

WASHINGTON MUTUAL, INC

Form DEF 14A

March 19, 2007

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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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**1301 Second Avenue
Seattle, Washington 98101**

March 19, 2007

Dear Shareholder:

You are cordially invited to attend the Washington Mutual, Inc. Annual Meeting of Shareholders that will be held on Tuesday, April 17, 2007, at 1:00 p.m., local time, at the 5th Avenue Theatre, 1308 Fifth Avenue, Seattle, Washington 98101. We will webcast the meeting on our 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, we will hold the meeting to consider the following matters:

- Ø the election of 13 directors;
- Ø the ratification of the appointment of Washington Mutual's independent auditor for 2007;
- Ø three shareholder proposals that are expected to be presented at the meeting; and
- Ø to 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 you are being asked to consider and vote. In addition to these specific matters, at the meeting 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.

**1301 Second Avenue
Seattle, Washington 98101**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held April 17, 2007**

Meeting Date: Tuesday, April 17, 2007

Meeting Time: 1:00 p.m. (local time)

Record Date: February 28, 2007

Location: 5th Avenue Theatre
1308 Fifth Avenue
Seattle, Washington 98101

Agenda:

1. To elect 13 directors, each for a one-year term;
2. To ratify the appointment of Deloitte & Touche LLP as the independent auditor of Washington Mutual, Inc. (the Company) for 2007;
3. To consider a shareholder proposal regarding the Company's executive retirement plan policies if it is properly presented by the shareholder proponent at the meeting;
4. To consider a shareholder proposal regarding the Company's director election process if it is properly presented by the shareholder proponent at the meeting;
5. To consider a shareholder proposal regarding the Company's director nominee qualification requirements if it is properly presented by the shareholder proponent at the meeting; and
6. 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 and 2, and AGAINST Items 3 through 5.

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 or postponements thereof.

By order of the Board of Directors,

William L. Lynch
Secretary

Seattle, Washington
March 19, 2007

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.

**1301 Second Avenue
Seattle, Washington 98101**

**PROXY STATEMENT
For 2007 Annual Meeting of Shareholders
To Be Held On Tuesday, April 17, 2007**

Our board of directors (the Board of Directors or the Board) is soliciting proxies to be voted at our Annual Meeting of Shareholders on April 17, 2007, at 1:00 p.m., 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 19, 2007. As used in this Proxy Statement, the terms Company, we, us and our refer to Washington Mutual, Inc.

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

Question: *Why am I receiving these materials?*

Answer: Our 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 17, 2007. As a shareholder, you are invited to attend our 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 our Annual Meeting, the voting process, compensation of our directors and most highly paid executives, and certain other required information.

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

Answer: Our Board of Directors is soliciting your vote at our 2007 Annual Meeting.

Question: *Who is entitled to vote?*

Answer: Only shareholders of record at the close of business on February 28, 2007 will be entitled to vote at our Annual Meeting.

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

Answer: As of the record date of February 28, 2007, we had 887,922,268 shares of common stock outstanding (including 6,000,000 shares of common stock held in escrow). Each outstanding share of our common stock will entitle its holder to one vote on each of the 13 directors to be elected and one vote on each other matter to be voted on at our Annual Meeting.

Question: *What am I voting on?*

Answer: You are voting on the following matters:

- Ø The election of 13 directors. Our nominees are Anne V. Farrell, Stephen E. Frank, Kerry K. Killinger, Thomas C. Leppert, Charles M. Lillis, Phillip D. Matthews, Regina T. Montoya, Michael K. Murphy, Margaret Osmer McQuade, Mary E. Pugh, William G. Reed, Jr., Orin C. Smith and James H. Stever.
- Ø Ratification of the appointment by our Board's Audit Committee of Deloitte & Touche LLP as the Company's independent auditor for 2007.
- Ø To consider three shareholder proposals if they are properly presented at the meeting by the respective shareholder proponents.

Question: *How does our Board recommend that I vote?*

Answer: Our Board recommends that you vote **FOR** each director nominee, **FOR** the ratification of the Audit Committee's appointment of Deloitte & Touche as independent auditor, and **AGAINST** each 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 our Annual Meeting will consist of a majority of all of our outstanding shares of common stock that are entitled to

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vote at the Annual Meeting. Therefore, at the Annual Meeting, the presence, in person or by proxy, of the holders of at least 443,961,135 shares of our 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 our common stock is entitled to one vote on each proposal at the Annual Meeting.

- Ø *Election of Directors:* If there is a quorum at our Annual Meeting, the 13 nominees who receive the greatest number of votes cast for directors will be elected. There is no cumulative voting for our directors. Please note that in February 2007, we amended our bylaws to add majority voting procedures for all uncontested director elections, including the 2007 Annual Meeting (see page 11 of this Proxy Statement).
- Ø *Ratification of Independent Auditors and Approval of the Shareholder Proposals:* 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.

If there is a quorum at the meeting, 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.

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):

- Ø in person at the Annual Meeting,
- Ø via the Internet,
- Ø by telephone, or
- Ø 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 our 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 our 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 our Annual Meeting.

If you are a participant in the WaMu Savings Plan, our 401(k) Plan: You have the right to direct Fidelity Management Trust Company, 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 12, 2007.

Question: *How may I cast my vote over the Internet or 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 16, 2007. 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 16, 2007. 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:

- Ø submitting a new proxy card,
- Ø delivering written notice to our Secretary prior to April 17, 2007, stating that you are revoking your proxy, or
- Ø attending the Annual Meeting and voting your shares in person.

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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: Our 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 our Company may, without being additionally compensated, solicit proxies personally and by mail, telephone, facsimile or electronic communication. Our 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. We have retained Georgeson Shareholder Communications Inc. to assist in the solicitation at a cost of approximately \$12,500, plus payment of reasonable out-of-pocket expenses incurred by Georgeson.

Question: *Who will count the votes?*

Answer: Automated Data Processing, Inc., our 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

Our Annual Meeting will be held at 1:00 p.m. (local time) on Tuesday, April 17, 2007, at the 5th Avenue Theatre, 1308 Fifth Avenue, Seattle, Washington 98101. We will provide listening devices at the Annual Meeting for shareholders with impaired hearing.

We plan to webcast the Annual Meeting on our website at www.wamu.com/ir during the Annual Meeting and it will be archived for 30 days after the meeting.

ITEM 1. ELECTION OF DIRECTORS

Board Nominees

The Company's Board of Directors has nominated each of the following persons for election as a director. Each nominee is currently a director of the Company and each has indicated that he or she is willing and able to continue to serve as a director. We have provided biographical and other information on each of the nominees beginning on page 5 of this Proxy Statement.

Anne V. Farrell
Stephen E. Frank
Kerry K. Killinger
Thomas C. Leppert
Charles M. Lillis
Phillip D. Matthews
Regina T. Montoya
Michael K. Murphy
Margaret Osmer McQuade
Mary E. Pugh
William G. Reed, Jr.
Orin C. Smith
James H. Stever

In February 2007, the Company amended its bylaws to add majority voting procedures for director elections. The new procedures apply to all uncontested director elections, which are elections in which the number of nominees does not exceed the number of directors to be elected. Beginning with the 2007 Annual Meeting, in an uncontested election, any nominee who does not receive the vote of a majority of the shares cast shall promptly offer his or her resignation to the Board following the meeting at which the election occurred. A vote of the majority of shares cast means that the number of shares voted for a director exceeds the number of votes affirmatively voted as withheld from that director. The Company's Governance Committee will promptly consider the resignation offer and make a recommendation to the Board. The Board will then act on the Governance Committee's recommendation within 90 days following the shareholder meeting at which the election occurred. Thereafter, the Board will promptly disclose publicly its decision whether to accept the director's resignation offer. The director who tenders his or her resignation pursuant to this provision will not participate in the Governance Committee's recommendation or the Board's decision on whether to accept his or her resignation offer.

During 2006, the Company amended its articles of incorporation and bylaws to declassify our Board of Directors. As a result, each of our directors will be eligible to serve for a one-year term beginning with the 2007 Annual Meeting, rather than a three-year term under our prior procedures. To facilitate the transition from classified three-year terms to one-year terms, each director whose current term would not otherwise expire at the Annual Meeting will tender his or

her resignation to our Company effective immediately before the Annual Meeting. Consequently, all 13 of our directors are standing for re-election at the Annual Meeting.

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 our Board of Directors. Proxies granted may not be voted for a greater number of nominees than the 13 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.

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

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Current Directors

Below is information regarding each of our current directors, all of whom have been nominated for re-election at the Annual Meeting. Except as otherwise indicated, each director has been engaged in the principal occupation described below for at least five years.

Anne V. Farrell

Director since 1994

Mrs. Farrell, age 71, 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. She also serves as a director of Recreational Equipment, Inc. (R.E.I.).

Stephen E. Frank

Director since 1997

Mr. Frank, age 65, 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

Mr. Killinger, age 57, is our Chairman and Chief Executive Officer, and was our President until 2005. Mr. Killinger became our President and a director in 1988, our Chief Executive Officer in 1990 and our 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

Mr. Leppert, age 52, retired as the Chairman and Chief Executive Officer of The Turner Corporation on December 31, 2006. He held those positions since September 1999. Turner is one of the nation's largest general construction companies with its 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 the White House staff, where he worked primarily on banking, finance and international trade issues.

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Charles M. Lillis

Director since 2005

Mr. Lillis, age 65, 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 its 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

Mr. Matthews, age 67, is currently the Chairman of WaterPik Technologies, Inc. and lead director of Wolverine World Wide, Inc., where he was Chairman from 1993 through 1996. From 1996 through 2005 he was the Chairman of Worldwide Restaurant Concepts, Inc. 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 a director of WaterPik Technologies, Inc., Wolverine World Wide, Inc., Orco Construction Supply, Inc. and Trojan Battery Company.

Regina T. Montoya

Director since 2006

Ms. Montoya, age 53, has been the Chief Executive Officer of New America Alliance since September 2005, where her responsibilities include developing strategic and tactical plans to fulfill the Alliance'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.

Michael K. Murphy

Director since 1985

Mr. Murphy, age 69, is the retired 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.

Margaret Osmer McQuade

Director since 2002

Ms. Osmer McQuade, age 68, has been President of Qualitas International, an international consulting firm, since 1993. She also serves as a director of River Capital International LLC.

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Mary E. Pugh

Director since 1999

Ms. Pugh, age 47, 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.

William G. Reed, Jr.

Director since 1970

Mr. Reed, age 68, 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 from January 2001 through December 2002 and lead independent director from 2002 through 2004.

Orin C. Smith

Director since 2005

Mr. Smith, age 64, 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

Mr. Stever, age 63, retired as Executive Vice President, Public Policy, of US WEST, Inc., a telecommunications company, on December 31, 1996, a position he 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.

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Corporate Governance

We value strong corporate governance principles and adhere to the highest ethical standards. These principles and standards, along with our core values of fairness, caring, human, dynamic and driven, assist us in achieving our corporate mission. To foster strong corporate governance and business ethics, our Board of Directors continues to take many steps to strengthen and enhance our corporate governance practices and principles. To that end, we have 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 our most significant governance principles as embodied in our Corporate Governance Guidelines, and our current practices with respect to many other aspects of strong corporate governance. The full text of our Corporate Governance Guidelines is available on our website at www.wamu.com/ir. Our shareholders may also obtain a written copy of the guidelines at no cost by writing to us at 1301 Second Avenue, Seattle, Washington, 98101, Attention: Investor Relations Department, or by calling (206) 500-1005.

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

Board of Directors Independence

We currently have 13 directors. Our Corporate Governance Guidelines require that the Board consist predominantly of non-management directors. This means directors who are not currently, and have not been, employed by us during the most recent three years. Currently, our Chief Executive Officer is our only director who is also a member of management.

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

Our 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 (the SEC) rules and regulations. In accordance with applicable NYSE rules, we have established categories of immaterial relationships that are deemed not to have any bearing on a director's independence. Accordingly, our 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 us 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 us 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 us, or to which we are indebted, and the total amount of indebtedness 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 our discretionary contributions to the organization during the most recent calendar year are no greater than the greater of \$250,000 or one percent (1%) of that organization's total annual

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consolidated gross revenues (determined for the most recent completed fiscal year). Our automatic matching of employee charitable contributions will not be included in the amount of the our 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;
- if the director or a member of his or her immediate family maintains one or more deposit accounts with us, 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; or
- if the director maintains a credit card with the Company or a Company subsidiary pursuant to the Company's Employee Card program for employees and directors, or if a member of his or her immediate family maintains a credit card account with the Company or a Company subsidiary where there is no obligation or requirement to maintain the existence of such account and such account exists on terms and conditions that are generally no more favorable than those widely offered to the Company employees in the program.

In February 2007, the Company's Board determined that Anne Farrell, Stephen Frank, Thomas Leppert, Charles Lillis, Phillip Matthews, Regina Montoya, Michael Murphy, Margaret Osmer McQuade, William Reed, Jr., Orin Smith and James Stever are independent directors in accordance with our Corporate Governance Guidelines because they have no relationships with us that are outside of the categorical standards listed above. Willis B. Wood, Jr., a director of our Company until April 18, 2006, was found to be an independent director in February 2006. In addition, the Board found that Kerry Killinger and Mary Pugh are not independent because of the following:

- Mr. Killinger is one of our executive officers.
- Ms. Pugh is the founder and President of Pugh Capital Management, a company with which we transacted business in 2006 and prior years. Our Board has determined that this relationship was a material relationship. We have more fully discussed this relationship in "Related Transactions and Other Matters" on page 49 of this Proxy Statement.

For the Company directors determined to be independent in 2007, the Board considered the following relationships:

- Each of Messrs. Frank, Reed and Smith is a member of the board of directors of one or more companies with which our Company transacted business in the ordinary course in 2006. In each instance, the amount of 2006 payments to or by our Company was significantly below the Company's categorically immaterial amount, as contained in the Company's Corporate Governance Guidelines.
- Messrs. Stever and Reed, and Ms. Montoya and Mrs. Farrell each has one or more deposit accounts with our Company, and Mrs. Farrell and Osmer McQuade, and Messrs. Frank, Lillis, Leppert, Murphy, Reed and Stever each have a credit card account with our Company, in each case pursuant to our Company card program for employees and directors.
- Mrs. Farrell and Messrs. Frank and Smith each is a member of the board of trustees of one or more charitable entities to which the Company's foundation made a cash donation during 2006. In each case, the amount contributed was significantly below the Company's categorically immaterial amount, as

contained in the Company's Corporate Governance Guidelines.

The Company's Board also determined in February 2007 that all of the members of our Audit Committee are independent in accordance with our 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 Company's Board of Directors has separate and specific obligations enumerated in our 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, our Board and its committees have the authority to retain and establish the fees of outside legal, accounting or other advisors, as necessary, to carry out their responsibilities.

Our 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, our directors must disclose all business relationships with the Company and with any other person doing business with us to the entire Board and to recuse themselves from discussions and decisions

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affecting those relationships. We periodically solicit information from directors in order to monitor potential conflicts of interest and to confirm director independence.

Communication With Directors

Individuals may submit communications to any individual director, including our presiding director, our Board as a group, or a specified Board committee or group of directors, including our non-management directors, by sending the communications in writing to the following address: Washington Mutual, Inc., 1301 Second Avenue, Seattle, Washington 98101. All correspondence should indicate to whom it is addressed. A member of the Company's Office of the Corporate Secretary will sort the Board correspondence to classify it based on the following categories into which it falls: shareholder correspondence, commercial correspondence, regulator correspondence or customer correspondence. Each classification of correspondence will be handled in accordance with a policy unanimously approved by the Board.

Director Education and Evaluation

All directors are expected to be knowledgeable about the Company and our industry and to understand their duties and responsibilities as directors. They may gain this knowledge by attending Board meetings; periodic director training sessions; educational seminars; and regular meetings with management; and by reading appropriate industry, corporate governance and directorship literature. We frequently conduct in-house director education programs on relevant topics. In addition, our directors are encouraged to attend education sessions provided by third-party groups, and we reimburse them for their reasonable costs of attendance. In 2006, we conducted in-house director education sessions on three occasions.

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

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

Director Nomination Process

Our Governance Committee is responsible for reviewing with the Board annually the appropriate skills and characteristics required of our Board members, and for selecting, evaluating and recommending nominees for election by our shareholders. The Governance Committee may use one or more third party search firms to assist in this purpose. During 2006, an executive search firm assisted the committee in identifying the Company's newest director, Ms. Motoya.

The following are the General Criteria for Nomination to the Board, as adopted by our Board. These General Criteria set forth the traits, abilities and experience that, at a minimum, our 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 our shareholders and other constituencies.
- Directors should have reputations, both personal and professional, consistent with the image and reputation of Washington Mutual.

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- Each director should have relevant experience and expertise and be able to add value and offer advice and guidance to our Chief Executive Officer based on that experience and expertise.
- Other important factors to be considered in seeking directors include current knowledge and contacts in our industry and other industries relevant to our 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 our 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 our shareholders and other constituencies.
- Each director should have the ability to exercise sound business judgment.
- Directors should be selected so that our Board of Directors is a diverse body reflecting gender, ethnic background, professional experience, current responsibilities and community involvement.

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The Chair of the Company's Governance Committee may authorize our Chairman of the Board or any other representative of our 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 our bylaws.

Our shareholders may propose director candidates for consideration by the Company's Governance Committee by submitting the individual's name and qualifications to our Secretary at 1301 Second Avenue, Seattle, WA 98101. Our Governance Committee will consider all director candidates properly submitted by our shareholders in accordance with our Corporate Governance Guidelines. Shareholders who wish to nominate candidates for election to our Board at our Annual Meeting of Shareholders must follow the procedures outlined in Shareholder Proposals for the 2008 Annual Meeting set forth on page 60 of this Proxy Statement.

Majority Voting for Directors

In February 2007, the Company amended its bylaws to add majority voting procedures for director elections. Our new procedures apply to all uncontested director elections, which are elections in which the number of nominees does not exceed the number of directors to be elected. Beginning with the 2007 Annual Meeting, in an uncontested election, any nominee who does not receive the vote of a majority of the shares cast shall promptly offer his or her resignation to our Board following the meeting at which the election occurred. A vote of the majority of shares cast means that the number of shares voted for a director exceeds the number of votes affirmatively voted as withheld from that director. The Company's Governance Committee will promptly consider the resignation offer and make a recommendation to the Board. The Board will then act on the Governance Committee's recommendation within 90 days following the shareholder meeting at which the election occurred. Thereafter, the Board will promptly disclose publicly its decision whether to accept the director's resignation offer. The director who tenders his or her resignation pursuant to this provision will not participate in the Governance Committee's recommendation or the Board's decision whether to accept his or her resignation offer. Our Corporate Governance Guidelines contain additional procedures that the Company adopted to implement our new majority voting bylaws.

Director Retirement

When our directors reach age 72, they must tender their resignation to our Chairman of the Board before the next occurring annual meeting of shareholders. Our Chairman will refer the resignation to the Board's Governance Committee for review. Our Board will decide, in light of the circumstances and the recommendation of the Governance Committee, the date on which the resignation will become effective. A majority of the Company's remaining directors may fill a vacancy created by a director's retirement in accordance with our 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 our shareholders. In addition, we require that directors tender their resignation when their present position or job responsibility changes significantly. Our 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

Our Board of Directors currently holds eight full Board meetings each year. All of our directors are encouraged to attend each meeting in person. Our 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, all of our directors are expected to arrive at each Board and committee meeting having reviewed and analyzed the materials

for the meeting.

All of our non-management directors generally meet in executive session at every regularly scheduled Board meeting, both with and without our Chief Executive Officer present. All directors who are determined to be independent meet in executive session once per year. Our non-management directors will annually select one of their own to be the presiding director at executive sessions. In December 2006, Mr. Frank was selected as the presiding director at all executive sessions.

Director Attendance at Company Annual Meetings

All of our directors are encouraged to attend every Company annual meeting of shareholders. To help ensure that our directors are available at the time of the annual meeting, we typically schedule Board and Board committee meetings on the

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day of and the day before the annual meeting. All of our directors attended our annual meeting of shareholders held on April 18, 2006.

Director Contact with Management

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

Investment Expectations of Directors and Executives and Senior Employees

Each of our non-employee directors are expected to maintain stock ownership in our Company in an amount that is meaningful and which should have a value of at least three times the annual director cash retainer. New directors may achieve this requirement over a three-year period.

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

Chief Executive Officer	WaMu stock ownership with a value of at least ten times base salary.
Other Executives and Certain Senior Officers	WaMu stock ownership with a value of at least three or four times base salary, depending on position level.

For purposes of the above guidelines, WaMu stock ownership includes shares of our common stock held outright, Company common stock held in our 401(k) Plan, phantom stock held in our Deferred Compensation Plan, and unvested shares of restricted stock. The Company's Human Resources Committee receives a report at each meeting indicating the stock ownership of each executive 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

We have implemented a Code of Ethics applicable to our Chief Executive Officer, President, Chief Financial Officer, Principal Accounting Officer, and our other senior financial officers, and a Company Code of Conduct applicable to all of our officers, employees and directors. Our Code of Ethics provides fundamental ethical principles to which these senior financial officers are expected to adhere. Our Code of Conduct operates as a tool to help our officers, employees and directors understand and adhere to the high ethical standards required for employment by, or association with, Washington Mutual. Both our Code of Ethics and our Code of Conduct are available on our Investor Relations website at www.wamu.com/ir. Our shareholders may also obtain written copies at no cost by writing to us at 1301 Second Avenue, Seattle, Washington 98101, Attention: Investor Relations Department, or by calling (206) 500-5200. Any future changes or amendments to our Code of Ethics or Code of Conduct and any waiver that applies to one of our senior financial officers or a member of our Board of Directors will be posted to our Investor Relations website.

Board Meetings and Attendance

During 2006, our Board of Directors met eight times. All of our directors attended at least 75% of the aggregate of the total number of meetings of our Board and the total number of all meetings held by committees on which he or she served.

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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

AUDIT

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

HUMAN RESOURCES

James H. Stever (Chair)
Stephen E. Frank
Charles M. Lillis
Phillip D. Matthews
Margaret Osmer McQuade

GOVERNANCE

William G. Reed, Jr. (Chair)
Anne V. Farrell
Thomas C. Leppert
Phillip D. Matthews
Margaret Osmer McQuade
Orin C. Smith
James H. Stever

2006 Meetings and General Committee Functions

Meetings in 2006: 9

- Assists with the oversight of the integrity of our financial reporting process and financial statements and systems of internal controls;
- Assists with the oversight of our 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 our internal audit function.

Meetings in 2006: 5

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

Meetings in 2006: 4

- Develops and recommends to our Board of Directors governance guidelines and principles for our Company and takes a leadership role in shaping our corporate governance;
- Identifies individuals qualified to become directors consistent with criteria confirmed by the Board, and recommends to our Board candidates for directorship;
- Reviews and makes recommendations to our Board concerning the strategic planning process of the Company developed by management; and

- Assists in the operation of the Company's majority voting director election procedures.

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Committees

FINANCE

Mary E. Pugh (Chair)
Anne V. Farrell
Stephen E. Frank
Charles M. Lillis
Regina T. Montoya
Margaret Osmer McQuade
Michael K. Murphy
William G. Reed, Jr.

CORPORATE DEVELOPMENT

Kerry K. Killinger (Chair)
Stephen E. Frank
Charles M. Lillis
Phillip D. Matthews
James H. Stever

CORPORATE RELATIONS

Anne V. Farrell (Chair)
Thomas C. Leppert
Regina T. Montoya
Michael K. Murphy
Mary E. Pugh
James H. Stever

2006 Meetings and General Committee Functions

Meetings in 2006: 5

- Approves and monitors the administration of policies addressing the Company's allocation of capital and the Company's management of market and credit risk;
- Monitors the development and implementation of strategies that guide the Company's financial management activities; and
- Reviews and makes recommendations with respect to the payment of dividends, the issuance and repurchase of equity, and the issuance and retirement of debt.

Meetings in 2006: 1

- Reviews, on a case-by-case basis, with our management, all transactions not in the ordinary course of business.

Meetings in 2006: 3

- Monitors our charitable giving and community service activities, including implementation of our ten-year \$375 billion Community Commitment initiated in 2001; and
- Monitors the Company's public policy and political activities, including political contributions.

Committee Independence and Additional Information

The Company's Audit Committee, Governance Committee and Human Resources Committee are currently composed entirely of independent directors, as defined by our Corporate Governance Guidelines and applicable NYSE and SEC rules and regulations. Each of our committees has a written charter, which may be obtained on our website at www.wamu.com/ir. Company shareholders may also obtain written copies of the charters at no cost by writing to us at 1301 Second Avenue, Seattle, Washington 98101, Attention: Investor Relations Department, or by calling (206) 500-1005.

The chair of each committee is responsible for establishing committee agendas. The agenda, meeting materials and the minutes of each committee meeting are furnished in advance to all of our directors, and each committee chair reports on his or her committee's activities to the full Board.

Audit Committee Financial Expertise

The Company's Board determined in February 2007 that Mr. Frank qualifies as our audit committee financial expert, as defined by the rules and regulations of the SEC. The Board further determined that each member of our Audit Committee is financially literate and has accounting or related financial management expertise, as such qualifications are defined pursuant to the rules of the NYSE.

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Human Resources Committee Processes and Procedures

Overview

Our Human Resources Committee is comprised of five outside directors, each of whom has been determined by our Board to be independent as that term is defined by the NYSE. Members are nominated by the Governance Committee and approved by the Board. The current members of the Committee are:

James Stever, Chair
Stephen Frank
Charles Lillis
Phillip Matthews
Margaret Osmer McQuade

How the Human Resources Committee Operates

The Human Resources Committee operates under a written charter that specifies that the Committee is responsible for the general oversight of the Company's compensation policies and practices, including those that relate to the Company executives listed in the Summary Compensation Table on page 30 of this Proxy Statement. In this Proxy Statement we refer to those executives as our Named Executives. The Human Resources Committee reviews its charter annually and may recommend changes it considers appropriate to the Governance Committee and with that committee's approval, to the full Board. In December of each year, the Human Resources Committee also conducts an annual self-evaluation to assess its performance for the year. The Human Resources Committee has regularly scheduled meetings in January, July, October and December, and has special meetings whenever necessary to fulfill its responsibilities. In 2006, the Human Resources Committee met five times. It may act by unanimous written consent or by delegating its authority to one or more officers of the Company, although it does not delegate to officers the authority to determine the form or amount of an executive officer's compensation. During most meetings, the members meet in executive session to discuss a variety of matters; the Committee also meets with various members of management, outside counsel and outside consultants to gain additional insight and perspective with respect to such matters as management succession, the CEO evaluation, legal matters, pension plan performance and compensation and benefits issues generally.

The Human Resources Committee's Responsibilities

The Human Resources Committee assists the Board in fulfilling the following responsibilities:

- n Establishing, developing and administering our executive officer compensation programs and long-term incentive plans;
- n Overseeing and administering our benefit plans;
- n Annually evaluating our CEO's performance and setting his compensation amounts accordingly with input from the full Board;
- n Reviewing and coordinating the full Board's approval of the CEO's goals; and
- n Reviewing the CEO's succession planning.

Specifically, the Human Resources Committee is responsible for annually reviewing and approving the base salary, the target annual bonus, and any long-term incentive awards for the CEO and the other Named Executives. In this regard, the Human Resources Committee approves the performance measures to be used in executive, management, and broad-based employee incentive plans and the levels of performance for which incentive compensation is to be paid. With respect to the compensation of our CEO, the Human Resources Committee annually approves financial and leadership goals and objectives relevant to the CEO's compensation and evaluates the CEO's performance in light of those goals. The Human Resources Committee is also responsible for approving the base salary, annual target bonus and any long-term incentive awards for our senior executives with a corporate title of Executive Vice President, and certain of our executives with a corporate title of Senior Vice President. In addition, the Human Resources Committee meets annually to review the Company's performance for purposes of determining the annual bonus paid to Named Executives and other officers by certifying the results under our Company's Leadership Bonus Plan.

The Human Resources Committee is also responsible for establishing base salary, target annual bonus and long-term incentive awards for newly-hired executives who will be members of our Executive Committee in their role with the Company. To facilitate negotiations with talented executive candidates, the Committee has approved a standard offer letter and guidelines for base salary, target annual bonus, and long-term incentive awards for newly hired executives who will be

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members of our Executive Committee, and has delegated authority to the Committee's chair to approve employment offer letters that fall within the guidelines. Offers that do not fall within the guidelines must be approved by the Human Resources Committee.

The Human Resources Committee is authorized to directly engage its own outside consultants, and for 2006 the Human Resources Committee directly retained Towers Perrin to assist in collecting and analyzing competitive compensation data, advising the Human Resources Committee regarding compensation best practices and trends, and assisting in the design and development of the Company's executive compensation program. The Committee meets in executive session annually to review the performance of the outside compensation consultant, assess the firm's objectivity, and generally assess the quality of the services Towers Perrin provides. Based on this assessment, the Committee decides whether to retain the outside compensation consultant for the upcoming year, or to conduct a search for a new compensation consultant.

The Company's CEO provides recommendations to the Human Resources Committee regarding Named Executives compensation and is responsible for conducting the performance evaluations for them. The Company's Chief Human Resources Officer, and members of his department, also support the Human Resources Committee and provide recommendations regarding the amount and form of compensation paid to executive officers.

The Human Resources Committee also administers the Company's Amended and Restated 2003 Equity Incentive Plan, and has delegated the authority to the Chief Human Resources Officer to grant stock options, restricted stock and performance shares under that plan to executives who are not executive officers of the Company.

While Towers Perrin has been engaged by, and directly reports to the Committee, the Committee has authorized Towers Perrin to interact with the Company's management on behalf of the Committee, as necessary. There are a number of reasons for this interaction with Company management. Before regularly scheduled Human Resources Committee meetings, Towers Perrin meets with management to review the materials that will be presented to and discussed by the Committee and, when relevant, any proposals on which management will ask the Committee to act. At other times, Towers Perrin may contact management to obtain or confirm information that is necessary for the consultant to effectively advise the Committee on a variety of ad-hoc requests and inquiries made by the Committee. The parameters for this interaction were established when the Committee originally retained Towers Perrin as its advisor.

Table of Contents**PRINCIPAL HOLDERS OF COMMON STOCK**

This table shows information regarding beneficial ownership of the Company's common stock by the only entities known by us to have owned more than 5% of the outstanding shares of our common stock on December 31, 2006.

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percent of Class⁽¹⁾
Capital Research and Management Company 333 South Hope Street Los Angeles, CA 90071	124,702,550 ⁽²⁾	13.2%
Barclays Global Investors, NA 45 Fremont Street San Francisco, CA 94105	63,098,000 ⁽³⁾	6.67
Capital Group International, Inc. 11100 Santa Monica Boulevard, 15th Floor Los Angeles, CA 90025	53,522,900 ⁽⁴⁾	5.7

- (1) Based on 944,478,961 shares outstanding (including 6,000,000 shares of Company common stock held in escrow) as of December 31, 2006.
- (2) Based solely on a review of the Schedule 13G/A filed by Capital Research and Management Company with the SEC on February 12, 2007. As reported on the Schedule 13G/A, Capital Research is an investment advisor registered under the Investment Advisors Act of 1940 and has sole voting power with respect to 27,268,550 shares and sole dispositive power with respect to 124,702,550 shares, and has disclaimed beneficial ownership of the shares pursuant to Rule 13d-4 of the Securities Exchange Act of 1934.
- (3) Based solely on a review of the Schedule 13G filed by Barclays Global Investors, NA and its affiliate funds with the SEC on January 23, 2007. As reported in the Schedule 13G, Barclays holds the shares in trust accounts for the economic benefit of the beneficiaries of those accounts and has sole voting power with respect to 55,455,621 shares and sole dispositive power with respect to 63,098,000 shares.
- (4) Based solely on a review of the Schedule 13G/A filed by Capital Group International, Inc. with the SEC on February 12, 2007. As reported on the Schedule 13G/A, Capital Group is the parent holding company of a group of investment management companies that provide investment advisory and management services for their respective clients, which includes registered investment companies and institutional accounts. As further reported in the Schedule 13G/A, Capital Group has sole voting power with respect to 42,594,570 shares and sole dispositive power with respect to 53,522,900 shares, and has disclaimed beneficial ownership of the shares pursuant to Rule 13d-4 of the Securities Exchange Act of 1934.

Table of Contents**SECURITY OWNERSHIP OF DIRECTORS
AND EXECUTIVE OFFICERS**

This table and the accompanying footnotes provide a summary of the beneficial ownership of our common stock as of February 28, 2007, by (i) our directors, (ii) our Chief Executive Officer, (iii) our Chief Financial Officer, (iv) our other Named Executives and (v) all of our current directors and executive officers as a group. The following summary is based on information furnished by the respective directors and officers.

Each listed person individually owns less than 1% of the outstanding shares and voting power of our common stock, and our directors and executive officers as a group hold approximately 1.2%. Except as indicated in the footnotes to the table below, each person has sole voting and investment power with respect to the shares he or she beneficially owns.

Name	Common	Options	Total	Phantom	Total
	Stock ⁽¹⁾	Exercisable ⁽²⁾	Beneficial	Stock ⁽⁴⁾	Stock-Based
	A	B	C	D	E
Thomas W. Casey	179,784 ⁽⁶⁾	622,066	801,850		801,850
James B. Corcoran	35,408 ⁽⁷⁾		35,408		35,408
Anne V. Farrell	17,224 ⁽⁸⁾	46,333	63,557	2,916	66,473
Stephen E. Frank	34,472 ⁽⁹⁾	46,333	80,805	2,916	83,721
Kerry K. Killinger	1,468,476 ⁽¹⁰⁾	5,668,596	7,137,072	480,396	7,617,468
Thomas C. Leppert	3,280 ⁽¹¹⁾	3,333	6,613	2,125	8,738
Charles M. Lillis	8,280 ⁽¹²⁾	3,333	11,613	1,059	12,672
Phillip D. Matthews	28,679 ⁽¹³⁾	48,708	77,387	2,916	80,303
Regina T. Montoya	1,587 ⁽¹⁴⁾		1,587	285	1,872
Michael K. Murphy	30,177 ⁽¹⁵⁾	46,333	76,510	9,457	85,967
Margaret Osmer McQuade	25,768 ⁽¹⁶⁾	21,018	46,786	2,916	49,702
Mary E. Pugh	7,431 ⁽¹⁷⁾	37,333	44,764	2,916	47,680
William G. Reed, Jr.	176,799 ⁽¹⁸⁾	8,333	185,132	23,098	208,230
Stephen J. Rotella	386,981 ⁽¹⁹⁾	241,432	628,413		628,413
Joseph Saunders ⁽²⁰⁾	171,470 ⁽²¹⁾	215,457	386,927		386,927
Orin C. Smith	7,280 ⁽²²⁾	3,333	10,613	442	11,055
James H. Stever	38,507 ⁽²³⁾	46,333	84,840	2,916	87,756
All directors and current executive officers as a group (23 persons) ⁽²⁴⁾	3,006,680	8,099,867	11,106,547	534,394	11,640,941

(1) All fractional shares in this table have been rounded to the closest whole share.

(2) In accordance with applicable SEC rules, only options that are exercisable within 60 days after February 28, 2007 are included in this column.

(3) The amounts in this column are derived by adding shares and options listed in columns A and B of the table.

- (4) This column includes shares of phantom stock attributable to the account of the executive or director based on such individual's deferral of compensation into the Company's Deferred Compensation Plan. These shares are not shares of Company common stock and confer no voting rights.
- (5) The amounts contained in this column are derived by adding the amounts in columns C and D of the table.
- (6) Includes 177,253 shares of restricted stock.
- (7) Includes 35,408 shares of restricted stock.
- (8) Includes 3,264 shares of restricted stock.
- (9) Includes 3,263 shares of restricted stock.
- (10) Includes 155,943 shares held by grantor retained annuity trust and 411,438 shares of restricted stock.
- (11) Includes 1,587 shares of restricted stock.
- (12) Includes 1,587 shares of restricted stock.
- (13) Includes 10,000 shares held in a family trust and 2,887 shares of restricted stock.
- (14) Includes 1,587 shares of restricted stock.

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- (15) Includes 3,264 shares of restricted stock.
- (16) Includes 1,587 shares of restricted stock.
- (17) Includes 2,629 shares of restricted stock.
- (18) Includes 3,264 shares of restricted stock.
- (19) Includes 288,373 shares of restricted stock.
- (20) Mr. Saunders' employment with the Company ended on February 28, 2007.
- (21) Includes 138,679 shares held by trust and 31,031 shares of restricted stock.
- (22) Includes 1,587 shares of restricted stock.
- (23) Includes 1,800 shares held by a family foundation and 3,264 shares of restricted stock.
- (24) Does not include Mr. Saunders, whose employment ended on February 28, 2007. Includes 2,385 shares held in the WaMu Savings (401(k)) Plan, 1,022 shares held in personal retirement accounts, and 1,456,298 shares of restricted stock.

Compensation of Non-Employee Directors

The Company's Board of Directors, acting upon a recommendation from the Governance Committee, annually determines the non-employee directors' compensation for serving on the Board and its committees. In establishing director compensation, the Board and the Governance Committee are guided by the following goals:

- n Compensation should consist of a combination of cash and equity awards that are designed to fairly pay the directors for work required for a company of our Company's size and scope;
- n Compensation should align the directors' interests with the long-term interests of shareholders; and
- n Compensation should assist with attracting and retaining qualified directors.

In making its recommendation, the Governance Committee considers information received from Towers Perrin, the compensation consulting firm, regarding competitive information on outside director compensation for Fortune 500 companies generally and for individual peer banks. Towers Perrin also provides recommendations for the Company's program. The chair of the Governance Committee engages Towers Perrin to perform the analysis provided to the Committee. The Governance Committee and Board most recently completed this process in December 2006, and determined that our director compensation for 2007 should remain unchanged from 2006. The Company does not pay director compensation to directors who are also our employees. Below are the elements of compensation paid to non-employee directors for their service on our Board:

Cash Compensation

Company non-employee directors receive the following cash payments for their service on our Board of Directors and Board committees:

- n an annual cash retainer of \$60,000;
- n \$750 for attendance at each purely telephonic Board meeting or committee meeting;
- n \$1,500 for attendance in person or by telephone at each other Board meeting or committee meeting;
- n an annual retainer of \$10,000 to the chair of each of the Finance, Human Resources and Governance Committees;
- n an annual retainer of \$7,500 to the chair of the Corporate Relations Committee;
- n an annual retainer of \$15,000 to the chair of the Audit Committee; and
- n an annual cash retainer of \$5,000 for the non-management director who is selected to be the presiding director at executive sessions of the Board.
- n Each Corporate Development Committee member receives an annual cash retainer of \$6,000 in lieu of any fees for committee meeting attendance.

Directors who resign or retire from the Company's Board receive a prorated portion of the applicable cash retainers based upon their service on the Board and Board committees during the year. During 2006, the Company did not provide perquisites to any director in an amount that is reportable under applicable SEC rules and regulations. The Company directly pays or reimburses all non-employee directors for parking, travel and accommodation expenses in connection with attendance at Board and committee meetings. When a director retires from our Board, it is our practice to make a \$10,000 cash donation in the retiring director's name to a charitable entity selected by the director.

Table of Contents**Stock Compensation**

Each non-employee director is eligible for an annual grant of either options to purchase Company common stock or shares of restricted stock issued from our Amended and Restated 2003 Equity Incentive Plan, as recommended by our Governance Committee. The options and restricted stock that the Company awards to our directors vest on the first anniversary of the date of grant, subject to earlier vesting on termination of service in certain circumstances. Shares of restricted stock for directors accrue regularly-declared Company dividends in the form of additional shares of restricted stock.

Deferred Compensation

Company directors are also eligible to participate in the Company's Deferred Compensation Plan, which is described in greater detail on page 40 of this Proxy Statement. The Deferred Compensation Plan allows eligible directors to defer their vested restricted stock and their fees and retainers payable for their service on the Board and Board committees.

In accordance with applicable SEC rules and regulations, the following table reports all compensation the Company paid to non-employee directors during 2006.

Director Compensation in 2006

Name	Fees Earned or Paid in Cash (\$)⁽²⁾	Stock Awards (\$)⁽³⁾	Option Awards (\$)⁽⁴⁾	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)⁽⁵⁾	All Other Compensation (\$)⁽⁶⁾	Total (\$)
Anne V. Farrell	93,000	66,185	30,427	8		189,620
Stephen E. Frank	122,750	66,185	30,427	4,822	46,600	270,784
Thomas C. Leppert	91,500	66,185	27,345	4		185,034
Charles M. Lillis	90,750	66,185	27,345			184,280
Phillip D. Matthews	99,000	66,185	30,427			195,612
Regina T. Montoya	53,500			2		53,502
Michael K. Murphy	94,500					