Washington Federal Savings
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March 16, 2009

Office of the Special Inspector General
for the Troubled Asset Relief Program
1500 Pennsylvania Ave., N.W.
Suite 1064
Washington, D.C. 20220

Dear Special Inspector:

The following response is offered pursuant to your request of February 5, 2009 for certain information pertaining to our participation in the Troubled Asset Relief Program.

1) (a) Anticipated use of TARP funds

When Washington Federal made application for TARP funds after being encouraged by its primary regulator to consider accelerated participation, the company had no specific anticipated use for the funds. At the time the institution was very well capitalized, with a tangible common equity ratio at September 30, 2008 of 9.61%, and had every expectation of continued profitability. According to notes used for addressing the issue at a special board of directors meeting on November 10, 2008, we determined the advantages of participation to be:

- *Enhanced perception of strength in the investment community that would likely extend to the general public*
- *Maintenance of our standing as the best-capitalized, "gold-standard" financial institution in our market*
- *Additional capital would enable us to absorb unexpected losses if needed*
- *TARP funds could be leveraged to create earnings if needed, by acquiring additional deposits and making new loans or investments*
- *Provide insurance that we would survive the housing crisis.*
- *It appeared to be the conservative thing to do in an economic downturn that was clearly severe, but of unknown degree and duration, where capital might not be available in the future.*

(b) Whether the TARP funds were segregated from other institutional funds

The TARP funds were not segregated from other institutional funds.

(c) Actual use of the unspent TARP funds to date

The TARP proceeds were immediately invested in agency mortgage-backed securities to offset the cost. Since then and through February, 2009 we have originated approximately 1,838 new loans in the approximate amount of $480 million; however, it is not possible to say whether or not TARP funds were used for that purpose given that the TARP funds are not segregated from other forms of capital. The pre-existing capital position of the *company would have enabled 100% of the new originations without the TARP funds. To this point in time, no actions have been taken that we would not have been able to take absent the infusion of TARP funds.*

(d) Expected use of unspent TARP funds

(b) (4) [redacted]

(b) (4) [redacted] *The theoretical leveraging would allow for an additional $1.8 billion in loans to be carried on balance sheet. We are actively seeking, and hopeful that we will obtain, new lending opportunities. At this time, however, it is a challenge to safely increase lending volume for two reasons: a) most creditworthy households and businesses are striving to reduce debt and increase savings and are not seeking additional credit; b) Washington Federal is primarily a 30 year fixed rate portfolio mortgage lender. Current low mortgage rates are resulting in accelerated prepayments of loans already on our books due to refinancing into secondary market type products with other lenders. The current interest rate environment is simply not conducive to aggressive fixed-rate mortgage originations and balance sheet growth in our traditional thrift model due to unacceptably high interest rate risk that could result in substantial future losses.*

2) (a) Specific plans, and the status of implementation of those plans, for addressing executive compensation requirements associated with the funding.
Monitoring of all conditions of the agreement has been assigned to the company's general counsel, who will report to the board of directors on a quarterly basis regarding compliance with all terms of the agreement, including those pertaining to executive compensation. The first such quarterly report is scheduled for April, 2009. A copy of that section of the matrix used for monitoring compliance with the various executive compensation provisions is attached as Exhibit A.

(b) Information provided regarding executive compensation should also include any assessments made of loan risks and their relationship to executive compensation.
The board has reviewed the company's executive compensation plan with senior risk officers as required and determined that the company's Senior Executive Officer ("SEO") incentive plans do not encourage SEO's to take unnecessary and excessive risk.

(b) (4) [redacted]

(c) How limitations on executive compensation will be implemented in accordance with Department of Treasury guidelines

Generally, executive compensation already falls within Department of Treasury guidelines. [redacted] *All relevant requirements will be reviewed by the board of directors at its next meeting and implemented to ensure compliance so long as TARP funds are outstanding. It is not expected that any changes will be offset by other forms of compensation.*

The foregoing information and related exhibits are provided in response to the information request by the Special Inspector General dated February 5, 2009. The undersigned duly authorized senior executive officer of Washington Federal, Inc. hereby certifies, to the best of his knowledge and further qualified by the accuracy of information provided to me, the accuracy of the foregoing statements, representations and supporting information provided herein.

Please do not hesitate to call if you have questions. My direct number is [redacted]

Sincerely,

Roy M. Whitehead
Chairman, President & CEO

Exhibit A

TARP/EESA/ARRA COMPLIANCE MATRIX TAB 1 (Executive Compensation)

	Limitation/Requirement	Date of Resolution	Status/ Comments/ Resolution
1	Identify "Senior Executive Officers" to Whom Restrictions Apply.	Complete	Management has identified these officers using the applicable definition. Under the Securities Purchase Agreement (the "SPA"), we are to use Section 111(b)(3) of the EESA; available Department of the Treasury Regulations and Guidance, and 31 CFR Part 30. The February 4th Treasury Guidance instructs that the Bank should use Item 402 of SEC Regulation S-K. In our case, these include the principal executive officer, the principal financial officer and the next three most highly complensated officers. These individuals have been identified.
2	Limitations on Compensation.	Complete/Ongoing	This is not addressed in EESA, but the February 4th Treasury Guidance imposes a prospective $500,000 per year restriction (not presently applicable to the Bank) and the ARRA imposes a restriction on bonus, retention award and incentive compensation to the top five highest compensated employees, except grants of restricted stock subject to certain limitations. HR has been advised accordingly and confirmed these restrictions are in place.
3	Bonus Recovery or "Clawback".	Complete	Under ARRA, bonus recovery is required from the top five senior executive officers and the next twenty most highly compensated employees based upon financial innacuracies. Washington Federal is a public company subject to regular SOX testing and independent audit. No material innacuracies have been identified in the Bank's financial statements. Nevertheless, all bonu plans will include "Clawback" provisions consistent with ARRA.

Exhibit A

TARP/EESA/ARRA COMPLIANCE MATRIX TAB 1 (Executive Compensation)

	Limitation/Requirement	Date of Resolution	Status/ Comments/ Resolution
4	Exclusion of Incentives that Encourage Risk.	Complete	The ARRA requires the Treasury Department to establish limitations on executive compensation that exclude incentives for senior officers to take unnecessary and excessive risks. To date, no guidance has been offered by Treasury. Nevertheless, on January 15, 2009, the Bank's Compensation Committee prepared an analysis and certification to the board concluding that the senior executive officers' incentive plans do not encourage unnecessary and excessive risks.
5	Golden Parachute Payments	Complete	Under the ARRA, Golden Parachute (any payment made upon departure from the institution) payments are prohibited from being made to the top five Senior Executive Officers and the next five most highly compensated employees. The Bank has no Golden Parachute arrangements with any employees.
6	Compensation Committee Requirement	Complete	The SPA, EESA and ARRA require the Bank to form a compensation committee composed of three independent directors for the purpose of reviewing employee compensation plans and conducting a risk assessment with respect to such plans. The Bank has had such a committee in place for many years and they conduct the required semi-annual review and assessment.
7	Ceritification Requirements	Complete	The SPA and EESA (As confirmed by the February 4th Treasury Guidance) require an annual certification by the CEO and the compensation committee that a review was conducted of executive compensation arrangements within 90 days after receiving TARP funds. This was timely completed and delivered. The ARRA now requires annual certifications from the CEO and CFO to be submitted to the SEC. In light of the initial certification already provided, the CFO will provide the additional annual certification next year

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8	Shareholder Say-on-Pay Votes.	Complete	This is not addressed in the SPA or in EESA. The February 4th Treasury Guidance states the Say-on-Pay resolution is only required to waive the $500,000 annual compensation limitation, and this does not currently apply to the Bank. Under the ARRA, the Bank is required to submit to an advisory Say-on-Pay vote after the SEC issues applicable regulations which it is required under the ARRA to do by February 17, 2010. Since the Bank will have an annual meeting prior to these clarifying regulations being issued, the Bank should consult the SEC for guidance.
9	Luxury Policy	Ongoing	This is not addressed in the SPA or in EESA. The February 4th Treasury Guidance requires the Bank to adopt a luxury policy and to post it on the internet website. Under the ARRA, the board of directors is to establish and post on the Bank's website a policy prohibiting excessive or luxury expenditures applicable to all employees. The ARRA contemplates that Treasury will identify the types of expenditures considered to be "excessive" or "luxuries". The policy is under construction and will be developed as Treasury guidance becomes available. It will then be approved by the board and placed on the company website when it is completed.
10	Earnings Manipulation	Complete	This is not addressed in the SPA, in the EESA or in the February 4th Treasury Guidance. Under the ARRA, compensation plans that would encourage manipulation of reported earnings in order to enhance the compensation of any of the Bank's employees are prohibited. Pending further guidance, it is not clear which types of plans or plan provisions will be deemed to encourage earnings manipulation. Nevertheless, the Bank's compensation plans are not designed to and do not encourage such