

Washington Financial News

It's banking that's in your best interest.



A message from the CEO

Washington Financial Bank is one of about 570 mutual institutions in the U.S. holding more than \$200 billion in assets, collectively. As a mutual institution, the Bank has no stockholders or other direct owners. Rather, the depositors of the Bank have an indirect interest in the equity of the institution similar to that of an unsecured creditor. This interest can not be bought or sold.

Mutual institutions like Washington Financial are uniquely tied to the communities they serve. Because they have no shareholders, mutual institutions are free to concentrate on meeting the long range needs of their customers and the community, and do not need to focus as heavily on short-term earnings or stock prices.

To help the communities we serve, the Bank, either directly or through The Washington Financial Charitable Foundation, makes monetary contributions to many worthwhile organizations each year. The Bank provides annual programs such as the Scholarship Fund and Customer Choice as well as ongoing lending programs. Additionally, many of the Bank's employees are actively involved with local non-profits. Together, Washington Financial employees volunteer more than 4,500 hours each year.

The annual Customer Choice program provides our customers with an opportunity to vote for their favorite charity and thereby direct a portion of our charitable giving. The Bank offers scholarships based primarily on community service and academic achievement. Since the Scholarship Fund's inception, the Bank has awarded scholarships to 140 people. Furthermore, Washington Financial participates in several ongoing programs to promote lending to people recovering from financial hardship.

In addition to the Bank's charitable support, Washington Financial drives the local economy through responsible lending practices made possible by its strong capital position. Mutual entities tend to maintain stronger capital levels than stock entities, which is especially important during slow economic periods. In fact, no mutual institutions received any TARP (Troubled Asset Relief Program) Funds from the Federal Government during the recent financial crises. For customers, this means that Washington Financial's strong capital position will enable the Bank to continue to provide financing options for small businesses and promote home ownership.

Washington Financial remains committed to helping the local economy grow and prosper through its charitable support and responsible lending practices. For more than 111 years, the Bank has made the well-being of its customers, employees, and communities its highest priorities. This philosophy has served us well, and it is our intention to maintain these priorities for the future.

Brian J. Smith

Brian J. Smith, *President and CEO*

In this issue

Scholarships awarded

The Bank awards scholarships to help offset the costs of higher education. Meet this year's recipients.

Clip your way to a lower grocery bill

Coupons can save you money, especially if you use them like an extreme shopper. Learn three easy tricks to the art of couponing.

Investing during a federal deficit

See what historical data revealed about federal deficits and investment performance.

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In your own words

Washington Financial continues to receive exceptionally high scores from our customer loyalty surveys. We review each response and personally address any questions or concerns for those who submit contact information. Thank you for sharing your experiences with us. Here are some of the responses we've received!

"Most of the tellers know me by name and offer services that I am interested in without the 'hard-sell' approach. They take notice of what I can do to make my dollars go further."

"I recently opened up a new business account with Washington Financial, and they were very helpful at getting everything I needed to do this."

"My investments are located in the safest and highest yielding places in the market, thanks to my investment counselor, Victor Bell."

"Every time I call to talk with someone if that person is not there, they always get back to me within an hour. I think that's awesome for as busy as they are."

"When deciding whether to refinance my mortgage several years ago, one of the bank representatives took the time to go over all my options with me so I could make the best financially sound decision. This was very helpful because it included looking at fees charged, so I could see the exact savings."

Share your story by using the CustomerVoice feature on our Web site. Like our surveys, CustomerVoice is anonymous unless you provide your contact information.

Washington Financial Bank's Customer Bill of Rights



John Clayton
Senior Vice President
Community Banking

As citizens of this great country, we are given a bill of rights, the first ten amendments to our constitution, which we all hold dear. Never to be taken for granted, they are the cornerstone of our freedom and make us nearly unique in the world. They also make our country exceptional, and serve as a beacon of benevolence in a world of oppression.

At Washington Financial, we believe that our customers should also be endowed with certain rights and that their expectations should be met and exceeded in every interaction. We too, like our country, want to be exceptional, serving as a role model of what a bank should be and how it can be exceptional in an industry that many believe "lost its way" over the past few years. Following are the "rights" that you can always expect from us and which we

have demonstrated over the past 111 years:

- You have the right to a *friendly* greeting when you do business with us.
- You have the right to *confidentiality* in all of your banking, with absolute assurance that your privacy will be respected.
- You have the right to *accuracy* in all transactions, from deposits to loan payments.
- You have the right to *competitive pricing* on all of our financial products and an understandable explanation of how our pricing is applied.
- You have the right to *security* in our electronic systems, facilities and processes.
- You have the right to *safety and soundness*; that we will underwrite our loans and investments prudently and that your deposits will be insured to the FDIC maximum.
- You have the right to be *served as an individual* person or business with an understanding that you are not just a number in a mass market.
- You have the right to *information* that

will lead to the best product choice for your particular situation and to expect that we will be vigilant in providing new products that continually account for changes in the world of personal and business finance.

- You have a right to *professionalism in our employees* and to expect that we will make the investments in their education and training to make professionalism possible.
- You have the right to expect *fair treatment* regardless of age, race, religion, gender, or national origin.

We are serious about these rights and are committed to their execution every day, every week, every month and every year. We expect to be held accountable for them, and make ourselves accessible and responsive if anyone ever feels we have come up short. We appreciate our customers and recognize that there are hundreds of choices and that no one **has** to bank here. Fortunately, our customers **want** to bank here and we plan to keep it that way!

Investing in your future

Bank awards 11 scholarships.

Washington Financial commends this year's scholarship recipients on their outstanding commitment to their academics and community. Each of these students will receive a one-year renewable scholarship for a maximum of four consecutive years. Since the inception of the Scholarship Fund Program, the Bank has awarded scholarships to 140 students.

To learn more about the Bank's scholarship opportunities, please visit the Charitable Support page of our website or you local guidance counselor.



Celeste Calabro

Canon-McMillan graduate to attend West Liberty



Monica McDonald

Fort Cherry graduate to attend Edinboro University



Katharine Shultz

Peters Township graduate to attend Waynesburg University



Gail Danley

McGuffey graduate to attend the University of Pittsburgh at the Johnstown campus



Lydia Moon

Pennsylvania State University student to continue studying at the Beaver campus



Brianna Kidd

Avella graduate to attend Slippery Rock University



Shawn Mooney

Washington graduate to attend Pennsylvania State University at the Beaver campus



Courtney Korpis

Bentworth graduate to attend Edinboro University



Gabrielle Provenzano

Chartiers Houston graduate to attend Wheeling Jesuit University



Nina Manderick

Trinity graduate to attend Waynesburg University



Courtney Riggle

Chartiers Houston graduate to attend Indiana University of Pennsylvania

Employee Spotlight



Volunteer of the Year

Administrative Support Associate

Polly Prosser was voted the United Way's Volunteer of the Year.

Polly has actively volunteered with the United Way since 2007. She has helped with the Annual Golf Outing, Project Bundle Up, Funds Distribution Panel as well as a number of other events.

"The United Way touches so many individuals and local organizations," said Polly. "I love seeing the appreciation on the faces of those who have been helped by the United Way. They are always so grateful, and I feel good knowing that we are making a difference in this community."

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Use financial windfalls wisely



Jason Alderman
Senior Director
Visa, Inc.

Reprinted with minor edits from Practical Money Matters If you're lucky enough to win a multimillion-dollar lottery, you don't need this column; you need a team of legal and financial experts to make sure you don't blow your chance for lifetime financial security. But if you receive a considerably smaller monetary windfall, whether a tax refund, divorce settlement, inheritance or work bonus, there are actions you can take to positively impact on your current financial situation.

First, take a breath. Before going on a spending spree, stash the money in a savings account until you've examined your total financial picture. Weigh existing debts, upcoming expenses and future needs to make sure you apply the money where it's needed most.

Wake up and smell the tax windfall. Working Americans have larger paychecks this year due to a tax break that cuts their share of Social Security payroll taxes by close to one-third. However, a recent poll on the National Foundation for Credit Counseling (NFCC) website revealed that nearly half of the respondents were unaware of this windfall.

"Some people will see an extra \$2,000 in their paychecks this year, but regardless of the amount, put this money to good use while you have it, as the tax cut was only approved for 2011," said Gail Cunningham, spokesperson for the NFCC.

Save for emergencies. To protect your family against the impact of a layoff or other unexpected financial crisis (such as a medical emergency, car accident or theft), set aside enough cash to cover at least six months of living expenses.

Pay off debt. Before investing the money, paying off outstanding debt first might be better – things like credit cards, car and student loans, and home equity loans/lines of credit. Start with debts having the highest interest rates first, then work your way down.

"I like the 90/10 rule, where 90 percent goes for debt payoff or savings and 10 percent is to splurge on something fun."

Save for retirement. Many people chronically underfund their retirement savings. One relatively painless strategy is to contribute a portion of your windfall into an IRA or 401(k) plan. It's easy to have the money automatically withdrawn from your paycheck or bank account.

Finance college. If you have children, you're probably already worrying about paying for college. Although your own retirement security should come first (you can always borrow for education, but not for retirement), if you do get a windfall, consider opening a 529 Qualified State Tuition Plan or a Coverdell Education Savings Account – two savings methods that offer terrific tax advantages.

Budget. Once you've used your windfall to pay off debt or start a savings plan, don't slip back into bad habits. And finally, don't forget to reward yourself for having the discipline to use your financial windfall wisely. I like the 90/10 rule, where 90 percent goes for debt payoff or savings and 10 percent is to splurge on something fun.

Coupons

For the not-so-extreme clipper

TLC's show, *Extreme Couponing*, has created quite a buzz among grocery shoppers. On the show, many couponers spend over 40 hours a week clipping coupons, and their savings is substantial. While the average person does not spend nearly as much time preparing for a grocery run, clipping coupons can save a lot of money, especially if you use coupons like an extreme shopper.

1. COMBINE WITH STORE OFFERS

Combine coupons with a store sale or promotion. Make a point to stroll down the clearance aisle or shop on days where your store doubles or triples coupons.

2. STACK COUPONS

Sometimes, you can use two coupons on the same item if you have a manufacturer and store coupon. For instance, you can use both a Target coupon and Scott's coupon when purchasing toilet paper.

3. SHOP IN THE TRIAL SECTION

Coupons don't always specify the size of the product that must be purchased, so you might be able to get a hefty discount on trial size items.

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Trip explores Ohio's history

By **Michelle Thompson**

Marketing Associate

Lifestyle Plus members filled two buses on our spring trip to Ohio. We explored the city of Akron's rich history and took an afternoon boat ride in Canal Fulton. With approximately 90 people attending, this trip marked one of the Bank's largest bus trips.

While in Akron, our tour guide showed us various points of interests such as the homes of the Soap Box Derby and Goodyear Blimp. In fact, the Goodyear Blimp hangar is so large that it creates its own weather and occasionally rains inside the building.

We stopped at Quaker Square Inn, a hotel converted from a silo complex. Akron was once the Quaker Oats capital and had 36 silos in the city. After Quaker Oats terminated production in Akron, some of the silos were converted into a hotel now owned by the University of Akron and listed on the National Register of Historic Places.

Members had lunch at the Olde Harbor Inn, where we had our choice of crab cakes, mushroom chicken or tilapia. The restaurant overlooks Portage Lakes and was voted Ohio's best waterfront dining in 2009.



Our guide, J.E. Guest, welcomed us onto his canal boat, St. Helena III.



After pulling the boat, Dan and Prince enjoy a snack.

In the afternoon, we boarded the St. Helena III, a canal boat pulled by horses. St. Helena III is one of only four working canal boats in the state of Ohio and travels about four miles per hour. Horses pull the boat from a walking trail that runs alongside the canal.

The canal was built in the 1830s to connect Lake Erie and the Ohio River. Workers completed the canal in approximately seven years using only simple tools such as wooden shovels. As the first important commercial avenue in Ohio, the canal provided more cost-effective travel and increased trade. As a result, the area surrounding the canal prospered until the arrival of the railroad in 1869.

To round out our day, we stopped at Strickland's for their award-winning frozen custard. Not only is Strickland's ice-cream legendary in Northeastern Ohio, but their franchise has branched out to South Carolina, Florida and California.

Traveler Tip

Tell your bank and credit card companies your travel plans so that they do not suspect fraudulent activity and suspend your card while you are away.

Your bank may even be able to raise your daily debit and ATM limits while you are out of town.

Tailgate fills with 400 attendees

Washington Financial's annual Wild Things Tailgate Party is full! With 400 people attending, this will be the Bank's largest Lifestyle event of the year! Attendees will receive two complimentary tickets and a picnic-style dinner at the Wild Things game on August 18. Tickets and event information will be mailed to attendees a few days prior to the event. To sign-up on the waiting list, please call the Bank's designated Wild Things Phone Line at (724) 206-1026. Seats are given on a first come, first serve basis.

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Effects of the federal deficit on investment performance



Rob Vettorel
Vice President
Wealth Management
Division

With the federal deficit reaching new heights, many investors are left questioning how the nation's debt will impact their financial performance. In fact, the federal budget deficit was noted as one of the highest investor concerns in the Wells Fargo/Gallup Investor and Retirement Optimism Index in May.

In examining the federal budget deficit's impact on current investment performance, it is important to consider its impact, if any, in the past. National debt is not a new topic in the United States as the government has carried debt throughout virtually all of the country's history.

A recent study by Standard & Poor's examined the federal deficit and financial markets between 1947 and 2010. The data revealed that there is not a strong correlation between the federal deficit and the financial markets. Actually, stock markets performed better and bonds yielded higher interest rates during high deficit years. The study noted that one reason that the stock market may have been relatively unaffected by federal deficit is because the deficit is already factored into stock prices.

For investors, it is important to remain committed and confident in your long-term investment plan. Although there will likely be more ominous chatter about the federal deficit's impact on investment performance, historical research indicates that federal deficits do not significantly impact financial markets. Rather, history continues to show that the most beneficial financial strategy is careful planning and a steady pace.

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Employees raise funds for the American Cancer Society



Team honors Bank employee, Paul Lauer, for his courageous battle against cancer.

By Judy Silvers
Assistant Vice President
Branch Banking Support Associate

Washington Financial employees came together to help raise funds for the American Cancer Society during the Relay for Life. The team honored Paul Lauer, an employee in the Operations Department, for his courageous battle against cancer and his most recent kidney transplant success.

Teammates generated funds through sponsorships, selling Sarris Candy, raffling a poster-sized Steelers' Photo and holding a Chinese Auction. Overall, employees raised more than \$5,000 to help in the ongoing battle against cancer.



Left to Right: Charlotte Resek, Gloria Plants, Judy Silvers, Chris Mullin and Gary Sladick.

The Relay for Life is an annual event that recognizes cancer survivors and caregivers. This year, 39 teams raised \$262,000 at the Relay for Life held at Allison Park Elementary School in Houston, Pa.

The American Cancer Society saves lives and creates more birthdays by helping people stay well, helping people get well, finding cures and fighting back. In 2011, the Society celebrated 17 years of making a difference and creating a world with more birthdays.

Taking a swing against breast cancer



Washington Financial teams had the opportunity to hit one out of CONSOL Energy Park on July 9. The Bank sponsored two teams at the fourth annual Home Run Derby hosted by the Pennsylvania Breast Cancer Coalition (PBCC) and the Pennsylvania Association of Community Bankers.

Throughout the month of July, the PBCC is hosting 11 charity home run derbies at minor league stadiums across the state. The funds generated by these events directly benefits the PBCC, a statewide nonprofit organization dedicated to serving breast cancer survivors and their families through educational programming, legislative advocacy and breast cancer research grants.

The Bank's roster consisted of Doug Klecich (Assistant Vice President and Network Manager), Phil Hartz (Imaging Representative and Network Specialist), Chris Monaghan (Credit Analyst), Jon Nemece (Intern), Paul Lauer (Operations Representative), Jacie Rush (Customer Service Representative), Mike DeFilippo (Office Services/Facilities Representative) and Ross Philips (friend of the Bank).

For more information about the home run derbies or the PBCC, visit www.pahomerunderby.org.

The down payment myth



By Bill King Sure a bank or finance company wants you – the business owner – to pay for a portion of the purchase price of equipment. Conventional wisdom suggests that the bank finance 80% of the purchase price of new equipment and 50% of the cost of used equipment. The business is expected to pay the rest of the purchase price.

While these guidelines make some sense, they are just that – Guidelines! In truth, the appropriate amount of money that a business puts down on a piece of new or used equipment

depends on a lot of things. Will this equipment be the only collateral the bank has? Does the business owner guarantee the equipment loan? Is the company historically profitable with a strong balance sheet? The answers to these questions can have an impact on how much of the purchase price the bank would be willing to finance.

Of course getting the bank to finance as much of the purchase price as possible is not always desirable. Consider the current interest rate environment with interest on deposits being so low. A business sitting on cash may prefer to pay for equipment rather than borrow because the interest income on deposits is minimal.

When financing equipment, one thing is for sure, the better your banking relationship the more flexibility you will have.

Contact Us

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