance Guidelines, whereby the Company's Corporate Secretary, or his designee, will review and forward correspondence to the appropriate directors. The Secretary, or his designee, also forwards copies of the correspondence to other persons within the Company for handling and response, as necessary based upon the subject matter of the communication.

Director Education and Evaluation

All directors are expected to be knowledgeable about the Company and its industry and to understand their duties and responsibilities as directors. This knowledge may be gained from attendance at Board meetings; periodic director training sessions; regular meetings with Company management; reading of appropriate industry, corporate governance and directorship literature; and attendance at educational seminars. The Company frequently conducts in-house director education programs on relevant topics. In addition, directors are encouraged to attend education sessions provided by third party groups, and they are reimbursed for their reasonable costs of attendance. In 2005, the Company conducted in-house director education sessions on four occasions.

All new directors are required to attend orientation sessions conducted by management and educational programs intended to satisfy the special qualification requirements for membership on committees of the Board.

The Board, acting through the Governance Committee, annually evaluates the effectiveness of the Board collectively, and the performance of each standing Board committee. The Governance Committee determines the appropriate means for this evaluation, which may include surveying the Board and committee membership.

Director Nomination Process

The Governance Committee is responsible for reviewing with the Board annually the appropriate skills and characteristics required of Board members, and for selecting, evaluating and recommending nominees for election by the Company's shareholders. The Governance Committee may use one or more third party search firms to assist in this purpose. An executive search firm engaged by the Governance Committee assisted the Committee in identifying recent new directors, Messrs. Leppert and Smith, and current nominee, Ms. Montoya. A current Company non-management director assisted the Committee in identifying Mr. Lillis.

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The following are the General Criteria for Nomination to the Board, as adopted by the Board. These General Criteria set forth the traits, abilities and experience that, at a minimum, the Board looks for in determining candidates for election to the Board:

- Directors should possess personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the Company's shareholders and other constituencies.
- Directors should have reputations, both personal and professional, consistent with the image and reputation of Washington Mutual.
- Each director should have relevant experience and expertise and be able to add value and offer advice and guidance to the Chief Executive Officer based on that experience and expertise.
- Other important factors to be considered in seeking directors include current knowledge and contacts in the Company's industry and other industries relevant to the Company's business, ability to work with others as an effective group and ability to commit adequate time as a director.
- A substantial majority of directors on the Board should be independent, not only as that term may be legally defined, but also without the appearance of any conflict in serving as a director. In addition, directors should be independent of any particular constituency and be able to represent the interests of the Company's shareholders and other constituencies.
- Each director should have the ability to exercise sound business judgment.
- Directors should be selected so that the Board of Directors is a diverse body reflecting gender, ethnic background, professional experience, current responsibilities and community involvement.

The Chair of the Governance Committee may authorize the Chairman of the Board or any other representative of the Board, speaking on behalf of the Board, to extend invitations to new director candidates to join the Board. The Board is responsible for making interim appointments of directors to fill Board vacancies, including those created by the resignation or retirement of directors in accordance with the Company's Bylaws.

Company shareholders may propose director candidates for consideration by the Governance Committee by submitting the individual's name and qualifications to the Secretary of the Company at 1201 Third Avenue, WMT 1706, Seattle, WA 98101. The Governance Committee will consider all director candidates properly submitted by Company shareholders in accordance with the Company's Corporate Governance Guidelines. Shareholders who wish to nominate candidates for election to the Board at the Annual Meeting of Shareholders must follow the procedures outlined in Shareholder Proposals for the 2007 Annual Meeting set forth on page 58 of this Proxy Statement.

Director Retirement

A Company director who reaches the age of 72 must tender his or her resignation to the Chairman of the Board before the next occurring annual meeting of shareholders. The Chairman will refer the resignation to the Board's Governance Committee for review. The Board will decide, in light of the circumstances and the recommendation of the Governance Committee, the date at which the resignation will become effective. A vacancy created by a director's retirement may be filled by a majority of the remaining directors in accordance with the Company's Bylaws. A director so appointed to fill the vacancy will serve until the first annual meeting of shareholders following that director's appointment to the Board, at which time, he or she may be nominated for re-election by the Company's shareholders. In addition, the Company requires that directors tender their resignation when their present position or job responsibility changes significantly. The Board then decides, in light of the circumstances and the recommendation of the Governance Committee, whether to accept such resignation.

Board Meetings and Executive Sessions

The Board of Directors currently holds eight full Board meetings each year. Directors are encouraged to attend each meeting in person. Management provides all directors with an agenda and appropriate written materials sufficiently in advance of the meetings to permit meaningful review. Any director may submit topics or request changes to the preliminary agenda as he or she deems appropriate in order to ensure that the interests and needs of non-management directors are appropriately addressed. To ensure active and effective participation, directors are expected to arrive at each Board and committee meeting having reviewed and analyzed the materials for the meeting.

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All Company non-management directors generally meet in executive session at every regularly scheduled Board meeting, both with and without the Chief Executive Officer present. All directors who are determined to be independent meet in executive session once per year. The non-management directors will annually select one of their own to be the presiding director at executive sessions. In December 2005, Mr. Frank was selected as the presiding director at all executive sessions.

Director Attendance at Company Annual Meetings

All directors are encouraged to attend every Company annual meeting of shareholders. To facilitate director availability at the time of the annual meeting, the Company typically schedules Board and Board committee meetings on the day of and the day before the annual meeting. All Washington Mutual directors attended the annual meeting of shareholders held on April 19, 2005.

Director Contact with Management

All directors are invited to contact the Chief Executive Officer at any time to discuss any aspect of the Company's business. In addition, there generally are frequent opportunities for directors to meet with other members of the management team.

Investment Expectations of Directors and Executives and Senior Employees

Non-employee directors are expected to maintain stock ownership in the Company in an amount that is meaningful and which should have a value of at least three times the annual director cash retainer. For new directors, this may be achieved over a three-year period.

To encourage executives and other senior officers to hold Company stock, the Company's Human Resources Committee recently adopted stock ownership guidelines that apply to those positions. The target ownership guidelines are as follows:

Chief Executive Officer (CEO)	Stock ownership with a value of at least 10 times base salary.
Other Executives and Certain Senior Officers	Stock ownership with a value of at least 3 or 4 times base salary, depending on position level.

For purposes of the above guidelines, stock ownership includes shares of Common Stock held outright, Common Stock held in the Company's 401(k) Plan, phantom stock held in the Company's Deferred Compensation Plan, and unvested shares of restricted stock. The Human Resources Committee receives a report at each meeting indicating the stock ownership of each executive and other senior officer, and the Governance Committee receives a report at each meeting indicating the stock ownership of each non-employee director.

Code of Ethics for Senior Financial Officers and Code of Conduct

The Company has implemented a Code of Ethics applicable to the Company's CEO, President, Chief Financial Officer, Principal Accounting Officer, and other senior financial officers of the Company and a Company Code of Conduct applicable to all Company officers, employees and directors. The Code of Ethics provides fundamental ethical principles to which these senior financial officers are expected to adhere. The Code of Conduct operates as a tool to help Washington Mutual officers, employees and directors understand and adhere to the high ethical standards required for employment by, or association with, the Company. Both the Code of Ethics and the Code of Conduct are available on the Company's Investor Relations website at www.wamu.com/ir. Shareholders may also obtain written copies at no cost by writing the Company at 1201 Third Avenue, Seattle, Washington 98101, Attention: Investor Relations Department, WMT 2140, or by calling (206) 461-3187. Any future changes or amendments to the Company's Code of Ethics or Code of Conduct and any waiver that applies to one of the Company's senior financial officers or a member of the Company's Board of Directors will be posted to the Company's Investor Relations website.

Board Meetings and Attendance

During 2005, the Company's Board of Directors met eight times. Except for Mr. Leppert, each director attended at least 75% of the aggregate of the total number of meetings of the Board and the total number of all meetings held by committees on which he or she served. Mr. Leppert was elected to the Board in September 2005 and he was absent

from

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two committee meetings out of six total Board and committee meetings, all of which had been scheduled before he joined the Company's Board.

Committees of the Board of Directors

A description of the general functions of each Board committee and the composition of each committee is below.

Committees

2005 Meetings and General Committee Functions

AUDIT

Stephen E. Frank (Chair)
Thomas C. Leppert
Phillip D. Matthews
Michael K. Murphy
William G. Reed, Jr.
Orin C. Smith
Willis B. Wood, Jr.

Meetings in 2005: 9

- Assists with the oversight of the integrity of the Company's financial reporting process and financial statements and systems of internal controls;
- Assists with the oversight of the Company's compliance with legal and regulatory requirements;
- Selects and retains the independent auditor, and reviews its qualifications, independence and performance; and
- Selects the general auditor, and assists with the oversight of the performance of the Company's internal audit function.

HUMAN RESOURCES

James H. Stever (Chair)
Stephen E. Frank
Charles M. Lillis
Phillip D. Matthews
Margaret Osmer McQuade
Willis B. Wood, Jr.

Meetings in 2005: 4

- Develops and administers the Company's executive and senior officer compensation programs and oversees the Company's talent management process for senior management;
- Establishes and administers annual and long-term incentive compensation plans for executives and senior management;
- Oversees the administration of the Company's officer and employee benefit plans and any associated plan trust funds; and
- Annually evaluates the Chief Executive Officer's performance and sets the Chief Executive Officer's compensation level based on such evaluation.

GOVERNANCE