

WASHINGTON FEDERAL INC  
Form DEF 14A  
December 10, 2010

## SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

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
- Soliciting Material Pursuant to 240.14a-11(c) or 240.14a-12

**Washington Federal, Inc.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

425 PIKE STREET  
SEATTLE, WASHINGTON 98101-2334  
(206) 624-7930

December 10, 2010

Dear Stockholder:

You are invited to attend our Annual Meeting of Stockholders to be held on Wednesday, January 19th, 2011 at 2:00 p.m., Pacific Time, at Benaroya Hall, 200 University Street, Seattle, Washington.

We hope that you will attend the meeting in person, but even if you are planning to come, we strongly encourage you to designate the proxies named on the proxy card to vote your shares. This will ensure that your common stock is represented at the meeting. The proxy statement explains more about proxy voting. Please read it carefully. We look forward to your participation.

If you have any questions, please do not hesitate to contact us.

Sincerely,

Roy M. Whitehead

*Chairman, President and*

*Chief Executive Officer*

425 PIKE STREET

SEATTLE, WASHINGTON 98101-2334

(206) 624-7930

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON JANUARY 19, 2011**

**NOTICE IS HEREBY GIVEN** that an Annual Meeting of Stockholders of Washington Federal, Inc. ( Washington Federal ) will be held at Benaroya Hall, 200 University Street, Seattle, Washington, on Wednesday, January 19th, 2011, at 2:00 p.m., Pacific Time, for the following purposes:

1. To elect two directors for a three-year term and until their successors are elected and qualified;
2. To consider and approve the adoption of the Washington Federal 2011 Incentive Plan;
3. To approve a non-binding, advisory proposal on the compensation of Washington Federal's executive officers;
4. To ratify the appointment of Deloitte & Touche LLP as Washington Federal's independent registered public accountants for fiscal 2011; and
5. To transact such other business as may properly come before the meeting or any adjournment thereof.

The proposal for the election of directors relates solely to the election of two (2) directors nominated by the Board of Directors and does not include any other matters relating to the election of directors, including, without limitation, the election of directors nominated by any stockholder of the Company.

The Board of Directors of Washington Federal has fixed November 26, 2010 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting. Only those stockholders of record as of the close of business on that date will be entitled to vote at the Annual Meeting or at any such adjournment.

By Order of the Board of Directors

Edwin C. Hedlund

*Executive Vice President and*

*Secretary*

December 10, 2010

Seattle, Washington

**YOU ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING. IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED REGARDLESS OF THE NUMBER YOU OWN. EVEN IF YOU PLAN TO BE PRESENT, YOU ARE URGED TO COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY PROMPTLY IN THE ENVELOPE PROVIDED. IF YOU ATTEND THIS MEETING, YOU MAY VOTE EITHER IN PERSON OR BY YOUR PROXY. ANY PROXY GIVEN MAY BE REVOKED BY YOU IN WRITING OR IN PERSON AT ANY TIME PRIOR TO THE EXERCISE THEREOF.**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JANUARY 19, 2011**

**This Proxy Statement relating to the 2011 Annual Meeting of Stockholders and the Annual Report to Stockholders for the year ended September 30, 2010 are available for viewing, printing and downloading at [www.washingtonfederal.com](http://www.washingtonfederal.com).**

**WASHINGTON FEDERAL, INC.**

**PROXY STATEMENT**

**ANNUAL MEETING OF STOCKHOLDERS**

**January 19, 2011**

This Proxy Statement is furnished to the holders of the common stock, \$1.00 par value per share ( **Common Stock** ), of Washington Federal, Inc. ( **Washington Federal** or the **Company** ), the parent holding company for Washington Federal, a federally-chartered savings association, in connection with the solicitation of proxies by the Board of Directors of the Company, to be used at the Annual Meeting of Stockholders to be held at Benaroya Hall, 200 University Street, Seattle, Washington, on January 19, 2011, at 2:00 p.m., Pacific Time, and at any adjournment thereof (the **Annual Meeting** ), for the purposes set forth in the Notice of Annual Meeting of Stockholders. This Proxy Statement is first being mailed to stockholders on or about December 10, 2010.

The proxy solicited hereby, if properly signed and returned and not revoked prior to its use, will be voted in accordance with the instructions provided. If no instructions are specified, the proxy will be voted FOR the persons nominated to be directors by the Board of Directors, FOR the approval of the 2011 long term incentive compensation plan, FOR the advisory proposal on the compensation of Washington Federal's executive officers and FOR the ratification of the appointment of Deloitte & Touche LLP as independent registered public accountants for fiscal 2011 and, upon the transaction of such other business as may properly come before the Annual Meeting, in accordance with the best judgment of the persons appointed as proxies. Other than the matters listed on the attached Notice of Annual Meeting of Stockholders, the Board of Directors knows of no additional matters that will be presented for consideration at the Annual Meeting.

Any stockholder giving a proxy has the power to revoke it at any time before it is exercised by: (i) filing written notice with the Secretary of Washington Federal (Edwin C. Hedlund, Washington Federal, Inc., 425 Pike Street, Seattle, Washington 98101); (ii) submitting a duly executed proxy bearing a later date; or (iii) appearing at the Annual Meeting and notifying the Secretary of his or her intention to vote in person (although attendance at the Annual Meeting will not in and of itself constitute a revocation of a proxy). Proxies solicited hereby may be exercised only at the Annual Meeting and any adjournment thereof and will not be used for any other meeting.

The Company's fiscal year end is September 30. All references to 2010 and 2009 represent amounts as of September 30, 2010 and September 30, 2009, or activity for the fiscal years then ended, respectively.

**VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

**Voting Securities**

Only stockholders of record at the close of business on November 26, 2010 (the Voting Record Date ) will be entitled to vote at the Annual Meeting. On the Voting Record Date, 112,502,868 shares of Common Stock were issued and outstanding, 1,707,456 warrants were outstanding at a strike price of \$17.57 and the Company had no other class of equity securities issued and outstanding. Each share of Common Stock is entitled to one vote at the Annual Meeting on matters other than the election of directors, for which cumulative voting is permitted, as discussed below under Proposal One: Election of Director Nominees. A majority of the votes entitled to be cast by stockholders on a matter represented in person or by proxy is necessary to constitute a quorum.

**Vote Required**

The election of the Company's directors requires a plurality of the votes represented in person or by proxy at the Annual Meeting. The affirmative vote of the holders of a majority of the total votes cast in person or by proxy at the Annual Meeting is required for approval of the proposal to (i) approve the Washington Federal 2011 Incentive Plan, (ii) ratify the appointment of Deloitte & Touche LLP as independent registered public accountants (iii) approve the non-binding advisory proposal on the compensation of Washington Federal's executive officers, and (iv) any other business that properly may come before the Annual Meeting.

**Effect of an Abstention and Broker Non-Votes**

A stockholder who abstains from voting on any or all proposals and broker non-votes will be included in the number of stockholders present at the Annual Meeting for the purpose of determining the presence of a quorum. Abstentions will not be counted either in favor of or against the election of the nominees or any other proposal. Consequently, abstentions will have no effect on the vote required to approve the nominees for director or the other proposals being considered at the Annual Meeting.

Banks, brokers or other nominees who hold shares of our common stock for a beneficial owner have the discretion to vote on routine proposals when they have not received voting instructions from the beneficial owner of the shares at least ten days prior to the Annual Meeting. A broker non-vote occurs when a bank, broker or other nominee does not receive voting instructions from the beneficial owner and does not have the discretion to direct the voting of the shares. Broker non-votes will be counted for purposes of calculating whether a quorum is present at the Annual Meeting.

If you are a beneficial owner and you do not provide the bank, broker or other nominee that holds your shares with voting instructions, the bank, broker or other nominee will determine if it has the discretionary authority to vote on the particular



matter. Banks, brokers and other nominees have the discretion to vote on routine matters, such as the ratification of the selection of our independent registered public accounting firm (Proposal 4), but do not have discretion to vote on non-routine matters such as the election of directors (Proposal 1) or the approval of the 2011 Incentive Plan (Proposal 2) or the non-binding advisory proposal on executive compensation (Proposal 3). Therefore, if you do not provide voting instructions to your bank, broker or other nominee, your bank, broker or other nominee may only vote your shares on Proposal 4 and any other routine matters properly presented for a vote at the Annual Meeting. A broker non-vote will not affect the outcome of the vote on Proposals 1, 2, or 3.

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**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information as of October 1, 2010 with respect to: any person or entity known by Washington Federal to be the beneficial owner of 5% or more of the issued and outstanding Common Stock.

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership(1)</u>	<u>Percentage Ownership</u>
Perkins Investment Management LLC 311 S. Wacker Dr. Suite 6000, Chicago, Illinois	9,192,669(3)	8.17%
Fidelity Management & Research 82 Devonshire Street  Boston, Massachusetts	6,531,245(2)	5.81%

- (1) Pursuant to rules promulgated by the Securities and Exchange Commission ( SEC ) under the Securities Exchange Act of 1934, as amended ( Exchange Act ), a person is considered to beneficially own shares of Common Stock if he or she has or shares: (i) voting power, which includes the power to vote, or direct the voting of the shares; or (ii) investment power, which includes the power to dispose or direct the disposition of the shares. Shares of Common Stock subject to options currently exercisable or exercisable within 60 days after October 1, 2010 are considered outstanding for the purpose of computing the percentage ownership of the person holding such options, but are not considered outstanding when computing the percentage ownership of each other person. Except as indicated in the footnotes to this table, each stockholder named in the table has sole voting and investment power for the shares shown as beneficially owned by them.
- (2) As disclosed on form 13F filed with the SEC by Fidelity Management & Research.
- (3) As disclosed on form 13F filed with the SEC by Perkins Investment Management LLC.

The following table sets forth information regarding the beneficial ownership by shares of Common Stock by each of the (i) directors, (ii) executive officers named in the Summary Compensation Table, and (iii) all directors and executive officers as a group.

Name	Title	Number of Shares of Common Stock Owned Directly or Indirectly as of October 1, 2010(1)(2)	Percentage Ownership
Derek L. Chinn	Director	221,277	.20%
Thomas J. Kelley	Director	11,185	.01%
Barbara L. Smith	Director	4,000	.00%
Anna C. Johnson	Director	16,690	.01%
Charles R. Richmond	Director	69,425(3)	.06%
John F. Clearman	Director	17,333	.02%
James J. Doud, Jr.	Director	9,927	.01%
H. Dennis Halvorson	Director	23,246	.02%
Roy M. Whitehead	Chairman, President and Chief Executive Officer	275,045(4)	.24%
Brent J. Beardall	Executive Vice President and Chief Financial Officer	94,909(5)	.08%
Linda S. Brower	Executive Vice President	90,117(6)	.08%
Edwin C. Hedlund	Executive Vice President and Secretary	156,143(7)	.14%
Thomas E. Kasanders	Executive Vice President	11,264(9)	.01%
Jack B. Jacobson	Executive Vice President	124,237(8)	.11%
Mark A. Schoonover	Executive Vice President and Chief Credit Officer	26,654(10)	.02%
Angela D. Veksler	Executive Vice President and Chief Information Officer	5,000(11)	.00%
All Directors and Executive Officers as a group (16 persons)		1,156,452(12)	1.02%

- (1) Pursuant to rules promulgated by the SEC under the Exchange Act, a person is considered to beneficially own shares of Common Stock if he or she has or shares: (i) voting power, which includes the power to vote or direct the voting of the shares; or (ii) investment power, which includes the power to dispose or direct the disposition of the shares. Shares of Common Stock subject to options currently exercisable or exercisable within 60 days after October 1, 2010 are considered outstanding for the purpose of computing the percentage ownership of the person holding such options, but are not considered outstanding when computing the percentage ownership of each other person. Except as indicated in the

footnotes to this table, each stockholder named in the table below has sole voting and investment power for the shares shown as beneficially owned by them.

- (2) Based on information furnished by the respective directors and executive officers. The percentage of outstanding shares of Common Stock is based on the 112,483,632 shares of Common Stock issued and outstanding on October 1, 2010, plus options to purchase shares of Common Stock that are exercisable by a director or employee prior to November 29, 2010.
- (3) Mr. Richmond's ownership includes options to purchase 27,660 shares of Common Stock.
- (4) Mr. Whitehead's ownership includes 37,000 shares of unvested restricted Common Stock, options to purchase 123,748 shares of Common Stock and 17,738 shares of Common Stock that are held in the Washington Federal Profit Sharing Retirement and Stock Ownership Plan (the Retirement Plan).
- (5) Mr. Beardall's ownership includes 20,929 shares of unvested restricted Common Stock, options to purchase 47,038 shares of Common Stock, and 12,432 shares of Common Stock held in the Retirement Plan.
- (6) Ms. Brower's ownership includes 20,929 shares of unvested restricted Common Stock, options to purchase 41,604 shares of Common Stock, and 11,278 shares of Common Stock held in the Retirement Plan. As noted previously, Ms. Brower, as trustee of the Retirement Plan, may be deemed to beneficially own the shares held by the Retirement Plan that are not included in the table other than to the extent of Ms. Brower's interest in the Retirement Plan.
- (7) Mr. Hedlund's ownership includes 18,500 shares of unvested restricted Common Stock, options to purchase 61,873 shares of Common Stock, and 14,417 shares of Common Stock held in the Retirement Plan.
- (8) Mr. Jacobson's ownership includes 13,500 shares of unvested restricted Common Stock, options to purchase 61,873 shares of Common Stock, and 19,610 shares of Common Stock held in the Retirement Plan.
- (9) Mr. Kasanders's ownership includes 4,000 shares of unvested restricted Common Stock and options to purchase 2,625 shares of Common Stock.
- (10) Mr. Schoonover's ownership includes 16,000 shares of unvested restricted Common Stock and options to purchase 7,584 shares of Common Stock.
- (11) Ms. Veksler's ownership includes 5,000 shares of unvested restricted Common Stock.
- (12) The percentage of outstanding shares of Common Stock is based on the shares of Common Stock issued and outstanding on October 1, 2010, plus options to purchase 374,005 shares of Common Stock that are exercisable by current and former executive officers as a group prior to November 29, 2010. Includes an aggregate of 75,475 shares held by the Retirement Plan for the benefit of executive officers of Washington Federal. Directors, unless current or former employees of Washington Federal, do not participate in the Retirement Plan. The Retirement Plan is a qualified, defined contribution profit sharing and employee stock ownership plan maintained for all eligible employees of Washington Federal. The shares of Common Stock of Washington Federal held by the Retirement Plan are voted by the trustees of such plan at their discretion, but the disposition of such shares can be directed only by the employee to whose account the shares are allocated. The trustees of the Retirement Plan are Linda Brower, Mike Bush and Robert Zirk, all of whom are employees of Washington Federal.

**PROPOSAL ONE: ELECTION OF DIRECTOR NOMINEES**

**General**

The Restated Articles of Incorporation of Washington Federal provide that the Board of Directors shall be divided into three classes as nearly equal in number as possible, and that the members of each class shall be elected for terms of three years and until their successors are elected and qualified, with one of the three classes of directors to be elected each year. The number of directors currently authorized by Washington Federal's Bylaws is nine.

Pursuant to Washington Federal's Restated Articles of Incorporation, at each election of directors every stockholder entitled to vote has the right to vote, in person or by proxy, the number of shares owned by him or her for as many persons as there are directors to be elected, or to cumulate his or her votes by giving one candidate as many votes as the number of such directors to be elected multiplied by the number of his or her shares shall equal, or by distributing such votes on the same principle among any number of candidates. In the event that cumulative voting is in effect, it is the intention of the persons named in the accompanying proxy to vote cumulatively for the election as directors the nominees listed in the table that follows.

At the Annual Meeting, stockholders of Washington Federal will be asked to elect two directors of Washington Federal for a three-year term and until their successors are elected and qualified. The Board of Directors, upon the recommendation of the Nominating and Governance Committee, has nominated Anna C. Johnson and Charles R. Richmond to a three-year term. Each of the nominees currently serves as directors of Washington Federal. There are no arrangements or understandings between the persons named and any other person pursuant to which such person was selected as a nominee for election as a director at the Annual Meeting, and no director or nominee for director is related to any other director or executive officer of Washington Federal by blood, marriage or adoption.

If any person named as nominee should be unable or unwilling to stand for election at the time of the Annual Meeting, the proxies will nominate and vote for any replacement nominee or nominees recommended by the Board of Directors of Washington Federal. Alternatively, under such circumstances, the Board of Directors of Washington Federal may reduce the number of directors of Washington Federal. Washington Federal knows of no reason why any of the nominees may not be able to serve as director if elected.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS**

**A VOTE *FOR* THE DIRECTOR NOMINEES LISTED BELOW**

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**Information with Respect to Nominees for Director and Continuing Directors**

The following tables set forth information relating to continuing directors of Washington Federal and the nominees for election as directors.

**Nominees for Three-Year Term Expiring In 2014**

Name	Age	Positions with Washington	Director Since
		Occupation During Past Five Years	
Anna C. Johnson	59	Director; Senior Partner of Scan East West Travel, a travel agency. Ms. Johnson is a successful business person who has built a first-quality travel service that has operated in Seattle, Washington since 1971. Ms. Johnson's experience in operating a small business brings important commercial insights to the Board.	1995
Charles R. Richmond	71	Director; Director of Real Estate of Washington Federal since December 2002, former Executive Vice President, Chief Lending Officer and Secretary of Washington Federal. Mr. Richmond's knowledge of the markets served by Washington Federal and his experience in real estate lending provide the Board with a well qualified and valuable perspective on the Company's lending activities.	1995

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**Directors with Terms Expiring In 2012**
**Positions with Washington****Federal and Principal****Occupation During Past**

Name	Age	Five Years	Director Since
John F. Clearman	73	Director; retired, former Chief Financial Officer of Milliman USA Inc.; former President and Chief Executive Officer of N.C. Machinery Co. Milliman is among the world's largest independent actuarial and consulting firms. In addition to his operating experience in managing complex and successful businesses, Mr Clearman is a Certified Public Accountant with lengthy experience managing audits of financial services companies for a major accounting firm. That background makes him thoroughly qualified to chair the Audit and Risk Policy Committee and to serve as the liaison between the Board and its independent public accountants.	1996
James J. Doud, Jr.	72	Director; Business Consultant, former Executive Vice President and Chief Operating Officer of Matthew G. Norton Co. As a consultant and former executive, Mr. Doud has extensive knowledge of investments in real estate, private equities, and other securities. During his lengthy career, Mr. Doud has prior experience serving on bank boards and provides important expertise in the areas of credit, risk management and business strategy.	2008
H. Dennis Halvorson	71	Director; retired, former President and Chief Executive Officer of United Bank, a Savings Bank. Mr. Halvorson has extensive managerial experience in banking. His background provides the board with broad knowledge of the industry, including asset/liability management and guidance on regulatory matters. He is the designated Lead Independent Director.	1996
Roy M. Whitehead	58	Chairman, President and Chief Executive Officer of Washington Federal. Mr. Whitehead has served in the industry for thirty five years and has experience in virtually all aspects of the business. As the Company's Chief Executive Officer he provides practical advice on the operational impact of board policy making and strategic planning.	1999

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**Directors with Terms Expiring In 2013**
**Positions with Washington****Federal and Principal****Occupation During Past**

<b>Name</b>	<b>Age</b>	<b>Five Years</b>	<b>Director Since</b>
Derek L. Chinn	62	Director; retired since September 2003, former Chairman, President and Chief Executive Officer of United Savings and Loan Bank. Mr. Chinn has extensive experience in community banking operations and is an important advisor to management and the board on certain key markets.	2003
Thomas J. Kelley	62	Director; Faculty at Albers School of Business, Seattle University since September 2002. Former Moscow Office Managing Partner with Arthur Andersen. Mr. Kelley's financial expertise is a necessary component of the board. His career in finance and public accounting was centered on the audit of financial services firms, and qualifies him to be a strong contributor to the Audit and Risk Policy Committee and to serve as Chair of the Regulatory Compliance Committee.	2005
Barbara L. Smith	61	Director; Owner Barbara Smith Consulting. Ms. Smith has a Ph.D. in organizational psychology from the University of Washington and extensive experience in strategic planning and organizational development. Her background is most useful to the board in assessing the leadership ability of management, the health of the corporate culture and overall effectiveness of the organization.	2007



**Executive Officers**

The following table sets forth information concerning the current executive officers of Washington Federal. Executive officers of the Company are elected by the Board of Directors on an annual basis and serve until their successors have been duly elected and qualified.

Name	Age	Positions with Washington
		Federal and Principal
		Occupation During Past Five Years
Brent J. Beardall	39	Executive Vice President and Chief Financial Officer since October 2007; Senior Vice President and Chief Financial Officer from October 2003 to October 2007.
Linda S. Brower	57	Executive Vice President since 2003.
Edwin C. Hedlund	54	Executive Vice President and Secretary since 1999.
Jack B. Jacobson	60	Executive Vice President since 2001.
Thomas E. Kasanders	58	Executive Vice President since October 2010; formerly Senior Vice President with First Mutual Bank and Washington Federal from March 2004 to September 2010.
Mark A. Schoonover	52	Executive Vice President and Chief Credit Officer since March 2008; Senior Vice President & Chief Credit Officer from October 2007 to March 2008; Chief Credit Officer with Cobalt Mortgage from January 2006 to August 2007; and Senior Vice President with Washington Mutual from April 1999 to August 2005.
Angela D. Veksler	49	Senior Vice President and Chief Information Officer since August 2010; formerly Senior Vice President and Chief Information Officer Enterprise and Corporate Technology with Washington Mutual from January 2007 to February 2009. Senior Vice President and Chief Information Officer Home Loan Lending with Washington Mutual from July 2005 to January 2007.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Under Section 16(a) of the Exchange Act, Washington Federal's directors and executive officers and any persons holding 10% or more of the outstanding Common Stock must report their ownership of Washington Federal's securities and any changes in that ownership to the SEC by specific dates. Washington Federal believes that during the fiscal year ended September 30, 2010 all of these filing requirements were satisfied by its directors and executive officers. In making the foregoing statement, Washington Federal has relied in part on representations of its directors and executive officers and copies of the reports that they have filed with the SEC.

## CORPORATE GOVERNANCE

### The Board of Directors and Its Committees

The Board of Directors of Washington Federal held a total of 10 meetings during the last fiscal year. No incumbent director attended fewer than 75% of the aggregate of the total number of meetings of the Board of Directors held during his or her tenure in office during the last fiscal year or the total number of all meetings held by all committees of the Board of Directors on which he or she served during such year. Although Washington Federal does not have a formal policy regarding attendance by directors at annual meetings of stockholders, directors are expected to attend such meetings. At the 2010 Annual Meeting all directors were present.

The Board of Directors has established various committees, including an Executive Committee, an Audit and Risk Policy Committee, a Nominating and Governance Committee, a Regulatory Compliance Committee and a Compensation Committee. The Board of Directors has affirmatively determined that a majority of the Washington Federal directors are independent pursuant to the listing requirements of the Nasdaq Stock Market LLC ( NASDAQ ). The current independent directors are Mr. Halvorson, our Lead Independent Director, Ms. Johnson, Ms. Smith and Messrs. Chinn, Clearman, Doud and Kelley. The independent directors held two regularly scheduled executive sessions during the past fiscal year. The Board of Directors also has affirmatively determined that each member of the Audit and Risk Policy Committee, Compensation Committee and the Nominating and Governance Committee of the Board of Directors is independent within the meaning of applicable laws and regulations and the listing requirements of NASDAQ.

The Board of Directors selects certain members to serve on its Executive Committee. The present Executive Committee consists of Messrs. Whitehead, Chairman, Clearman, Halvorson and Richmond. The Executive Committee is authorized to exercise all the authority of the Board of Directors in the management of Washington Federal between board meetings unless otherwise provided by the Bylaws of Washington Federal. The Executive Committee did not meet during the last fiscal year.

The Board of Directors has a standing Audit and Risk Policy Committee with a written charter. A copy of the Audit and Risk Policy Committee Charter is available on Washington Federal's website at [www.washingtonfederal.com](http://www.washingtonfederal.com). The Audit and Risk Policy Committee consists of Messrs. Clearman, Chairman, Doud and Kelley. The Board has determined that Chairman Clearman as well as Messrs. Doud and Kelley are audit committee financial experts, as defined by SEC regulation. The Audit and Risk Policy Committee met on six occasions during the last fiscal year. The Audit and Risk Policy Committee's primary responsibilities include review of all financial reports, oversight of the internal audit function, review and approval of the enterprise risk management program, appointment of independent auditors, pre-approval of all services performed by the independent registered public accountants and review of all related party transactions.

The Board of Directors has a standing Compensation Committee consisting of Mr. Halvorson, Chairman, Mr. Chinn, Ms. Johnson and Ms. Smith. No member of the Compensation Committee has served as an officer or an employee of Washington Federal or its subsidiaries during the past five years. The Compensation Committee is responsible for all personnel and compensation related matters and makes recommendations to the Board of Directors. Further, the Compensation Committee is authorized to act under Washington Federal's stock benefit plans to grant stock options and restricted shares. The Compensation Committee met two times during the last fiscal year. The Compensation Committee has a written charter available at [www.washingtonfederal.com](http://www.washingtonfederal.com).

The Board of Directors has appointed three of its members to serve as a Nominating and Governance Committee which is responsible to establish and oversee the general responsibilities and functions of the Board, to assist the Board in identifying and qualifying individuals to serve as directors, and to approve nominations for their election. The Nominating and Governance Committee has a written charter which is available at [www.washingtonfederal.com](http://www.washingtonfederal.com). For the present Annual Meeting, the Board of Directors appointed Ms. Johnson, Chairman, and Messrs. Clearman, Chinn and Doud to serve on the Nominating and Governance Committee. The Nominating and Governance Committee met twice during the last fiscal year.

The Board of Directors has appointed three of its members to serve as a Regulatory Compliance Committee. The Board of Directors appointed Mr. Kelley, Chairman, Mr. Richmond and Ms. Smith to serve on the Regulatory Compliance Committee. The Regulatory Compliance Committee met three times during the last fiscal year. The primary responsibility of the Regulatory Compliance Committee is to monitor compliance with all applicable laws and regulations. The Regulatory Compliance Committee has a written charter available at [www.washingtonfederal.com](http://www.washingtonfederal.com).

#### **Board Leadership Structure and Board's Role in Risk Oversight**

The Chief Executive Officer also serves as Chairman of the Board, due in part to the Chief Executive's tenure with the Company, which provides unique and intimate knowledge regarding the history, strategy, business and operations of Washington Federal. The Lead Independent Director coordinates the activities of the non-management directors and acts as the principal liaison between the independent directors of the Board and the Chairman of the Board.

The Company's Board of Directors endorses the view that one of its primary functions is to protect stockholders' interests by providing independent oversight of management, including the Chief Executive Officer. However, the Board does not believe that mandating a particular structure, such as a separate Chairman and Chief Executive Officer, is necessary to achieve effective oversight. The Chairman of the Board has no greater or lesser vote on matters considered by the Board than any other director, and the Chairman does not vote on any related party transaction. All directors of Washington Federal, including the Chairman, are bound by fiduciary obligations,

imposed by law, to serve the best interests of the stockholders. Accordingly, separating the offices of Chairman and Chief Executive Officer is not deemed to be in the best interest of Washington Federal.

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. The Company faces a number of risks, including credit risk, interest rate risk, liquidity risk, operational risk, strategic risk and reputation risk. Management is responsible for the day-to-day management of risks that Washington Federal faces, while the Board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the Board of Directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. To accomplish this, the Chief Executive Officer meets regularly in executive session with the Board to discuss strategy and risks facing the Company. In addition, the Enterprise Risk Manager, the Manager of Internal Audit and the Manager of Internal Asset Review report directly to the Audit & Risk Policy Committee and meet regularly with them. Senior management attends all board meetings and is available to address any questions or concerns raised by the Board on risk management and any other matters. Management and the Board work together to provide strong oversight of the Company's management and affairs through its standing committees and when necessary, but in any event at least two times each year, special meetings of independent directors are held.

### **Selection of Nominees for the Board**

The Nominating and Governance Committee considers candidates for director suggested by its members, other directors of Washington Federal, as well as management and stockholders. The Nominating and Governance Committee also may solicit prospective nominees. In addition, nominees for election as director may be obtained in connection with acquisitions by Washington Federal. A stockholder who desires to recommend a prospective nominee for the Board of Directors should notify Washington Federal's Secretary or any member of the Nominating and Governance Committee in writing with whatever supporting material the stockholder considers appropriate. The Nominating and Governance Committee also considers whether to nominate any person nominated pursuant to the provision of Washington Federal's Bylaws relating to stockholder nominations, which is described under "Stockholder Nominations" below. The Nominating and Governance Committee has the authority to retain a third-party search firm to identify or evaluate, or assist in identifying and evaluating, potential nominees if it so desires, although it has not done so to date.

### **Director Qualifications**

In making recommendations for nominees to the Board of Directors, the Nominating and Governance Committee reviews and considers the qualifications, strengths and abilities of the potential candidates for nomination, including new candidates that may be identified from time to time through the Company's internal search and review

procedures or as a result of stockholder recommendations. In deciding whether to recommend the re-nomination of an incumbent director whose term is expiring at an upcoming meeting or the nomination of new directors who previously served as officers of Washington Federal, the Nominating and Governance Committee considers their prior performance as directors and officers of the Company in addition to the candidates' other qualifications. For new candidates, the review process may require additional evaluation and consideration.

The Nominating and Governance Committee works with the Board of Directors on an ongoing basis in identifying the particular qualities and abilities that Washington Federal seeks in its directors generally, and the mix of experience, expertise and attributes, that are sought or required for the Board as a whole. Desirable personal qualities include integrity, business acumen and industry knowledge. Accordingly, the Board of Directors in selecting nominees will consider criteria such as financial, regulatory and business experience; familiarity with and participation in the local community; integrity, honesty and reputation; dedication to Washington Federal and its stockholders; independence; and any other factors the Board of Directors deems relevant, including age, diversity, size of the Board of Directors and regulatory disclosure obligations. All candidates for nomination are evaluated against these target qualities and attributes, as well as the Board of Directors' particular needs at the time.

### **Stockholder Nominations**

Pursuant to Article IV, Section 4.15 of Washington Federal's Bylaws, stockholders of Washington Federal may nominate persons for election to the Board of Directors by submitting such written nominations to the Secretary of Washington Federal at least ninety (90) days prior to the anniversary date of the mailing of proxy materials by Washington Federal in connection with the immediately preceding Annual Meeting of Stockholders of Washington Federal. The Secretary of the Company will promptly forward any such nominations to the Nominating and Governance Committee. Such stockholder's notice shall set forth: (a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the stockholder is a holder of record of stock of Washington Federal entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (d) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC; and (e) the consent of each nominee to serve as a director of Washington Federal, if elected. Once the Nominating and Governance Committee receives the nomination of a candidate and the candidate has complied with the minimum procedural requirements set forth in the Company's Bylaws, such candidacy will be evaluated and a recommendation with respect to such candidate will be delivered to the Board of Directors. If a nomination is made in accordance with applicable requirements, then ballots will be provided for use

by stockholders at the stockholder meeting bearing the name of such nominee or nominees. No nominations for election as a director at the Annual Meeting were submitted to Washington Federal in accordance with the foregoing requirements.

### **Communications with the Board of Directors**

The Board of Directors provides to every stockholder the ability to communicate with the Board of Directors as a whole and with individual directors on the Board of Directors. Stockholders who wish to do so may send written communications to the following address: Board of Directors-Stockholder Communications, c/o Corporate Secretary, 425 Pike Street, Seattle, Washington 98101. The Corporate Secretary will forward such communications to the director or directors to whom they are addressed.

### **Code of Conduct and Ethics**

Washington Federal maintains a Director and Employee Code of Ethics that covers all directors, officers and employees of Washington Federal and its subsidiaries. The Code of Ethics requires, among other things, that the directors, officers and employees exhibit and promote the highest standards of honest and ethical conduct; avoid conflicts of interest; comply with laws, rules and regulations; and otherwise act in the best interest of Washington Federal. In addition, Washington Federal maintains a separate Code of Ethics for Senior Financial Officers that imposes specific standards of conduct on persons with financial reporting responsibilities at Washington Federal. Each senior financial officer of Washington Federal, including its Chief Executive Officer and Chief Financial Officer, is required to annually certify in writing his or her compliance during the prior year with the Code of Ethics for Senior Financial Officers. A copy of the Director and Employee Code of Ethics and Code of Ethics for Senior Financial Officers can be viewed on Washington Federal's website at [www.washingtonfederal.com](http://www.washingtonfederal.com). A waiver for an executive officer or director of the Washington Federal may be made only by the Audit and Risk Policy Committee of the Board of Directors and must be promptly disclosed as required by SEC or NASDAQ rules. Washington Federal will disclose any such waivers, as well as any amendments to the code on its website. No such waivers were requested or granted during 2010 or 2009.

**REPORT OF THE AUDIT COMMITTEE**

*The following Report of the Audit Committee shall not be deemed incorporated by reference by any general statement incorporating this Proxy Statement into any filing under the Securities Act of 1933 ( Securities Act ), or under the Exchange Act, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under the Securities Act or the Exchange Act.*

The Audit and Risk Policy Committee (Committee) has reviewed and discussed the audited financial statements for the fiscal year ended September 30, 2010 with management. The Committee has discussed with the independent registered public accountants the matters required to be discussed by Statement of Auditing Standards No. 61, as amended (AICPA Professional Standards Vol. 1 AU Section 380) as adapted by the Public Company Accounting Oversight Board in Rule 3200T. The Committee has received the written disclosures and the letter from the independent registered public accountants required by Public Company Accounting Oversight Board regarding the independent accountant's communications with the Committee concerning independence and has discussed with the independent accountant the independent accountant's independence. Based on the review and discussions referred to above in this report, the Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the last fiscal year for filing with the SEC.

AUDIT AND RISK POLICY COMMITTEE

John F. Clearman, Chairman

Thomas J. Kelley

James J. Doud, Jr.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### *Overview*

Washington Federal's Board of Directors approves all policies that govern executive compensation, which are then administered by the Compensation Committee, including the following activities:

Establishing and reviewing executive base salaries;

Overseeing Washington Federal's short-term incentive compensation plan;

Overseeing Washington Federal's long-term, equity-based compensation plans;

Overseeing Washington Federal's 401-k and other benefit plans;

Approving all bonuses and awards distributed under these plans; and

Reviewing all compensation decisions for executive officers with the Board of Directors, including those for the Chief Executive Officer and the other officers named in the Summary Compensation Table on page XX (referred to as the "Named Executive Officers").

On behalf of the Board of Directors, the Compensation Committee seeks to assure that compensation paid to the named executive officers is fair, reasonable and competitive, and is linked to protecting and increasing stockholder value.

#### *Executive Compensation Philosophy*

The Board of Directors and its Compensation Committee of Washington Federal believe the intent of executive compensation and benefits programs is to both encourage and reward behaviors that ultimately contribute to the achievement of our organizational goals and produce maximum value to our stockholders. The following core principles are used to guide decisions regarding these programs:

Executive compensation must be competitive with relevant markets where we compete for employees to ensure that the Company is able to attract, retain and motivate top performing executive officers;



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In all circumstances, the interests of executives should be aligned with those of the Company's stockholders;

Incentives are to be provided to promote the achievement of operating goals as a step toward fulfilling long-term strategic objectives;

Rewards should be linked to company-wide, team and individual performance;

Executive compensation should be perceived to be fair by all parties with interests in the Company's success; and

Programs must be designed to ensure that the Company is not exposed to excessive risks.

To achieve the objectives of the organization within the parameters of the core principles, the Board of Directors and its Compensation Committee have determined that the Company's executive compensation program should use the following elements:

**Base Salary** Base pay opportunities are competitive with other relevant organizations in the marketplaces where Washington Federal competes for employees. Individual pay determinations involve consideration of incumbent qualifications and performance.

**Short-Term Incentives** Senior management has a significant portion of competitive targeted annual cash compensation at risk, contingent upon meeting pre-defined organization, group and/or individual goals in performance areas they can substantially influence.

**Long-Term Incentives** Senior management has a significant portion of their competitive total compensation opportunity linked to increases in stockholder value.

**Benefits** Washington Federal assists senior management in meeting important needs such as retirement income, health care, survivor income, disability income, time-off and other needs through competitive, cost-effective, organization-sponsored programs that provide employees with reasonable flexibility in meeting their individual needs.

Decisions regarding total executive compensation program design, as well as individual pay decisions, are made in the context of our principles and our ability to pay, as defined by our financial success.

#### ***Role of the Compensation Committee***

The Compensation Committee is responsible for, among other things, developing executive compensation policies for approval by the Board of Directors. As part of its responsibilities, the Compensation Committee reviews and establishes compensation for all of the executive officers of Washington Federal, including the Named Executive Officers, and reviews their decisions with the Board of Directors as appropriate.

The Compensation Committee is comprised entirely of directors who meet the independence requirements as defined by applicable NASDAQ rules, are deemed a non-employee director under Rule 16b-3 of the Securities Exchange Act of 1934, as amended, and satisfy the requirements of an outside director for purposes of Section 162(m)(4)(C) of the Internal Revenue Code. The Compensation Committee is comprised of the following individuals: Mr. Halvorson, Chairman, Mr. Chinn, Ms. Johnson, and Ms. Smith.

A key objective of the Compensation Committee is to further the core compensation principles described above through a compensation structure comprised of base salary and long-term and short-term incentive-based compensation. Since a meaningful part of total compensation is incentive based, a direct link is established between executive compensation and the long-term performance of Washington Federal.

The Compensation Committee met three times during the year ended September 30, 2010. In making its recommendations to the Board of Directors, the Compensation Committee reviewed relevant market data on the financial performance of both national and regional financial institutions, specifically banks and thrifts, which the Company views as its peer group. Such data are used as points of reference, but are not the deciding factor in establishing appropriate compensation for executive officers of Washington Federal, due to the wide variety of circumstances, financial performance, geography, and business plans of the peer group institutions.

The Compensation Committee has the authority to directly engage outside consultants and in August of 2010, due to the increasing complexity of rules and regulations related to executive compensation, the Committee engaged Towers Watson to assist in evaluating our compensation practices and to provide advice concerning executive compensation. Specifically, the Compensation Committee asked Towers Watson to conduct a compensation review of eight executive positions, including the Named Executive Officers. As discussed below, its review consisted of a market data assessment and competitive review and analysis of base salary, short-term incentives, long-term incentives, and benefits/perquisites. Towers Watson assessed the competitiveness of the 2010 executive compensation programs that were already in effect, including base salary adjustments implemented in February 2010, and made recommendations concerning executive compensation for fiscal 2011.

Towers Watson reports directly to the Chairman of the Committee and in performance of its duties, Towers Watson interacts with the Chief Executive Officer, Chief Financial Officer and Executive Vice President responsible for human resources. Towers Watson is not affiliated with Washington Federal, nor did it provide any other services for the Company in 2010.

### ***Benchmarking***

Compensation decisions for 2010 and prior years were determined by the Compensation Committee based on value added to the organization by each executive and market forces.

In August 2010, Towers Watson was engaged by the Compensation Committee to review the competitiveness of 2010 total compensation and to provide recommendations for 2011 programs. To determine competitiveness in the marketplace the Towers Watson provided a compilation of survey data of companies of similar size published by several independent consulting firms and detailed analysis of reported proxy statements from 22 Peer Group companies. The Company's Peer Group consisted of similarly highly performing financial institutions ranging in asset size from \$5 billion to \$20 billion. Performance of potential peers was evaluated considering TARP participation and repayment and the ratio of market capitalization to total assets. The Peer Group was as follows:

*Astoria Financial Corporation, Bank Of Hawaii Corp. Commerce Bancshares Inc, M., Community Bank System Inc., Cullen Frost Bankers Inc., East West Bancorp Inc.,*

*First Niagara Financial Group Inc., Firstmerit Corp., Hancock Holding Co., NBT Bancorp Inc., Old National Bancorp, Prosperity Bancshares Inc., Signature Bank, SVB Financial Group, TCF Financial Corp., TFS Financial Corp., Trustmark Corp., UMB Financial Corp., Umpqua Holdings Corp., United Bankshares Inc., Valley National Bancorp, Webster Financial Corp*

### ***Total Compensation***

Total executive compensation is tied to performance and is structured to ensure focus on financial results, stockholder return, individual performance, and the responsibility and experience of executive officers.

In January 2010, the Board of Directors determined that market conditions had increased demand for executive talent in the financial services industry and directed the Compensation Committee to assess the Company's executive compensation practices. The Compensation Committee gathered and reviewed executive compensation data from similar institutions in the U.S. generally, and in the Western U.S. in particular, and consulted with an executive recruiting firm with expertise in the area. The Compensation Committee concluded that the Company's total compensation opportunity was well below competitive levels for experienced executives at institutions of similar size. To remain consistent with core compensation principles and to retain key executives, one-time increases to base salaries were approved by the Compensation Committee and the Board. These increases went into effect on February 1, 2010.

In considering 2011 executive compensation decisions, the Compensation Committee engaged Towers Watson on July 26, 2010 to perform a market study. The Compensation Committee met with representatives of the consulting firm on three occasions to review the results. The study concluded that with the increases awarded in 2010, base salaries were below the peer group's median adjusted market base salary for each of the Company's NEOs. Total cash compensation, defined as base salary plus target cash bonuses, were also below the peer group's median adjusted market total cash compensation for each of the Company's NEOs. Total direct compensation, including cash compensation plus stock options and restricted stock awards, plus the 2010 adjustments to base salary, was also below the median adjusted market comparison to the peer group for each of the Company's NEOs. The Towers Watson study will be an important reference point for the Compensation Committee in deciding NEO compensation for 2011.

The Compensation Committee has approved adjustments to the elements of total compensation for 2011 that will more closely align the Company's executive compensation practices with competitive practice and to be consistent with the principle of attraction and retention of top performing executive officers.

Total compensation paid and earned by the Named Executive Officers in Fiscal 2010 was consistent with Washington Federal's financial performance, the individual performance of each Named Executive Officer, the responsibilities and experience of the Named Executive Officers and stockholder return.

## *Elements of Compensation*

### *Base Salary*

Base salaries for executive officers are determined based on job responsibilities, level of experience and individual performance. In making its recommendations to the Board of Directors, the Compensation Committee reviews market data with respect to the Company's Peer Group to assess the competitiveness of the base salary of the Named Executive Officers as well as other senior officers. Such information is used as a point of reference; however, it is not the deciding factor in establishing appropriate base salaries due to the lack of precise comparability.

Merit pay adjustments to base salary are considered annually for each executive officer. When making adjustments to the base salary of the Chief Executive Officer, the Compensation Committee considers the job performance and contribution to the successful operation of Washington Federal by the Chief Executive Officer. When making adjustments to the base salaries of the other Named Executive Officers, the Compensation Committee relies upon the recommendation of the Chief Executive Officer. Executive base salaries are intended to be at levels that will attract, retain and motivate the necessary management expertise to successfully execute the Company's business plan, but are not targeted at specific levels.

As discussed above, in January 2010, the Compensation Committee determined that total compensation was significantly below competitive market levels and the Company was at risk of losing key members of leadership. The Compensation Committee also concluded that a significant portion of the shortfall was attributable to the Company's base salary structure. As a result, the Compensation Committee increased the base salary of the Chief Executive Officer by approximately 28% and the salaries of the other Named Executives from 30% to 50%. In determining individual base salary adjustments, the Compensation Committee considered the contributions of each NEO to the success of the Company and salaries for comparable positions at other institutions.

### *Annual Incentive Compensation*

An annual incentive compensation program has been established for all employees, including the Named Executive Officers. Eligibility for the annual incentive program is restricted only by excluding employees that are not in good standing with the Company. All Named Executive Officers were in good standing and are in good standing with Washington Federal. Consistent with the overall compensation philosophy of linking incentive awards to company-wide and individual performance, the incentive plan is designed to provide performance-based annual cash compensation based on the achievement of annual performance targets approved by the Compensation Committee with the concurrence of the Board of Directors.

For the Named Executive Officers, the bonus opportunity during 2010 was determined by meeting net income levels that were pre-established by the Compensation Committee. Increasing net income levels beyond the threshold level were assigned

a payout percentage amount in 1% increments, ranging from 1% to 50%. This is known as the net income multiplier. The net income multiplier was applied to each executive's earnings base amount, which was determined by the sum of base salary during the period plus the grant value of restricted stock that vested during the period. The resulting amount was then multiplied by a factor of three for the Chief Executive Officer and by a factor of two for the other Named Executive Officers, enabling a maximum potential payout for the Chief Executive Officer equal to 150% of earnings base amount and a maximum of 100% of earnings base amount for other Named Executive Officers. For 2010, there was no target specified within the range of performance to earn a specific bonus amount.

The Compensation Committee approved two performance periods during 2010 based on the achievement of net income objectives as follows:

For the six months ended March 31, 2010, Net income threshold to begin earning a bonus was \$30,000,000. Bonus payouts increased ratably from the threshold of \$30,000,000 (0% net income multiplier) until \$55,000,000 (50% net income multiplier).

For the six months ended September 30, 2010, Net income threshold to begin earning a bonus was \$40,000,000. Bonus payout increased ratably from the threshold of \$40,000,000 until \$65,000,000 on Net Income to have the maximum payout as described above.

During 2010, the Company achieved net income performance for the first half of the year resulting in a 43% payout due to reported net income of \$90.022 million. For the second half of the year, the Company reported net income of \$28.631 million, which did not reach the threshold performance of net income for bonus payout. In addition, Mr. Beardall was awarded a one-time discretionary cash bonus of \$50,000 in February, 2010 as part of a restructuring of his total compensation in order to bring it closer to the adjusted peer group median. Overall, annual incentive compensation payouts in fiscal 2010 were approximately 75% of the Chief Executive Officer's base salary and ranged from 43% to 66% of the other Named Executive Officers base salaries.

For 2011, the Committee has approved an incentive design that will have threshold, target, and maximum annual incentive amounts expressed as a percentage of base salaries. It is intended that the threshold measure be achieved approximately 80% of the time, the target measure approximately 50% of the time, and the maximum payout approximately 20% of the time. Net income will be the single performance measure for fiscal 2011. Targeted payouts for the Named Executive Officers will be 50% of base salary, with the exception of the CEO, whose targeted payout will be 100% of base salary. Maximum payout for the Named Executive Officers will be 100% of base salary, with the exception of the CEO, whose maximum payout will be 150% of base salary. The changes were made to simplify the design and to be more consistent with general market practices.

*Long-Term Incentives*

In the past, certain executive officers, including the Named Executive Officers, have been granted restricted stock and stock option awards by the Board of Directors, pursuant to Company's equity based compensation plans. The Company has two equity based compensation plans: the 1994 Stock Option and Stock Appreciation Rights Plan and the 2001 Long-Term Incentive Plan. Both plans are substantially similar and have been previously approved by the Company's stockholders. Stock option awards made to date have had an exercise price equal to the fair market value of a share of stock on the grant date of the award. Stock option awards and restricted stock awards vest pro rata over a four to seven year period. As outlined in Proposal 2 the Company is requesting stockholder approval for the 2011 Equity Plan at this year's Annual Meeting.

In 2010, each of the Named Executive Officers received an award of restricted stock but no awards of stock options. The Compensation Committee determined the amount of awards based on its subjective assessment of each Named Executive Officer's relative performance and value to the organization, taking into consideration the recommendations of the Chief Executive Officer for the other Named Executive Officers.

The Board of Directors believes that these long-term incentive awards help align the interests of Washington Federal's executives with those of its stockholders through potential stock ownership. Future awards to the Named Executive Officers will include a contingent award that will be earned over multiple years based upon criteria consistent with the terms of the proposed 2011 Washington Federal Incentive Plan. The Compensation Committee and the Board of Directors consider stock awards to be a key piece of executive compensation and reviews the appropriateness of such awards annually in light of performance.

*Employment and Change in Control Agreements*

The Company does not have any employment agreements in place with any Named Executive Officer. Upon a change in control of the Company, each unvested equity instrument previously awarded to the Named Executive Officers would become fully vested. No other change in control agreements are in place for the Named Executive Officers.

*Perquisites*

In 2010, perquisites were provided to certain executive and senior officers. Perquisites are given to executive and senior officers based upon their role in the Company and the business advantage gained by the use of perquisites. We provided the following perquisites to the Named Executive Officers:

Messrs. Beardall, Hedlund, Schoonover, Whitehead and Ms. Brower were provided memberships to an athletic club that was also used for business-related entertainment. The cost to the Company of each membership was approximately \$2,500.

The Company provided either an automobile or an automobile allowance. The related compensation is included in the Summary Compensation Table as Other Compensation .

#### *Retirement Benefits*

In addition to the above, the Company maintains the following plans that provide, or may provide, compensation to the Named Executive Officers. The Compensation Committee considers all of these plans and benefits when reviewing total compensation for executive officers and in making its recommendations to the Board of Directors.

#### *Retirement Plans*

The Washington Federal 401K Plan ( Plan ), is a defined contribution plan in which all employees with over 1,000 hours worked are eligible to participate. Historically, the Company has contributed 11% of an employees eligible base salary into the plan on his or her behalf. During 2009, the Company contributed 11% of each Named Executive Officer s eligible base salary. These amounts are included in the Summary Compensation Table under All Other Compensation . Amounts exceeding IRS Top-Heavy rules are paid directly to the affected executive on a pre-tax basis. Company contributions vest ratably over six years.

#### *Other Matters*

The Compensation Committee also considers the accounting, tax, and stockholder dilutive costs of specific executive compensation programs, and seeks to balance the earnings, tax, and dilutive impact of executive compensation plans with the need to attract, retain and motivate highly-qualified executives. The Compensation Committee also recognizes that regulatory factors can influence the structure of executive compensation programs and takes those into account as appropriate.



**REPORT OF THE COMPENSATION COMMITTEE**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis set forth in this Proxy Statement with management and, based on such review and discussion, has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

*Members of the Compensation Committee*

H. Dennis Halvorson, Chairman

Derek L. Chinn

Anna C. Johnson

Barbara L. Smith

**Summary Compensation Table**

The following table sets forth for each of the Named Executive Officers: (1) the dollar value of base salary and bonus earned during the year ended September 30, 2010; (2) the dollar value of the compensation cost of all stock and option awards computed in accordance with Financial Accounting Standards Board Topic 718; (3) the dollar value of earnings for services pursuant to awards granted during the year under non-equity incentive plans; (4) the change in pension value and non-qualified deferred compensation earnings during the year; (5) all other compensation for the year; and (6) the dollar value of total compensation for the year. The Named Executive Officers are the Company's principal executive officer, principal financial officer, and the three other most highly compensated executive officers as of September 30, 2010 (each of whose total cash compensation exceeded \$100,000 for fiscal year 2010).

**Summary Compensation Table**

<b>Name and Principal Position:</b>	<b>Year</b>	<b>Salary</b>	<b>Stock Awards(1)</b>	<b>Option Awards(1)</b>	<b>Non-Equity Incentive Plan Comp.(2)</b>	<b>All Other Comp.(3)</b>	<b>Total</b>
Roy M. Whitehead Chairman, President and Chief Executive Officer	2010	\$ 556,000	\$ 353,400	\$	\$ 430,021	\$ 95,790	\$ 1,435,211
	2009	468,000	160,300		100,000	91,937	817,237
	2008	465,000		101,600	50,418	91,197	708,215
Brent J. Beardall Executive Vice President and Chief Financial Officer	2010	267,000	186,000		231,587	58,247	742,834
	2009	201,000	80,150			47,252	328,402
	2008	196,500		50,800	65,439	45,242	357,981
Linda S. Brower Executive Vice President	2010	232,673	176,700		131,136	47,469	587,978
	2009	192,000	80,150			48,302	320,452
	2008	189,000		50,800	65,259	47,563	352,622
Edwin C. Hedlund Executive Vice President and Secretary	2010	277,000	176,700		142,480	53,414	649,594
	2009	231,000	81,150			47,728	359,878
	2008	229,500		50,800	67,577	46,439	394,316
Mark A. Schoonover Executive Vice President and Chief Credit Officer	2010	266,668	176,700		118,271	44,182	605,821
	2009	195,003	120,225			29,348	344,576
	2008	180,000		46,990	24,500	16,708	268,198

- (1) These amounts reflect the aggregate grant date fair value of the stock awards or option awards computed in accordance with Financial Accounting Standards Board Topic 718. The assumptions made in valuing the stock awards are included under the caption "Stock Option Plans" in Note L of Notes to Consolidated Financial Statements in the 2010 Annual Report on Form 10-K and such information is incorporated herein by reference. Note: this is a change in the calculation method from prior years, as required by SEC rules. In previous years amounts reflected in the table represented the amounts of amortized expense as reflected in the financial statements.
- (2) Represents cash incentives earned under the Short Term Incentive Compensation Plan.

(3) Further description of the amounts set forth under All Other Compensation for fiscal 2010 are set forth in the table below.

<u>Name and Principal Position:</u>	<u>Year</u>	<u>Company Plan Contribution</u>	<u>Dividends on Unvested Restricted Stock</u>	<u>Auto &amp; Parking</u>	<u>Total Other Comp.</u>
Roy M. Whitehead, Chairman, President and Chief Executive Officer	2010	\$ 77,963	\$ 7,400	\$ 10,427	\$ 95,790
Brent J. Beardall, Executive Vice President and Chief Financial Officer	2010	41,860	4,185	12,202	\$ 58,247
Linda S. Brower, Executive Vice President	2010	35,493	4,185	7,791	\$ 47,469
Edwin C. Hedlund, Executive Vice President and Secretary	2010	38,789	3,700	10,925	\$ 53,414
Mark A. Schoonover, Executive Vice President and Chief Credit Officer	2010	33,735	3,200	7,247	\$ 44,182

**GRANTS OF PLAN-BASED AWARDS TABLE  
FOR THE 2010 FISCAL YEAR**

The following table sets forth certain information with respect to grants of plan-based awards for the year ended September 30, 2010 to the Named Executive Officers. Grants of equity incentive plan awards to each Named Executive Officer were made pursuant to the 2001 Plan. There can be no assurance that the Grant Date Fair Value of the Stock Awards listed below will ever be realized.

	<u>Grant Date</u>	<u>Estimated Future Payouts Under Non-Equity Incentive Plan Awards</u>			<u>Estimated Future Payouts Under Equity Incentive Plan Awards</u>			<u>All Other Stock Awards; Number of shares of stock or units(1)</u>	<u>Grant Date Fair Value of Stock and Option Awards(2)</u>
		<u>Threshold</u>	<u>Target</u>	<u>Maximum</u>	<u>Threshold</u>	<u>Target</u>	<u>Maximum</u>		
		<u>\$</u>	<u>\$</u>		<u>\$</u>	<u>\$</u>			
Whitehead	10/26/2009							20,000	\$ 353,400
Beardall	10/26/2009							5,000	88,350
Beardall	03/29/2010							5,000	97,650
Brower	10/26/2009							10,000	176,700
Hedlund	10/26/2009							10,000	176,700
Schoonover	10/26/2009							10,000	176,700

(1) Restricted stock awards vest in annual increments over five years. The October 26, 2009, the closing price per share of common stock was \$17.67. The March 29, 2010, the closing price per share of common stock was \$19.53.

- (2) Grant date fair value calculated as the closing market price of the stock multiplied by the number of shares granted.

**Outstanding Equity Awards at Year End**

The following table sets forth information on outstanding option and stock awards held by the Named Executive Officers at September 30, 2010, including the number of shares underlying both exercisable and unexercisable portions of each stock option, as well as the exercise price and expiration date of each outstanding option.

**Outstanding Equity Awards at September 30, 2010**

	Grant Date	Option Awards			
		Number of Securities Underlying Exercisable Options (#)	Number of Securities Underlying Unexercisable Options (#)	Option Exercise Price (\$)	Option Expiration Date
Whitehead	10/19/01	43,923		15.13	10/19/11
Whitehead	10/24/03	48,399		21.24	10/24/13
Whitehead	02/13/06	11,426	8,574	22.91	02/13/16
Whitehead	03/26/07	10,000	10,000	23.75	03/26/17
Whitehead	03/24/08	10,000	30,000	24.03	03/24/18
Beardall	04/20/01	7,320		16.69	04/20/11
Beardall	10/19/01	5,856		15.13	10/19/11
Beardall	10/24/03	18,149		21.24	10/24/13
Beardall	02/13/06	5,713	4,287	22.91	02/13/16
Beardall	03/26/07	5,000	5,000	23.75	03/26/17
Beardall	03/24/08	5,000	15,000	24.03	03/24/18
Brower	01/30/03	7,742		17.79	01/30/13
Brower	10/24/03	18,149		21.24	10/24/13
Brower	02/13/06	5,713	4,287	22.91	02/13/16
Brower	03/26/07	5,000	5,000	23.75	03/26/17
Brower	03/24/08	5,000	15,000	24.03	03/24/18
Hedlund	10/19/01	21,961		15.13	10/19/11
Hedlund	10/24/03	24,199		21.24	10/24/13
Hedlund	02/13/06	5,713	4,287	22.91	02/13/16
Hedlund	03/26/07	5,000	5,000	23.75	03/26/17
Hedlund	03/24/08	5,000	15,000	24.03	03/24/18
Schoonover	11/19/07	4,000	6,000	22.06	11/19/17
Schoonover	01/22/08	2,334	1,166	20.58	01/22/18
Schoonover	3/24/08	1,250	3,750	24.038	3/24/18

All options granted to NEOs have a vesting period ranging from three to 7 years.

<b>Stock Awards</b>			
	<b>Grant Date</b>	<b># of Shares or Units of Stock That Have Not Yet Vested</b>	<b>\$ Market Value of Shares or Units of Stock That Have Not Yet Vested</b>
Whitehead	12/13/03	1,000	15,280
Whitehead	12/13/06	8,000	122,240
Whitehead	10/21/08	8,000	122,240
Whitehead	10/26/09	20,000	305,600
Beardall	12/13/04	1,429	21,829
Beardall	12/13/05	1,500	22,920
Beardall	12/13/06	4,000	61,120
Beardall	10/21/08	4,000	61,120
Beardall	10/26/09	5,000	76,400
Beardall	03/29/10	5,000	76,400
Brower	12/13/04	1,429	21,829
Brower	12/13/05	1,500	22,920
Brower	12/13/06	4,000	61,120
Brower	10/21/08	4,000	61,120
Brower	10/26/09	10,000	152,800
Hedlund	12/13/03	500	7,640
Hedlund	12/13/06	4,000	61,120
Hedlund	10/21/08	4,000	61,120
Hedlund	10/26/09	10,000	152,800
Schoonover	10/21/08	6,000	91,680
Schoonover	10/26/09	10,000	152,800

**Option Exercises and Stock Vested**

The following table sets forth information regarding each exercise of stock options and vesting of restricted stock that occurred during 2010 for each of our Named Executive Officers on an aggregated basis.

**Option Exercises and Stock Vested Fiscal 2010**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise(#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting(#)	Value Realized on Vesting (\$)
Roy M. Whitehead	8,537	50,759	6,000	\$ 108,700
Brent J. Beardall			3,214	58,509
Linda S. Brower			3,214	58,509
Edwin C. Hedlund	17,007	101,207	3,000	54,350
Mark A. Schoonover			1,500	27,306

**Potential Payments Upon Termination or Change in Control**

Pursuant to the 1994 and 2001 Plans, all unvested stock options and restricted stock awards will become fully vested upon a change in control of the Company. The following table describes the value of the vesting of such options and stock awards upon a change in control. These tables assume the change in control occurred on September 30, 2010, the last business day of our fiscal year, and the price per share was \$15.28, the closing price of our common stock on September 30, 2010, the last trading day of the fiscal year.

**Potential Payments Upon Change in Control <sup>(1)</sup>**

	Potential Change in Control Payments	
	Vesting of Stock Options(2)	Vesting of Restricted Stock
Roy M. Whitehead	\$ 0	\$ 565,360
Brent J. Beardall	0	319,789
Linda S. Brower	0	319,789
Edwin C. Hedlund	0	282,680
Mark A. Schoonover	0	244,480

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- (1) Pursuant to the 1994 and 2001 Plans, all unvested stock options and restricted stock awards will become fully vested upon a change in control of the Company. A change in control of the Company is defined to mean a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Exchange Act, provided that, without limitation, such a change in control shall be deemed to have occurred if (i) any



person (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than the Company, is or becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities, or (ii) during any period of twenty-four consecutive months during the term of an Option, individuals who at the beginning of such period constitute the Board of the Company cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the Company's stockholders, of each director who was not a director at the date of grant has been approved in advance by directors representing at least two-thirds of the directors then in office who were directors at the beginning of the period.

- (2) Based on the stock price of \$15.28 as of 9/30/10, none of the unvested stock options to the named executives are in the money therefore there is no potential change in control payment related to stock options.

### *Employment and Change in Control Agreements*

Washington Federal does not currently have any employment agreements or change in control agreements, except for the provisions of the equity awards which allow for vesting of all unvested shares as described above. Our executives are each at-will employees.

### **Director Compensation**

The following table sets forth information regarding the compensation received by each of the directors of Washington Federal, Inc. during 2010, other than Mr. Whitehead whose compensation for service as President and Chief Executive Officer is fully reflected in the Summary Compensation Table and the other related tables in the discussion above. No compensation is paid to Mr. Whitehead for his service as a director.

#### **Director Compensation Fiscal 2010**

	<u>Fees Earned or Paid in Cash</u>	<u>All Other Compensation</u>	<u>Total</u>
Derek L. Chinn	\$ 34,300		\$ 34,300
John F. Clearman	37,950		37,950
James J. Doud, Jr.	34,550		34,550
H. Dennis Halvorson	35,300		35,300
Anna C. Johnson	36,300		36,300
Thomas J. Kelley	37,550		37,550
Charles R. Richmond(2)	32,800	187,385	220,185
Barbara L. Smith	34,800		34,800

- (1) These amounts reflect the dollar value of the compensation cost of all outstanding stock awards or option awards recognized over the requisite service period, computed in accordance with FAS 123(R). The assumptions made in valuing the stock

awards are included under the caption "Stock Option Plans" in Note L of Notes to Consolidated Financial Statements in the 2009 Annual Report on Form 10-K and such information is incorporated herein by reference.

- (2) Mr. Richmond is an employee of the Company. Mr. Richmond earned \$187,385 for his contributions as an employee and \$34,800 related to his responsibilities as a director. Mr. Richmond has 27,660 options to purchase shares of Common Stock.

***Director Fees***