

Washington Financial News

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



A message from the CEO

Your financial well-being is something we take very seriously. We understand the trust you place in us when you make a deposit, apply for a loan or seek financial advice.

To be worthy of your trust, Washington Financial operates under a specific set of core values. Our decisions are guided by respect, responsible communication, integrity and quality. It's a philosophy that has kept us strong, and it's the philosophy that we live by each day. I would like to share our values with you.

We believe in respecting our customers and each other. We are dedicated to the concept of teamwork and believe in placing customer needs first.

We believe in communicating honestly, promptly and consistently. With Washington Financial's special offers, there is never any "fine print" to translate. We believe that by sharing information, everyone benefits.

We believe in demonstrating the highest level of integrity. We will do what we say we will do, for our customers and our communities.

We believe that quality is essential in all that we do. We have a passion for customer satisfaction and truly care about our customers. We set our standards high and work every day to exceed those standards.

We believe in the value of a high quality workforce and are committed to providing the resources necessary for each staff member to perform at his or her best.

For more than 111 years, Washington Financial has been committed to serving the needs of its customers and its communities. Today, we remain dedicated to the Main Street ethics that have kept us strong.

At Washington Financial, it truly is "Banking in your Best Interest."

Brian J. Smith
Brian J. Smith, President and CEO

In this issue

Vote for your favorite charity.

Customer Choice gives you a chance to help the Bank make a difference. See which charities won last year and how you can vote this year.

Recharge your New Year's resolution

without breaking your savings. Check out these thrifty tips to meet some of the most popular resolutions.

Should I borrow for my business needs?

While there are no right or wrong answers, here are some points that may help you decide.

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!

"After eight years, Washington Financial continues to strive at building upon our business and personal banking relationships... They are readily available when we need them, offer honest and informative advice, and treat us with respect."

"Hickory's manager suggested we attend one of the Wealth Management seminars— a truly appreciated suggestion! We learned things we would never have found out otherwise."

"As treasurer of a small church, the on-line banking and FinanceWorks™ has made my job much easier. It has reduced the amount of time that I have to spend at least by half."

"I am not just another number. Even though I may not have millions or even thousands of dollars, I am still treated the same as anyone else... with respect."

Relationship Banking at Washington Financial



John Clayton
Senior Vice President
Community Banking

Ahhh....the "good old days!" Remember when "the bank" was just a place to go when you needed to cash a check or get a mortgage? The friendly, grey-at-the-temple manager would direct you to a teller or loan interviewer and then quickly return to the leisurely reading of today's Wall Street Journal. You had just received the very best service the bank felt compelled to offer and life was good. Or was it?

For much of Washington Financial's 111-year history, the "good old days" scenario was deeply imbedded in our culture....but no more! Over the past decade, we have changed our theme from "Your Hometown Bank" (which we most definitely still are.... we're the largest financial institution headquartered in Washington County) to "On Account of You."

We have made a commitment to be the best bank you will ever encounter and

we have invested in the technology and human resources to achieve this goal. But even more importantly, we have adopted a strategy of creating a "deep and consistent sales and service culture" (direct quote from our long-term business plan). Notice the wording....unlike many of our bank competitors' sales programs, ours puts equal emphasis on service. In fact, at Washington Financial, we define sales as the escalation of service to a higher level. And how do we do that?

The answer is actually quite simple. We focus on you. We do more listening than talking; more interviewing than presenting! When you bank at Washington Financial, you can plan on receiving superior customer service at every level....whether it is at the new accounts desk, the teller line, or in the branch manager's office. Our associates have been trained to listen to our customers, understand what their needs may be (including ones they may not even know they have) and to offer professional solutions to those needs. They are also trained to NOT focus on our products and artificial sales goals which often force customers into inappropriate products at other banks.

Ever go to a bank and have to listen to a sales pitch for their "product of the month" from their tellers? Annoying, isn't it?! At Washington Financial, we have defined the highest priority at the teller window to be "the fast, friendly, efficient, and above all, accurate processing of the transaction." If, during a customer interaction, our tellers notice something that might be of interest or value to you, they will certainly mention it, but not at the expense of your time or the accuracy of the transaction.

Likewise, at the new account desk, our Customer Solutions Representatives and Branch Managers are trained to interview our customers with a focus on listening to their individual situations. By never deviating from this principle, we are often able to find ways to make our customers' financial lives better by suggesting viable alternatives, additional products, or choices they may not have known about or considered. But no high pressure. No artificial "one size fits all" product promotions. You're very special here and our approach acknowledges this fact!

Help local charities by casting your ballot.

At Washington Financial Bank, we believe in our community and prove it by providing financial assistance to many worthwhile organizations. We believe that many of our best and most rewarding investments have been made in our own backyard.

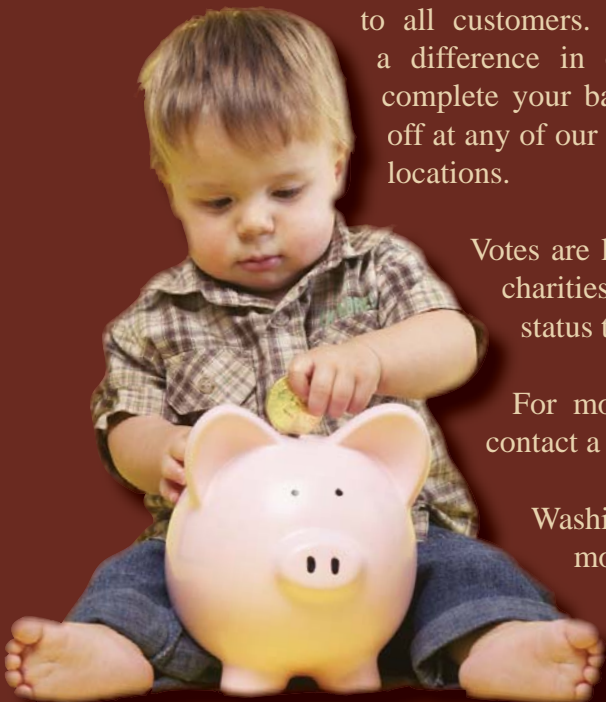
Each year, we invite our customers to help us make a difference with our Customer Choice program. Customer Choice gives our customers the opportunity to vote for their favorite charities, and the Bank considers the top charities for contributions.

Last year, Washington Financial awarded contributions to 13 charities based on customer votes. Leading last year's votes were the Washington City Mission and Humane Society.

In February, the Bank will mail ballots to all customers. To help make a difference in our community, complete your ballot and drop it off at any of our eight convenient locations.

Customer Choice 2010 Winners

American Cancer Society
Brownson House
Catholic Charities
Fairhill Manor Church
Faith in Action
Hickory United Presbyterian Church
NAACP
The Salvation Army
Washington Christian Outreach
Washington City Mission
Washington County Toys for Tots
Washington Humane Society
Washington Women's Shelter



Votes are limited to one vote per Washington Financial customer, and charities must receive at least 25 votes and have 501(c)(3) non-profit status to be eligible for funding.

For more information on the Customer Choice program, please contact a Washington Financial representative today.

Washington Financial's annual Customer Choice program is one more way to invest in your community. Check your mailbox in February for your opportunity to join us as we make a difference for our neighbors. We do it all on account of you.

Recharge your resolution without breaking your savings.

For many of us, money is a little tighter after the holidays— making it difficult to find the extra cash to meet our New Year's resolutions. Recharge your resolution without breaking your savings with these thrifty ways to meet the most popular resolutions.

GET FIT

Gym memberships, personal trainers and fitness equipment prices can discourage you from attaining your fitness goals, but there are cost-effective ways to get the results you want. When building a home gym, shop for used equipment online or at local thrift stores. Consider purchasing dumbbells and resistance tubes as an alternative to expensive weight machines. Invest in a workout DVD or check one out from your local library instead of attending costly fitness classes.

If you're a gym fanatic, shop around for membership specials and negotiate with sales representatives. Instead of hiring a personal trainer, ask a friend to workout with you. Working out with a partner will help you stick to your fitness plan and keep you motivated.

SPEND MORE TIME WITH FAMILY & FRIENDS

Spend more time together and less time worrying about breaking your entertainment budget. Eating dinner together is one of the easiest ways to spend quality time, and dining in can offer big cost savings. The average family spends more than \$300 a month eating out, which can be dramatically decreased by preparing meals at home.

Consider attending matinees rather than night movies, visiting a local park or the Montour Trail, playing board games with the family or hosting a potluck dinner. Look for affordable activities in the Pittsburgh area at www.livingpittsburgh.com, voted the best bargain Web site by *Pittsburgh Magazine* in 2010.



REDUCE or ELIMINATE DEBT

Most people are unsure of where to start when paying down their debt. One of the most cost-effective ways to pay off credit card debt is to start by paying-off the card with the highest interest rate first. You may consider transferring your balance to a card with a lower interest rate or aggressively paying off your cards one at a time.

Renegotiate with creditors for a lower interest rate by appealing to their desire to receive payment. When you get your bill, pay more than the minimum balance. By reducing the interest rate and paying more than the minimum, you'll reduce the amount you spend in interest and save more.

If you know that you can stick to a payment plan, consider applying for a home equity loan. This loan option gives you access to funds in one lump sum, so you can pay off your higher interest debts with a lower interest loan. Your home equity loan interest may be tax deductible, so consult your tax advisor. One note of caution is to make sure that you do not rack up credit card charges again, or you will create an even deeper hole.

Happy Returns

Tips for saving money at tax time

Reprinted from the
FDIC Consumer News

FDIC Consumer News doesn't give tax advice, but we do occasionally have suggestions for you to consider or discuss with your tax advisor. Here is our latest collection of tips to keep in mind as you prepare to file your taxes.

Consider using tax time to pay off high-interest debt or save for the future. "Use your tax refund to pay down high-interest debt and build up your savings," said Luke W. Reynolds, Chief of the FDIC's Community Outreach Section. "For example, purchase a U.S. Savings Bond with some or all of your tax refund. You can also direct deposit your refund into as many as three different accounts and three different financial institutions."

Avoid high-interest loans offered at tax time. In particular, be aware that a "refund anticipation loan" is an expensive loan product arranged by tax preparers for people who file their returns electronically and who don't want to wait for their tax refund.

"Refund anticipation loans are costly and often unnecessary because taxpayers can expect to have their tax refund direct deposited into their bank account within about 10 days of when the return was electronically filed with the IRS," explained Joyce Thomas, an FDIC financial educator in the Community Outreach Section.

"The funds spent on fees and interest for any sort of refund advance could be better used, including saving for a goal or paying down debt," added Reynolds.

Be on guard against tax-related frauds. Examples include scam e-mails falsely claiming to come from the IRS and intended to trick taxpayers into revealing

personal information. Other scams involve unscrupulous tax preparers who promise larger refunds than competitors and make fraudulent errors that expose victims to costly fees and penalties.



For more information and consumer tips, go to the tax scams page on the IRS Web site.

Check out programs offering free tax help. The IRS-coordinated Volunteer Income Tax Assistance program and the Tax Counseling for the Elderly service offer free tax-preparation assistance for low-income, disabled, elderly, and non-English speaking taxpayers.

Another IRS program is "Free File," which allows taxpayers who earn \$58,000 or less (for returns to be filed during 2011) to use a tax-preparation software program to prepare and file their federal taxes for free through the IRS Web site. Taxpayers who exceed the income threshold can still manually complete their forms and "e-file" them through the IRS Web site.

Ask if you may qualify for unusual tax breaks. "These may vary from year to year, but taxpayers in special situations—perhaps those who started a small business, were unemployed, or lost property because of a natural disaster—should check with the IRS for special considerations that may apply to them," Reynolds said.

For more help or information, start at www.irs.gov or consult a tax advisor.

Managing investment risks



By **Rob Vettorel**

Vice President

Wealth Management Division

In the last three years, we have seen turbulence and turmoil in virtually every type of investment— whether it was stocks, bonds, real estate or gold. With this volatility comes fear. Fearful investors make emotional decisions, which in most cases, lead to bad decisions. Understanding the risks of investing can help calm fear and lay the ground work for a more stable investment strategy.

Risk is a part of investing. The thing that's important to remember is this: regardless of what kinds of investments you choose, there's always some kind of risk involved, and you need to be comfortable with your investment decisions.

Inflation risk

Maybe you prefer putting your money in a savings account or a CD (certificate of deposit) because it feels safe. Believe it or not, both of these strategies carry some degree of risk. There's a chance your money may not be able to keep up with inflation, so your dollar may be worth less in future years.

Principal risk

The money you invest is called your "principal." Unfortunately, you don't always make money on what you've invested. In fact, you can even lose some or all of your principal. The chance that you may lose money is principal risk. This risk is commonly found with investments in stocks but can affect other types of investments as well.

(Please note that the return of principal for any bond holdings in our funds is not guaranteed. Shares of bond funds and funds with bond holdings are subject to the same interest rate, inflation and credit risks associated with the underlying bonds held by each fund.)

Interest-rate risk

There is a risk that the price of a stock or bond will fluctuate because of changes in interest rates. If interest rates go up, bond prices typically go down. If rates go down, bond prices typically go up. Since stocks and bonds can react differently to the same events, diversifying your investments by investing in both can help reduce the volatility, or the swings, in your overall portfolio's value.

Market risk

Both stocks and bonds are vulnerable to changes in the economy and to general changes in the markets they trade in. Although stocks and bonds issued by companies are tied to profits and losses of those companies, there are factors and cycles outside of the companies' control that may cause a rise or fall in prices.

Credit risk

Think credit cards. When you borrow money you have to make payments plus interest to pay off your debt. The same holds true for companies that issue bonds (or IOUs) to the public. There's a chance companies that issue bonds won't be able to make interest payments or return all of your principal.

Liquidity risk

Let's say you needed to buy a car or home, and you must have the money tomorrow. If you couldn't sell or redeem an investment quickly at a fair price to get the cash, it's an indication that your investment has low liquidity. A lack of liquidity can affect the price of stocks and bonds.

Volatility risk

This risk encompasses all the other types of risk. The size and frequency of fluctuations in an investment's price determines its volatility.

Banking that gets us where we want to go



As one of the company's founders, Rich Coyle has worked closely with Washington Financial to grow his business.

Coyle Trucking, Inc. financed a truck with Washington Financial more than 10 years ago. Now, they stand with over 60 units and are soon to complete a 6,000 square foot expansion to their Pennsylvania headquarters. As their business grows, the company's founders, Harry and Rich Coyle, credit Washington Financial's knowledgeable and prompt service.

Vice President Rich Coyle attributes the company's banking relationship primarily to their Relationship Manager, Lonnie Nicholls. "Every year, we review our financials, so Lonnie knows where we stand and what we are capable of doing," said Rich Coyle. "Banking with someone who understands our business needs makes the lending process quicker and easier. Together, we make a good team."

Coyle Trucking, Inc. provides safe, dependable truck transportation for their shippers. Their trucks have no limitations or restrictions for pick-up and delivery, and they provide quality equipment with the best-trained drivers. At Coyle Trucking, they pride themselves on their exceptional customer service and ability to customize pricing and services.

Is it okay to borrow now?

By **Bill King**

Senior Vice President
Business Banking

"I would like to invest in new equipment, but will business pick up to the point where I can afford new equipment?"

"Should I borrow the money my business needs, or should I put some of my own money into the company in order to keep my debt level manageable?"

If you have found yourself asking questions like these, you are not alone. The "borrow or not-to-borrow" debate can be one of the most agonizing decisions a business owner can face. And, it is a decision a business owner may have to face many times. The bigger the loan, the bigger the agony. While there are no right or wrong answers to this debate, here are some things to think about:

- Interest rates on loans and leases are now about as low as any Baby Boomer can remember. So, the cost to borrow is relatively low.
- While the signals remain mixed, there are quite a few signs that indicate an improving national economy. Locally, thanks in part to the Marcellus Shale, the economic outlook appears to be even a bit brighter.
- After one of the most stubborn recessions we have seen, which put a halt to most capital spending, both used and new equipment is now both available and affordable.
- And finally, if a stronger recovery is just around the corner, having the right equipment up and running in time to seize the moment could speed up the time it takes for the equipment to pay for itself.

Contact Us

Branch Offices

Washington	(724) 222-3120
Mall Plaza	(724) 229-7600
Crown Center	(724) 223-8000
Tylerdale	(724) 225-9100
Hickory	(724) 356-2900
Canonsburg	(724) 745-2417
McMurray	(724) 941-4275
Valley Brook	(724) 941-8430

Loan Centers

McMurray	(724) 942-2301
North Hills	(724) 940-4450

info@mywashingtonfinancial.com