

WASHINGTON FEDERAL INC  
Form DEF 14A  
December 07, 2007

## 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)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

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

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(3) Filing Party:

(4) Date Filed:

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425 PIKE STREET

SEATTLE, WASHINGTON 98101-2334

(206) 624-7930

December 14, 2007

Dear Stockholder:

You are invited to attend our Annual Meeting of Stockholders to be held on Tuesday, January 22, 2008 at 2:00 p.m., Pacific Time, at Benaroya Hall, 3rd & Union, Seattle, Washington.

We hope you can attend this meeting in person, but whether or not you plan to attend, it would be very helpful if you would sign the enclosed proxy card and return it in the envelope provided. Please do this immediately so we can **save your company the time and expense of contacting you again**. Your vote is important regardless of the number of shares you own. Voting by proxy will not prevent you from voting in person if you attend the meeting, but will assure that your vote will be counted if you are unable to attend.

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 22, 2008**

**NOTICE IS HEREBY GIVEN** that an Annual Meeting of Stockholders of Washington Federal, Inc. ( Washington Federal ) will be held at Benaroya Hall, 3rd & Union, Seattle, Washington, on Tuesday, January 22, 2008, at 2:00 p.m., Pacific Time, for the following purposes:

1. To elect three directors for a three-year term and until their successors are elected and qualified;
2. To ratify the appointment of Deloitte & Touche LLP as Washington Federal's independent registered public accountants for fiscal 2008; and
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors of Washington Federal has fixed November 23, 2007 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 14, 2007

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.**

**WASHINGTON FEDERAL, INC.**

**PROXY STATEMENT**

**ANNUAL MEETING OF STOCKHOLDERS**

**January 22, 2008**

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 Savings, 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, 3rd & Union, Seattle, Washington, on Tuesday January 22, 2008, 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 14, 2007.

The proxy solicited hereby, if properly signed and returned and not revoked prior to its use, will be voted in accordance with the instructions given thereon. If no instructions are so specified, the proxy will be voted for the persons nominated to be directors by the Board of Directors, for the ratification of the appointment of Deloitte & Touche LLP as independent registered public accountants for fiscal 2008 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 thereof 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. 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 2007 and 2006 represent amounts as of September 30, 2007 and September 30, 2006, 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 23, 2007 (the Voting Record Date ) will be entitled to vote at the Annual Meeting. On the Voting Record Date, 87,436,307 shares of Common Stock were issued and outstanding 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 Information with Respect to Nominees for Director, Directors Whose Terms Continue and Executive Officers. 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 proposal to ratify the appointment of Deloitte & Touche LLP as independent registered public accountants and any other business that properly may come before the Annual Meeting require that the votes cast in favor of such proposals exceed the votes cast against such proposals.

**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.

Under rules applicable to broker-dealers, banks, brokers and other nominees may vote shares held by them for a customer on matters that are determined to be routine, even though the bank, broker or other nominee has not received instructions from the customer. The proposals to elect directors and ratify the appointment of the independent registered public accountants are considered discretionary items upon which brokerage firms may vote in their discretion on behalf of their clients if such clients have not furnished voting instructions. Consequently, there will be no broker non-votes.

**Principal Holders of Voting Securities**

The following table sets forth information as of October 1, 2007 with respect to: (i) any person or entity known by Washington Federal to be the beneficial owner of 5% or more of the issued and outstanding Common Stock; and (ii) ownership of the Common Stock by all directors and executive officers of Washington Federal as a group.

<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial</b>	
	<b>Ownership(1)</b>	<b>Percent of Class</b>
Barclays Global Investors, 54 Lombard Street  London, England	5,088,656(2)	5.80%
All directors and executive officers as a group (13 persons)	898,421(3)	1.02%(4)

- (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.
- (2) Barclays Global Investors has sole power to vote 5,088,656 shares and sole power to dispose of 5,088,656 shares.
- (3) Includes ownership of options to purchase Common Stock that may be exercised by all executive officers as a group prior to December 31, 2007 aggregating 273,259 shares. Includes an aggregate of 66,710 shares held by the Washington Federal Savings Profit Sharing Retirement and Employee Stock Ownership Plan (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 that invests primarily in certificates of deposit and similar instruments issued by Washington Federal Savings and other financial institutions. As an alternative to the aforementioned investments, employees have the option of directing vested balances to a variety of mutual funds. 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 Savings.
- (4) The percentage of outstanding shares of Common Stock is based on the 87,411,750 shares of Common Stock issued and outstanding on October 1, 2007, plus options to purchase 273,259 shares of Common Stock that are exercisable by current and former executive officers as a group prior to December 31, 2007.

**INFORMATION WITH RESPECT TO NOMINEES FOR DIRECTOR,  
DIRECTORS WHOSE TERMS CONTINUE AND EXECUTIVE OFFICERS**

**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 three directors of Washington Federal for a three-year term and until their successors are elected and qualified. The three nominees for election as directors to a three-year term are Anna C. Johnson, Thomas F. Kenney and Charles R. Richmond. All nominees were selected by the Nominating Committee of the Board of Directors and currently serve 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.

**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 2011**

Name	Age	Positions with Washington Federal and Principal Occupation During Past Five Years	Director Since	Common Stock Owned Directly or Indirectly as of October 1, 2007(1)(2)	
				No.	Percentage
Anna C. Johnson	56	Director; Senior Partner of	1995	7,559	0.01%
Thomas F. Kenney	56	Scan East West Travel, a travel agency. Director; Vice President of Finance and Principal Financial Officer of Haggen, Inc., a retail grocer, 1996 present.	2003	7,742	0.01%
Charles R. Richmond	68	Director; Director of Real Estate of Washington Federal since December 2000, former Executive Vice President and Secretary of Washington Federal.	1995	53,299(3)	0.06%

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT  
THE NOMINEES BE ELECTED AS DIRECTORS.**

**Directors with Terms Expiring In 2009**

Name	Age	Positions with Washington		Common Stock Owned	
		Federal and Principal		Directly or Indirectly as of	
		Occupation During Past	Director	October 1, 2007(1)(2)	
		Five Years	Since	No.	Percentage
John F. Clearman	70	Director; retired, former Chief Financial Officer of Milliman USA Inc.; former President and Chief Executive Officer of N.C. Machinery Co.; Director of Esterline Corporation.	1996	15,640	0.02%
H. Dennis Halvorson	68	Director; retired, former President and Chief Executive Officer of United Bank, a Savings Bank.	1996	23,246	0.03%
Roy M. Whitehead	55	Chairman, President and Chief Executive Officer of Washington Federal.	1999	214,384(4)	0.24%

**Directors with Terms Expiring In 2010**

Name	Age	Positions with Washington		Common Stock Owned	
		Federal and Principal		Directly or Indirectly as of	
		Occupation During Past	Director	October 1, 2007(1)(2)	
		Five Years	Since	No.	Percentage
Derek L. Chinn	59	Director; retired since September 2003, former Chairman, President and Chief Executive Officer of United Savings and Loan Bank, 2001 - 2003.	2003	231,277	0.26%
Thomas J. Kelley	59	Director; Faculty at Albers School of Business, Seattle University since September 2002. Former Moscow Office Managing Partner and Country Managing Partner Audit and Business Advisory Services at ZAO Arthur Andersen, Moscow, Russia from 1997 to 2002.	2005	8,405	0.01%

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Barbara L. Smith	58	Director; Owner Barbara Smith Consulting.	2006	1,000	0.00%
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- (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. Additionally, none of the shares represented are pledged as security.

- (2) Based on information furnished by the respective directors. The percentage of outstanding shares of Common Stock is based on the 87,411,750 shares of Common Stock issued and outstanding on October 1, 2007, plus options to purchase shares of Common Stock that are exercisable by a director prior to December 31, 2007.
- (3) Mr. Richmond's ownership includes options to purchase 12,428 shares of Common Stock exercisable prior to December 31, 2007.
- (4) Mr. Whitehead's ownership includes 23,847 shares of unvested restricted Common Stock, options to purchase 95,962 shares of Common Stock exercisable prior to December 31, 2007, and 17,738 shares of Common Stock which are held pursuant to the Retirement Plan.

#### Certain Executive Officers Who are Not Directors

The following table sets forth information concerning the current executive officers of Washington Federal who are not directors and who are listed in the Summary Compensation Table under "Executive Compensation" below.

Name	Age	Positions with	Common Stock Owned	
		Washington Federal and Principal Occupation During Past Five Years	Directly or Indirectly as of October 1, 2007(1)(2)	
			No.	Percentage
Brent J. Beardall	36	Executive Vice President and Chief Financial Officer since October 2007; Senior Vice President and Chief Financial Officer from October 2003 to October 2007.	54,915(3)	0.06%
Linda S. Brower	54	Executive Vice President since October 2003; Senior Vice President from January 2003 to October 2003.	49,473(4)	0.06%
Edwin C. Hedlund	51	Executive Vice President and Secretary	141,993(5)	0.16%
Jack B. Jacobson	57	Executive Vice President	89,488(6)	0.10%

- (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.
- (2) Based on information furnished by the respective officers. The percentage of outstanding shares of Common Stock is based upon the 87,411,750 shares of Common Stock issued and outstanding on October 1, 2007, plus options to purchase shares of Common Stock that are exercisable by an executive officer prior to December 31, 2007.
- (3) Mr. Beardall's ownership includes 14,971 shares of unvested restricted Common Stock, options to purchase 28,912 shares of Common Stock exercisable prior to December 31, 2007 and 5,564 shares of Common Stock held in the Retirement Plan.
- (4) Ms. Brower's ownership includes 14,971 shares of unvested restricted Common Stock, options to purchase 21,489 shares of Common Stock exercisable prior to December 31, 2007 and 5,749 shares of Common Stock held in the Retirement Plan. As noted pre-

- viously, Ms. Brower, as trustee of the Retirement Plan, may be deemed to beneficially own shares held by the Plan.
- (5) Mr. Hedlund's ownership includes 11,928 shares of unvested restricted Common Stock, options to purchase 72,450 shares of Common Stock exercisable prior to December 31, 2007 and 22,944 shares of Common Stock held in the Retirement Plan.
  - (6) Mr. Jacobson's ownership includes 11,929 shares of unvested restricted Common Stock, options to purchase 42,018 shares of Common Stock exercisable prior to December 31, 2007 and 14,716 shares of Common Stock held in the Retirement Plan.

**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, 2007 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.

## The Board of Directors and Its Committees

The Board of Directors of Washington Federal held a total of ten 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 2007 Annual Meeting all directors were present.

The Board of Directors has established various committees, including an Executive Committee, an Audit Committee, a Nominating 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, Lead Independent Director, Ms. Johnson, Ms. Smith and Messrs. Chinn, Clearman, Kelley and Kenney. The independent directors held two regularly scheduled meetings during the past fiscal year. The Board of Directors also has affirmatively determined that each member of the Audit Committee, Compensation Committee and the Nominating 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 Committee with a written charter. The Audit Committee consists of Messrs. Clearman , Chairman, Kelley and Kenney. The Board has determined that Chairman Clearman as well as Messrs. Kenney and Kelly are audit committee financial experts , as defined by SEC regulation. The Audit Committee met on four occasions during the last fiscal year. The Audit Committee s primary responsibilities include review of all financial reports, oversight of the internal audit function, regulatory compliance, 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 Washington Federal Savings during the past five years. The Compensation Committee studies personnel and compensation recommendations made by the Chief Executive Officer 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 twice during the last fiscal year.

The Board of Directors has appointed three of its members to serve as a Nominating Committee in connection with the election of directors. For the present Annual Meeting, the Board of Directors appointed Ms. Johnson, Chairman, and Messrs. Clearman and Chinn to serve on the Nominating Committee. The Nominating Committee met once during the last fiscal year. The primary responsibilities of the Nominating Committee are to evaluate and make recommendations to the Board of Directors for the election of directors.

## 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 Committee has reviewed and discussed the audited financial statements with management. The Audit Committee has discussed with the independent registered public accountants the matters required to be discussed by Statement of Auditing Standards No. 61, Communication with Audit Committees and Rule 2-07 Communication with Audit Committees, as may be modified or supplemented. The Audit Committee has received the written disclosures and the letter from the independent registered public accountants required by Independence Standards Board Standard No. 1, as may be modified or supplemented, and has discussed with the independent registered public accountants their independence. Based on the review and discussions referred to above in this report, the Audit 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 COMMITTEE

John F. Clearman, Chairman

Thomas J. Kelley

Thomas F. Kenney

## Selection of Nominees for the Board

The Nominating Committee considers candidates for director suggested by its members and other directors of Washington Federal, as well as management and stockholders. The Nominating 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 Committee in writing with whatever supporting material the stockholder considers appropriate. The Nominating 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 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 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 incumbent directors whose term is expiring at an upcoming meeting or the nomination of new directors who previously served as officers of Washington Federal, the Nominating 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 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. 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. 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. 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.

### **First Mutual Acquisition**

On July 2, 2007, the Company announced the signing of a definitive agreement to acquire First Mutual Bancshares, Inc. ( First Mutual ). The transaction is expected to close in the first calendar quarter of 2008, pending the receipt of all requisite regulatory approvals. In connection with this transaction, one member of First Mutual s Board of Directors will be appointed to Washington Federal, Inc. s Board of Directors.

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

Stockholders who wish to communicate with the Board of Directors may do so by sending 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 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).

## 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 annual incentive compensation plan;

Overseeing Washington Federal's long-term equity-based compensation 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 20 (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 increasing stockholder value.

#### *Executive Compensation Philosophy*

Maintaining an effective executive compensation and benefits program is deemed important to advancing the financial performance of Washington Federal. The following core principles are used to guide decisions regarding these programs:

The interests of executives should be aligned with those of the Company's stockholders through potential stock ownership;

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

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

The structure of executive officers' compensation should align with short-term and long-term goals and objectives;

Executive compensation must be sufficient to ensure that the Company is able to attract, retain and motivate top performing executive officers; and

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

The Board of Directors and its Compensation Committee of Washington Federal believe that implementing an executive compensation and benefits program that is focused on achieving these core principles will benefit the Company, and ultimately its stockholders, by helping attract and retain highly qualified and industry-experienced executives.

To balance objectives, the Board of Directors and its Compensation Committee have determined that the Company's executive compensation program should use the following elements:

Base salary, to provide a fixed compensation level sufficient to attract and retain qualified executives;

An annual incentive compensation plan, to reward short-term performance against specific financial targets;

A long-term equity incentive compensation program to link management incentives to stockholder return;

Retirement benefits to provide security and to reward executive officers for their contribution to the Company's success over the course of their careers; and

Other benefits, including perquisites, necessary to maintain a healthy, motivated leadership team and to enable the productivity of executive officers.

#### ***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 NASDAQ Rule 4200(a)(15), 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 twice during the year ended September 30, 2007. 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, although it has not done so.

### *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. Based on analysis, the total compensation paid and earned by the Named Executive Officers in Fiscal 2007 was consistent with Washington Federal's financial performance, the individual performance of each Named Executive Officer, the responsibilities and experience of Named Executive Officers and stockholder return. The Board of Directors and its Compensation Committee believes that total executive compensation was reasonable in its totality and consistent with the compensation philosophies as described above.

In light of the Company's compensation philosophy, the Board of Directors and its Compensation Committee have determined that the total compensation package for Named Executive Officers should continue to consist of base salary, annual cash incentive compensation, long-term equity-based incentive compensation, benefit plans and certain other perquisites.

### *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 also considers 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.

For 2007, Messrs. Beardall, Hedlund, Jacobson, Whitehead and Ms. Brower received increases in the range of 3% to 24% in their base salaries. The salary increases for the named executive officers were reflective of their individual performance and the Company's objectives regarding the level of base salaries paid to Company executives as described above. Base salaries paid to Messrs. Beardall, Hedlund, Jacobson, Whitehead and Ms. Brower represented 56%, 60%, 57%, 60% and 55%, respectively, of their total compensation.

#### *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 Board of Directors. For 2007, the bonus plan for the Named Executive Officers was based solely on net income produced by the Company. Based on predetermined targets, the Named Executive Officers can earn a performance bonus ranging from 0 to 50% of base compensation as defined.

During 2007 Named Executive Officers each earned a bonus of 9.5% of eligible compensation for the year, reflective of performance relative to the predetermined goals for net income established by the Board of Directors at the beginning of the bonus period.

#### *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 three equity based compensation plans: the 1987 Stock Option and Stock Appreciation Rights Plan, the 1994 Stock Option and Stock Appreciation Rights Plan, and the 2001 Long-Term Incentive Plan. All three 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. In 2007 Mr. Whitehead was awarded 14,000 shares of restricted stock

and 20,000 stock options. Messrs. Beardall, Hedlund, Jacobson and Ms. Brower each received awards of 7,000 shares of restricted stock and 10,000 stock options.

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. Although there are no definitive plans for future awards to the Named Executive Officers, 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 of control agreements are in place for the Named Executive Officers.

#### *Perquisites*

In 2007, 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. In 2007, we provided the following perquisites to the Named Executive Officers:

Messrs. Beardall, Hedlund, Jacobson, Whitehead and Ms. Brower were provided memberships to a downtown Seattle athletic club that was also used for business-related entertainment. The cost to the Company of each membership was approximately \$1,900.

Ms. Brower and Mr. Whitehead were provided an automobile allowance of \$7,800 and \$9,000, respectively.

Messrs. Beardall, Hedlund and Jacobson were provided a Company vehicle and fuel. The cost of this benefit was \$7,025, \$6,254 and \$3,918, respectively.

#### *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*

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The Washington Federal Profit Sharing Retirement Plan ( PSRP ), 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 2007, 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.

The PSRP also contains an Employee Stock Ownership Plan ( ESOP ) in which employees can purchase Washington Federal, Inc. common stock at the market price twice per year with vested company contributions and/or with their own individual contributions. No compensation is associated with the ESOP as the price is established at the market price, as permitted under Statement of Financial Accounting Standards 123(R) ( FAS 123R ).

**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, 2007; (2) the dollar value of the compensation cost of all stock and option awards recognized over the requisite service period, computed in accordance with FAS 123R; (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, 2007 (each of whose total cash compensation exceeded \$100,000 for fiscal year 2007).

**2007 Summary Compensation Table**

Name and Principal Position:	Year	Salary	Bonus	Stock Awards(1)	Option Awards(1)	Non-Equity Incentive Comp.(2)	Change in	All Other Comp.(3)	Total
							Pension and Non-Qualified Deferred Comp. Earnings		
Roy M. Whitehead Chairman, President and Chief Executive Officer	2007	\$ 444,000	\$	\$ 87,808	\$ 64,234	\$ 53,106	\$	\$ 79,464	\$ 728,612
Brent J. Beardall Executive Vice President and Chief Financial Officer	2007	176,500		50,274	26,077	23,094		38,597	314,541
Linda S. Brower Executive Vice President	2007	173,750		50,274	27,424	22,686		37,882	312,017
Edwin C. Hedlund Executive Vice President and Secretary	2007	223,750		43,904	32,117	26,622		40,457	366,850
Jack B. Jacobson Executive Vice President	2007	220,000		64,004	32,117	27,314		40,738	384,173

(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 123R. 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 2007 Annual Report on Form 10-K and such information is incorporated herein by reference.

(2) Represents cash incentives earned under the Short Term Incentive Compensation Plan.



(3) Amounts of Other Compensation are set forth in the Table Below

<u>Name and Principal Position:</u>	<u>Year</u>	<u>Company PSRP Contribution</u>	<u>Dividends on Unvested Restricted Stock</u>	<u>Total Other Comp.</u>
Roy M. Whitehead Chairman, President and Chief Executive Officer	2007	\$ 59,782	\$ 19,682	\$ 79,464
Brent J. Beardall Executive Vice President and Chief Financial Officer	2007	26,246	12,351	38,597
Linda S. Brower Executive Vice President	2007	25,531	12,351	37,882
Edwin C. Hedlund Executive Vice President and Secretary	2007	30,616	9,841	40,457
Jack B. Jacobson Executive Vice President	2007	30,897	9,841	40,738

**Grants of Plan Based Awards in 2007**

The following table sets forth information regarding equity and non-equity awards granted to the Named Executive Officers in 2007

	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			Restricted Stock Awards #	Option Awards #	Closing Price on Grant Date	Vesting Term (in yrs)
		Threshold	Target	Maximum	Threshold	Target	Maximum				
		\$	\$		\$	\$					
Whitehead	12/13/2006						14,000		23.67	7	
Beardall	12/13/2006						7,000		23.67	7	
Brower	12/13/2006						7,000		23.67	7	
Hedlund	12/13/2006						7,000		23.67	7	
Jacobson	12/13/2006						7,000		23.67	7	
Whitehead	3/26/2007							20,000	23.75	5	
Beardall	3/26/2007							10,000	23.75	5	
Brower	3/26/2007							10,000	23.75	5	
Hedlund	3/26/2007							10,000	23.75	5	
Jacobson	3/26/2007							10,000	23.75	5	

**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, 2007, 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, 2007

	Option Awards						
	Grant Date	# of Years Vesting	# Options			Option	Option
			Exercisable	Unexercisable	Unearned	Exercise	Expiration
						Price	Date
Whitehead	09/14/98	7	7,618			13.02	09/14/08
Whitehead	12/13/99	5	9,668			11.72	12/13/09
Whitehead	10/19/01	3	43,923			15.13	10/19/11
Whitehead	10/24/03	6	29,039	19,361		21.24	10/24/13
Whitehead	02/13/06	6	5,714	14,286		22.91	02/13/16
Whitehead	03/26/07	5		20,000		23.75	03/26/17
Whitehead	12/13/01	7					
Whitehead	12/13/02	7					
Whitehead	12/13/03	7					
Whitehead	12/13/06	7					
Beardall	04/20/01	7	4,392	2,928		16.69	04/20/11
Beardall	10/19/01	7	3,513	2,343		15.13	10/19/11
Beardall	10/24/03	6	18,150			21.24	10/24/13
Beardall	02/13/06	7	2,856	7,144		22.91	02/13/16
Beardall	03/26/07	5		10,000		23.75	03/26/17
Beardall	12/13/03	5					
Beardall	12/13/04	7					
Beardall	12/13/05	7					
Beardall	12/13/06	7					
Brower	01/30/03	3	7,743			17.79	01/30/13
Brower	10/24/03	6	10,890	7,260		21.24	10/24/13
Brower	02/13/06	7	2,856	7,144		22.91	02/13/16
Brower	03/26/07	5		10,000		23.75	03/26/17
Brower	12/13/03	5					
Brower	12/13/04	7					
Brower	12/13/05	7					
Brower	12/13/06	7					
Hedlund	05/24/99	7	16,105			13.74	05/24/09
Hedlund	12/13/99	5	17,008			11.72	12/13/09
Hedlund	10/19/01	3	21,962			15.13	10/19/11
Hedlund	10/24/03	6	14,520	9,680		21.24	10/24/13
Hedlund	02/13/06	7	2,856	7,144		22.91	02/13/16
Hedlund	03/26/07	5		10,000		23.75	03/26/17
Hedlund	12/13/01	7					
Hedlund	12/13/02	7					
Hedlund	12/13/03	7					
Hedlund	12/13/06	7					
Jacobson	12/13/99	7	3,221			11.72	12/13/09
Jacobson	10/19/01	3	21,962			15.13	10/19/11
Jacobson	10/24/03	6	13,980	10,220		21.24	10/24/13
Jacobson	02/13/06	7	2,856	7,144		22.91	02/13/16
Jacobson	03/26/07	5		10,000		23.75	03/26/17
Jacobson	12/13/01	7					
Jacobson	12/13/02	7					