IRA Bank Monitor Reports

by Institutional Risk Analytics

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This report created for rc whalen (chris@rcwhalen.com)

Institutional Risk Analytics

Individual Bank/Thrift Unit Report

Data Source: Federal Deposit Insurance Corporation. Values reported cumulative to the reporting quarter. Data in thousands unless otherwise noted. Selected rates pre-computed by FDIC are factored by the agency to annual rates.

Washington Mutual Bank

as of June-2008

2273 N. GREEN VALLEY PKWY.
HENDERSON, NV, 89014
STATISTICAL PEER COUNT: 26

Key Safety and Soundness Indicators

IRA Surveillance Benchmarks

Indexed measurements of each institutions for this period compared to overall industry benchmarks brought together into a overall index where 1995 = 1 and numbers > 1 evidence stress above that level. Each index component can have a maximum stress value of 100 corresponding to a two order of magnitude shift in the underlying computations versus the industry index for the period.

	Overall	ROE	Loan Defaults	Capital	Lending Capacity	Efficiency
Stress Index	21.6	> 100.0 *Negative ROE*	4.8	1.1	1.1	0.9
Industry Benchmark	1.4	1.8	2.1	1.0	1.2	1.1

Capital Adequacy

According to federal regulations, a bank is said to be "well capitalized" if the following conditions are satisfied:

LEVERAGE RATIO	Tier 1 to RWA	RBC to RWA
6.90%	**8.94%**	**12.44%**
If Tier 1 Leverage Capital Ratio is greater than 5%.	If Tier 1 Risk Based Capital is greater than 6% of Total Risk Weighted Assets.	If Total Risk Based Capital is greater than 10% of Total Risk Weighted Assets.

Lending Capacity

Banks have internal limits as to how much lending they can support. Actual exposure is the combination of the loans outstanding ("LN") plus the unused commitments ("UC") of the bank, including overdrafts, home equity lines, commercial credit facilities and unused credit card lines. We define Total Exposure ("EXP") as LN + UC. LN and UC for credit cards is tracked separately. In general, banks with EXP percentages above 100% tend to be more aggressive than depository institutions with EXP below 100%. Tracking the change in EXP over time can provide insights into business model change by your bank.

	Regular Lending	Credit Cards	Total Lending		Exposure
UC-to-LN	$0.23	$4.83	$0.44	Exp-to-Assets	112.98%
Commitments	$54,166,534	$51,095,865	$105,262,399	Exposure (LN+UC)	$346,857,926
Loans	$231,006,838	$10,588,689	$241,595,527	Assets	$307,021,614

Efficiency

Efficiency is a measure of how hard a bank has to work. This is a number that is particularly monitored by Wall Street because it serves as an indicator of how hard a bank is having to work in order to maintain the market position of it's business case model. Higher numbers indicate that more must be spent

Bank Unit Efficiency Ratio *as reported to FFIEC	**61.3%**

to stay in place.

Technical Measures:

Performance

[ASSETS]

$307,021,614

Bank unit's total assets in thousands as reported in the official FDIC CALL/TFR Report.

Hint: Click on the metric titles to see multi-year trend charts. Limited charts available in demo.

FLAGS: Standard Deviation (SD) indicates distance from dynamically generated peer norm based on total asset matches. SD's greater than 1.0 are flagged.

IRA Computed Gross Income

Interest Income	$8,986,179
less Interest Expense	$4,160,604
Net Interest Revenue	$4,825,575
Non-Interest Revenue, Gross	$2,505,564
Computed Gross Income	**$7,331,139**
Annualized Estimate	**$14,662,278**

Classic Return

Net Income

$-4

[ROA]

-2.70 %
SD = -1.10

[ROE]

-34.05 %
SD = -0.99

IRA reports Return on Assets as computed by the FDIC as the annualized Net Income over Total Assets. Standard Deviation comparisons are versus asset peers either within +/- 10% of the bank's assets or against all over $10B as applicable. IRA also reports Return on Equity as computed by the FDIC as the annualized Net Income over Total Equity.

[LENDING RETURN]

654 bps
SD = 0.58

Gross return per lending dollar in basis points is estimated by IRA as the annualized lending interest earned divided by loans and leases. Service fees are not included in the earnings efficiency calculation.

[Lending Profile]

[RETURN ON TANGIBLE ASSETS]

Tangible Assets
$290,699,596

Tangible Assets as Percent of Total Assets
94.7%
SD = 4.49

Return on Tangible Assets
-2.85%
SD = -1.12

During periods of drastic profile change it is often better to track banks by looking at their tangible assets. For example, immediately following an acquisition when the intangibles profile is in flux.

Basel II Credit Risk Benchmarks

[P(D) Rating]

Method A: B
Method B: B

IRA benchmarks a bank's lending portfolio P(D) based on actual loss rates. The marked rating should correspond to the bank unit's internal target risk rating for the loan portfolio. Note that rating category breakpoints vary both among rating agencies and over time. See the tearsheet for loan portfolio detail. %>

[Gross Defaults:] $3,626,910
[Recoveries:] $69,595
[Net Loss After Recoveries:] $3,557,315

[LGD]

LGD = 98.08 %

Default Rate: 300 bps
SD = 1.45
After Recovery: 294 bps
SD = 1.50

Quarterly benchmark estimates for Loss Given Default are reported as the actual YTD default rate of the outstanding loans and leases. Banks estimate this factor continously. When examined, the spot risk estimate should tie closely to the actual at each CALL/TFR submittal point.

Loss Provisions, Reported: $9,422,769
Provisions Based LGD: 259.80 %
Actual-to-Provision Ratio: 0.38-to-1

[Wtd. Avg. Maturity]

Wtd. Term Data Not Found

IRA reports the aggregate portfolio weighted maturity as the amalgam of all loans and leases including single-family residential loans.

Click here to view the **[Term Structure Detail]**. Not all banks report their term matrices.

[EAD]

41.6 percent
SD = 0.48

At default the average loan will have the above remaining unused percentage of the committed credit line. The bank risks that borrower could access these amounts and expose the institution to additional losses. A bank's ability to contain this exposure via contractual covenants varies by loan or line of credit type.

Risk Management: Economic Capital and RAROC Calculations

Operations Components	EC	RAROC

Economic Capital, Lending Operations

$13,020,925

def. - EC attributed to credit operations must cover the risk spread between Maximum Probable Loss (MPL) and Expected Loss (EL).

MPL Factor	539.0 bp
EL Factor	55.8 bp
Loans and Leases	$241,595,527

IRA computations use hard numbers from as-filed CALL/TFR reports to develop risk spread factors using proprietary statistical formulae. These formulae locate the Extreme Risk kutrosis point (1 in 1000) based on the data measurements used. This report delivers an aggregate figure of merit. Contact IRA consulting if you are interested in detail data on EC's by credit category.

Economic Capital, Trading Operations

$1,955,034

def. - EC attributed to trading should cover 90% of the risk spread from the potential losses in the non-securitized portion trading book balance. This ensures the capital quality remains at a B or higher equivalent investment grade.

Portion of Trading Book requiring EC Coverage	$2,172,260
consisting of,	
Domestic Trading Assets	$0
Foreign Trading Assets	$0
Domestic Positive Fair Value Trade Derivatives	$0
Foreign Positive Fair Value Trade Derivatives	$0
Short Position Liabilities	$0
Negative Fair Value Trade Derivatives	$0
Other Trading Liabilities	$0
Traded Bankers Acceptances	$0
Traded Certificates of Deposit	$0
Traded Commercial Paper	$0

Economic Capital, Securities Exposure

$1,689,963

def. - EC attributed to securities should cover the spread from the potential loss of 90% of the Risk Bearing Securities book balance. This coverage spread ensures the risk bearing portfolio never falls below investment grade risk.

Securities Total	$1,877,737
less Treasury Securities	$0
less Govt Obligation Securities	$0
less Agency Securities	$0
less Municipal Securities	$0
Risk Bearing Securities	**$1,877,737**
consisting of,	
Held to Maturity Securities	$1,877,737
Private MBS Securities	$0
Other Debt Securities	$0
Foreign Debt Securities	$0
Mutual Fund Securities	$0
ABS Securities	$0

IRA would have previously made allowances for the CALL

Economic Capital, Benchmark

$16,665,922

Standardized EC computed by IRA to enable direct comparisons between institution risk management strategies.

Key Ratios:

EC to Total Assets Ratio	0.054-to-1
EC to Tangible Assets Ratio	0.057-to-1
EC to Equity Ratio	0.684-to-1
EC to Risk Based Capital	0.565-to-1
EC to Tier 1	0.786-to-1

Reference Data:

Total Assets	$307,021,614
Tangible Assets	$290,699,596
Equity	$24,379,747
Total Regulatory Risk Based Capital	$29,513,373
Tier 1 Risk Based Capital	$21,199,220

RAROC

3.231%

where,

- Interest Income $8,986,179
- Trading Income $0
- Securities Income $1,004,791
- Service Fees $367,426
- Other Fees $2,393,308
- less Interest Expenses $4,160,604
- less Salaries and Benefits $1,867,693
- less Premesis Expenses $761,578
- less Other Non-Interest Expenses $1,865,991
- less Charge for Current Period Net Lending Losses $3,557,315
- divided by Economic Capital

RAROC - Risk Adjusted Return On Capital is also known as Return On Economic Capital (ROEC).

Other Trading Account Assets	$2,172,260	redemption value of bonds but the increasing ownership of below investment grade residual securities and suspect commercial paper by institutions and the unknown factors in determining YTE for junk class securities indicates that the MPL computation for securities EC needs to cover the book value below a grade-B allowance. A 1,000 bp EL allowance constitutes the average B cut-off line for the NRSRO's surveyed by IRA. This benchmark rule is applied consistently across all institutions.

Interest Rate Risk Management Metrics

Income Buffering

LOAN BASE EXPOSURE
Repriced Commercial and Agricultural Loans versus Total Loans and Leases

0.8 % of loans and leases.
SD = -0.37

Banks that maintain a base of business loans that feature regular repricing features are considered less vulnerable to interest rate shifts. Unlike mortgage lending and consumer debt, businesses tend to sustain their operating debt regardless of interest rates providing banks with a steady margin of income from employing these assets. The bank reported an aggregate Agricultural, Commercial & Industrial and Commercial Real loan base of $1,949,956.

SENSITIVE FEES
Securitization and Underwriting Fees to Total Gross Income

21.1 % of total gross income
SD = 1.73

Reliance on securitization and underwriting fee income is considered a risk for banks as interest rates shifts. Specifically, as interest rates rise the opportunity to generate this fee income tends to diminish. The bank reported fee income from this as $2,477,317. Total income includes interest and service charges from loans and leases as well as profits from investing activities.

Expense Buffering

OPERATING LIABILITIES
Non-Interest Deposits to Total Deposits

3.6 % of total deposits
SD = -0.28

Banks insulate themselves from interest rate risk by maintaining a fraction of their deposits in non-interest paying accounts.

The reported non-interest paying deposit base for this bank is $6,826,582.

Asset Buffering

EQUITY CUSHION
Equity to Assets

7.9 % of assets
SD = 0.16

Banks with greater equity components in their asset base are considered more insulated from interest rate shifts bacause they can use equity to buffer market shocks. Current total equity is $24,379,747.

IRA analytics focus on measuring indicators that provide insight into bank management policies.

PASSIVE EXPOSURE
MBS Securities and REPO Holdings Exposure

9.3 % of assets
SD = -0.46

Banks face portfolio exposure risk from their mortgage-backed and non-mortgage-backed bond holdings as well as their fed funds and repo activity. We report the percentage of the unit's assets primarily exposed to this type of interest rate risk reported.

These assets are worth $28,655,261. And an amount equivalent to 0.97 times the regulatory Risk Based Capital (RBC) of the unit.

Safety and Soundness

Reliance on FHLB Advances

Advances-to-Assets: 19.01%

Total FHLB Advances $58,363,124

Detail, if available:
UNDER 1 YR: $0
1 TO 3 YRS: $0
OVER 3 YRS: $0

Qualifying institutions may borrow funds from the Federal Home Loan Bank (FHLB) system to fund mortgage landing. Opinions as to proper safety and soundness thresholds differ however the Federal Reserve generally considers reliance on

GSE Securities Exposure

No GSE Securities Recorded

GSE securities are booked as risk-free investments by banks owing to an "implicit guarantee" assumption attributed to the GSE's. This relief is theoretical and changes in regulation may affect this assumption.

Off Balance Sheet Derivatives

No Derivatives Position Found

Banks that enter into derivative contracts face additional position risks. This figure identifies the "notional value" of the derivative contracts that have been entered by the bank.

Based on this figure, the bank can tolerate a 0 bp realized loss across it's aggregate OBS position before losing the equivalent of its regulatory Risk Based Capital (RBC).

Lending Support Analysis

78.7 % of assets
SD = 0.18

Banks are exposed to credit risk from their lending and leasing operations. This figure identifies the percentage of the bank's assets allocated to lending and leasing reported as $241,595,527.

Deposits Support:

Deposits support provides additional clarity on the banks lending support. This bank's lending is only partially supported by deposits. Presently deposits support $0.78 of every lending dollar.

Counterparty Risk

0.0 % of lending
SD = -0.20

Banks are exposed to counterparty risk from lending funds to other institutions. This figure identifies the percentage of the bank's assets allocated to depository institution loans.

The actual amount reported is $0.

FHLB Advances in excess of 15% of assets to be cause for concern. Banking regulators identify over-heated used of FHLB Advances as "perverse consequence" of regulatory structure and worry that downside defaults constitute an unpriced "moral hazard" within the banking system.

Business Design and Operational Risk

Deposit-to-Asset Analysis

61.3 %
SD = 0.28

A bank's deposits-to-assets ratio provides insight into how the bank seeks to generate income and insulate itelf from risk. Three schools of thought dominate.

- The classic design rule for a bank is a deposit-to-asset target ratio of 0.8:1 to fund lending operations and generate service charge revenue with minimal exposure to market risk.
- A second class of banks engages in a mix of lending and investing activities. They make greater use of counter-party and market instruments and are thus more exposed to market risks but benefit from increased diversification.
- A third form of bank design involves institutions that rely almost exclusively on an asset securitization approach to generate revenue. These institutions tend to grow and shrink in response to market conditons.

Bank holding companies act as vehicles to both concentrate and mix these designs into overall business models.

Trading Desk Risk

0.7 % of assets
SD = 1.10

Banks face risks from their trading operations. This figure identifies the percentage of the unit's assets allocated to trading. The reported trading account value is $2,172,260 which is 0.07 times the bank's regulatory Risk Based capital (RBC).

This bank's trading desk reported positive economic value add at 0 bp per trading asset dollar employed.

Misc. Loans

No Misc. Loan Position Found

This figure measures miscellaneous loans as a percentage of total lending. Excessive miscellaneous lending can be as sign that the bank is engaged in substandard lending practices.

One item to monitor here is the degree to which a bank originates margin loans to support trading and/or derivative activities.

The important figure to observe is the Standard Deviation that tells how far this unit is from its asset class peers. An SD greater than +/- 2 is an outlier.

Other Liabilities

30.6 %
SD = 0.07

This figure measures other liabilities as a percentage of total liabilities. Excessive non-categorized liabilities may be an indication that the operational side of the business is vulnerable to business cycle stress.

One important stress combination to monitor is a bank that issues loans in excess of supporting deposits where these loans start to distress or otherwise underperform. Cross checking, this bank reports YTD loan servicing fee income of $367,426K.

Again, an important figure to observe is the Standard Deviation that tells how far this unit is operating versus its asset class peers.

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Statistical Peering Cluster

Used by Institutional Risk Analytics for Red Flag standard deviation testing. Dynamically constructed based on bank unit asset base specific to each reporting quarter.

5146-Wells Fargo Bank South Central, National Association
13074-Hudson City Savings Bank
18053-Bank of Hawaii
18708-Citicorp Trust Bank, fsb
25178-Bank of America California, National Association
27076-Wachovia Mortgage, FSB
28088-Washington Federal Savings and Loan Association
28330-TCF National Bank
29730-IndyMac Bank, F.S.B.
29776-AmTrust Bank
29805-Astoria Federal Savings and Loan Association
30012-Third Federal Savings and Loan Association of Cleveland
30746-E*TRADE Bank
30968-Downey Savings and Loan Association, F.A.
32247-BankUnited, FSB
32324-Chevy Chase Bank, F.S.B.
32541-Flagstar Bank, FSB
32633-Washington Mutual Bank
33143-Countrywide Bank, FSB
34571-Merrill Lynch Bank & Trust Co., FSB
34617-State Farm Bank, F.S.B.
35453-Bank of America Oregon, National Association
35489-ING Bank, fsb
57450-Charles Schwab Bank
57803-GMAC Bank
58032-Bank of America, Rhode Island, National Association