

Edgar Filing: WASHINGTON MUTUAL INC - Form 424B3

WASHINGTON MUTUAL INC
Form 424B3
October 30, 2001

As filed Pursuant to Rule 424b3
Registration No. 333-68524

SUPPLEMENT TO THE PROXY STATEMENT/PROSPECTUS DATED OCTOBER 12, 2001

[DIME BANCORP, INC. LOGO]

SUPPLEMENTAL INFORMATION REGARDING WASHINGTON MUTUAL, INC.
AND DIME BANCORP, INC.

RECENT DEVELOPMENTS

THIRD QUARTER RESULTS

Washington Mutual. On October 16, 2001, Washington Mutual reported its preliminary financial results for the third quarter of 2001. We urge you to read Washington Mutual's Current Report on Form 8-K, filed with the SEC on October 17, 2001 which describes these results more fully.

Earnings for the third quarter of 2001 included full-quarter results from the former Fleet Mortgage Corp., which was acquired on June 1, 2001, as well as the former mortgage operations of The PNC Financial Services Group, Inc. and Bank United Corp. These acquisitions were accounted for as purchase transactions and, therefore, the operating results of the acquired institutions are not included in prior periods.

Net income for the third quarter of 2001 was \$832.3 million, or \$.94 per diluted share, compared to net income of \$452.5 million, or \$.57 per diluted share, for the third quarter of 2000. Washington Mutual declared a dividend on common stock of \$.24 per share compared to \$.23 per share for the prior quarter.

Net interest income for the third quarter of 2001 was \$1.82 billion compared to \$1.03 billion for the comparable quarter of 2000, largely as a result of improved net interest margin. Net interest margin for the third quarter was 3.53% compared to 2.31% for the third quarter of 2000 and 3.21% for the second quarter of 2001, primarily as a result of a 75-basis point reduction in the Federal funds rate during the third quarter. Depositor and retail banking fees were \$333.4 million during the third quarter of 2001, an increase of 30% from \$256.4 million during the third quarter of 2000. The increase is largely the result of an increased number of checking accounts.

Total loan volume for the third quarter was \$47.22 billion, up 164% from \$17.89 billion for the third quarter of 2000. Washington Mutual's loan servicing operations generated a net expense of \$451.5 million as a result of a \$554.2 million addition to the impairment reserve for mortgage servicing rights. Washington Mutual's business and interest rate risk strategies produced gains from loans, the sales of securities and hedging transactions that exceeded the amount of the impairment.

The provision for loan and lease losses was \$200.0 million for the third quarter of 2001 compared to \$47.6 million for the third quarter of 2000. Net chargeoffs for the third quarter of 2001 were \$74.8 million compared to \$42.9 million for the third quarter of 2000 and \$75.6 million for the second quarter of 2001. At September 30, 2001, the allowance for loan and lease losses totaled \$1.29 billion as compared with \$1.01 billion at September 30, 2000. Total

Edgar Filing: WASHINGTON MUTUAL INC - Form 424B3

nonperforming assets (NPAs) were \$2.03 billion at September 30, 2001 compared to \$1.57 billion at June 30, 2001. Total NPAs represented 0.91% of total assets at September 30, 2001, compared to 0.68% at June 30, 2001.

Total assets at September 30, 2001 were \$223.64 billion, compared with \$229.30 billion at June 30, 2001 and \$190.78 billion at September 30, 2000. Stockholders' equity at September 30, 2001 was \$14.53 billion and the capital ratios of Washington Mutual's banking subsidiaries continued to exceed the regulatory requirements for classification as "well-capitalized," the highest regulatory standard.

Dime. On October 15, 2001, Dime reported its preliminary financial results for the third quarter of 2001. We urge you to read Dime's Current Report on Form 8-K, filed with the SEC on that date, which describes these results more fully.

At September 30, 2001, Dime had assets of \$27.1 billion and deposits of \$14.6 billion. Dime reported net income of \$96.9 million for the third quarter of 2001, or \$0.77 per diluted share, versus a net loss of \$16.5 million, or \$0.16 per diluted share, for the 2000 third quarter and net income of \$87.8 million, or \$0.72 per diluted share, for the 2001 second quarter (both the 2000 third quarter and the 2001 second quarter included adjustments for certain special charges).

Return on Dime's average assets was 1.45% and return on its average equity was 20.31% for the third quarter of 2001. In the third quarter of 2000, before special charges, return on average assets was 1.10% and return on average equity was 16.09%. In the second quarter of 2001, before special charges, return on average assets was 1.32% and return on average equity was 20.31%.

Dime's net interest income increased to \$189.4 million in the third quarter of 2001, up 20.8% from \$156.8 million in the third quarter of 2000 and 7.5% from \$176.2 million in the second quarter of 2001. The net interest margin for the 2001 third quarter was 3.23% versus 2.84% in the 2000 third quarter and 2.95% in the 2001 second quarter. The interest rate spread was 3.32%, 2.92% and 3.07% in the third quarter of 2001, the third quarter of 2000, and the second quarter of 2001, respectively.

At September 30, 2001, Dime's loans receivable portfolio totaled \$16.5 billion, compared with \$16.1 billion a year ago and \$16.2 billion at June 30, 2001. Non-residential loans receivable (i.e., commercial real estate, consumer, and business loans) represented 53.4% of total loans receivable at September 30, 2001, up from 50.2% at September 30, 2000 and 52.6% at June 30, 2001. At September 30, 2001, Dime serviced \$50.9 billion of loans for others, substantially all of which were residential real estate loans. This compares with \$42.6 billion at September 30, 2000 and \$49.2 billion at June 30, 2001.

At September 30, 2001, Dime's nonperforming assets were \$71.7 million, or 0.26% of total assets, compared with \$91.3 million, or 0.36% of total assets, at September 30, 2000 and \$72.4 million, or 0.27% of total assets, at June 30, 2001.

Dime's provision for loan losses was \$14.0 million in the 2001 third quarter, versus \$7.0 million in the 2000 third quarter and \$11.0 million in the 2001 second quarter. Net charge-offs were \$11.7 million in the 2001 third quarter, compared with \$3.8 million in the 2000 third quarter and \$7.9 million in the 2001 second quarter. Dime's allowance for loan losses was \$152.7 million at September 30, 2001 versus \$146.7 million at September 30, 2000 and \$150.3 million at June 30, 2001.

STOCK PRICES AND MERGER CONSIDERATION

Edgar Filing: WASHINGTON MUTUAL INC - Form 424B3

The following table sets forth the closing price of Washington Mutual common stock and Dime common stock on the last full trading day before the announcement of the merger, before the date of the proxy statement/prospectus and before the date of this supplement.

	WASHINGTON MUTUAL COMMON STOCK -----	DIME COMMON STOCK -----
June 22, 2001.....	\$38.90	\$36.88
October 11, 2001.....	\$36.04	\$38.00
October 23, 2001.....	\$31.60	\$34.88

2

Set forth below is the table shown on page 36 of the proxy statement/prospectus, which illustrates examples of the aggregate consideration and potential effects on the per share merger consideration and the implied exchange ratio based on fluctuations of Washington Mutual common stock. This table has been revised to reflect a wider range of hypothetical average prices for Washington Mutual common stock during the measurement period.

WM MEASUREMENT PERIOD AVERAGE STOCK PRICE (1)	PERCENTAGE CHANGE IN WM STOCK PRICE (2)	AGGREGATE CASH CONSIDERATION (\$MM)	AGGREGATE VALUE OF STOCK CONSIDERATION (\$MM) (3)	AGGREGATE CONSIDERATION (\$MM) (3)	VALUE OF CONSIDERATION PER DIME SHARE (4)
-----	-----	-----	-----	-----	-----
\$52.5042.....	+35%	\$1,429	\$4,847	\$6,276	\$51.0608
50.5596.....	+30	1,429	4,668	6,097	49.6002
48.6150.....	+25	1,429	4,488	5,917	48.1396
46.6704.....	+20	1,429	4,309	5,738	46.6790
44.7258.....	+15	1,429	4,129	5,558	45.2184
42.7812.....	+10	1,429	3,950	5,379	43.7578
40.8366.....	+5	1,429	3,770	5,199	42.2972
38.8920.....	--	1,429	3,591	5,020	40.8366
36.9474.....	-5	1,429	3,411	4,840	39.3760
35.0028.....	-10	1,429	3,232	4,661	37.9154
33.0582.....	-15	1,429	3,052	4,481	36.4548
31.1136.....	-20	1,429	2,872	4,301	34.9942
29.1690.....	-25	1,429	2,693	4,122	33.5336
27.2244.....	-30	1,429	2,513	3,942	32.0730
25.2798.....	-35	1,429	2,334	3,763	30.6124

(1) Average closing stock price of Washington Mutual common stock during the ten trading day measurement period.

(2) Percentage difference between average Washington Mutual common stock price during the ten trading day measurement period and \$38.8920, which was the average closing stock price for Washington Mutual common stock for the five trading days prior to announcement of the transaction on June 25, 2001.

(3) Aggregate stock consideration valued using the pre-closing average stock

Edgar Filing: WASHINGTON MUTUAL INC - Form 424B3

price for Washington Mutual common stock during the ten trading day measurement period (see column 1) and assuming that 92,321,144 shares of Washington Mutual common stock will be issued in the transaction (including with respect to Warburg's "deemed warrant shares" but not including merger consideration relating to stock options issued under Dime's stock-based benefit plans).

- (4) Stock consideration per Dime share and cash consideration per Dime share valued using the pre-closing average stock price for Washington Mutual common stock during the ten trading day measurement period (see column 1).

3

Set forth below is the table shown on page 38 of the proxy statement/prospectus, revised to show the effects of the pro ration of cash and Washington Mutual common stock for a wider range of hypothetical average prices for Washington Mutual common stock during the measurement period.

	IF 85% OF SHARES (INCLUDING DEEMED WARRANT SHARES) ELECT CASH, THEN:		IF 15% OF SHARES (INCLUDING WARRANT SHARES) ELECT CASH, THEN:	
	STOCKHOLDERS AND WARBURG WARRANTHOLDERS ELECTING STOCK WILL RECEIVE ALL WM SHARES, AND		STOCKHOLDERS AND WARRANTHOLDERS ELECTING CASH WILL RECEIVE ALL CASH, AND	
WM AVERAGE PRICE DURING PRE-CLOSING MEASUREMENT PERIOD	STOCKHOLDERS AND WARBURG WARRANTHOLDERS ELECTING CASH WILL RECEIVE:		STOCKHOLDERS AND WARRANTHOLDERS ELECTING STOCK WILL RECEIVE:	
	% OF DIME SHARES IN WM SHARES	% OF DIME SHARES IN CASH	% OF DIME SHARES IN WM SHARES	% OF DIME SHARES IN CASH
\$54.4488.....	74%	26%	92%	
\$50.5596.....	72%	28%	90%	
\$46.6704.....	71%	29%	88%	
\$42.7812.....	69%	31%	86%	
\$38.8920.....	67%	33%	84%	
\$35.0028.....	64%	36%	82%	
\$31.1136.....	61%	39%	79%	
\$27.2244.....	57%	43%	75%	
\$23.3352.....	53%	47%	71%	

WASHINGTON MUTUAL SHARE REPURCHASES

On October 19, 2001, Washington Mutual announced the resumption of its share repurchase program. Washington Mutual's board of directors had previously authorized the repurchase of up to 167 million shares of its common stock, under which 99.5 million shares have been repurchased. Washington Mutual will suspend its share repurchase program as of the mailing date of the proxy statement/prospectus in accordance with applicable SEC rules and regulations.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

Subsequent to the date of the proxy statement/prospectus, Washington Mutual and Dime have filed the following reports with the SEC, which reports are incorporated in this supplement by reference. The documents that are incorporated by reference contain important information about the companies and

Edgar Filing: WASHINGTON MUTUAL INC - Form 424B3

you should read this supplement together with the documents incorporated by reference into this supplement.

Washington Mutual

- Current Reports on Form 8-K dated October 17, 2001 and October 24, 2001, relating to the company's financial results for the quarter ended September 30, 2001.

Dime

- Current Report on Form 8-K dated October 15, 2001, relating to the company's financial results for the quarter ended September 30, 2001.

The date of this supplement is October 24, 2001. The proxy statement/prospectus and this supplement are first being mailed to Dime stockholders on or about October 25, 2001.

3780-SUP-01