

WASHINGTON FEDERAL INC  
Form 10-Q  
August 06, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2010

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-34654

**WASHINGTON FEDERAL, INC.**

(Exact name of registrant as specified in its charter)

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Washington  
(State or other jurisdiction of  
incorporation or organization)

91-1661606  
(I.R.S. Employer  
Identification No.)

425 Pike Street Seattle, Washington 98101

(Address of principal executive offices and zip code)

(206) 624-7930

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title of class:  
Common stock, \$1.00 par value

at August 2, 2010  
112,473,960



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**WASHINGTON FEDERAL, INC. AND SUBSIDIARIES**

**PART I**

Item 1. Financial Statements (Unaudited)

The Condensed Consolidated Financial Statements of Washington Federal, Inc. and Subsidiaries filed as a part of the report are as follows:

Consolidated Statements of Financial Condition as of June 30, 2010 and September 30, 2009 Page 3

Consolidated Statements of Operations for the quarter and nine months ended June 30, 2010 and 2009 Page 4

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**Table of Contents****WASHINGTON FEDERAL, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION****(UNAUDITED)**

	June 30, 2010	September 30, 2009
	(Dollars in thousands, except share data)	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,128,943	\$ 498,388
Available-for-sale securities, including encumbered securities of \$871,704 and \$860,655, at fair value	2,255,787	2,201,083
Held-to-maturity securities, including encumbered securities of \$65,472 and \$80,717, at amortized cost	85,220	103,042
Loans receivable, net	8,577,791	8,983,430
Covered loans, net	558,593	0
Interest receivable	49,995	53,288
Premises and equipment, net	160,098	133,477
Real estate held for sale	180,786	176,863
Covered real estate held for sale	45,699	0
FDIC indemnification asset	154,247	0
FHLB stock	151,746	144,495
Intangible assets, net	258,120	256,797
Federal and state income taxes, net	9,928	0
Other assets	92,942	31,612
	<b>\$ 13,709,895</b>	<b>\$ 12,582,475</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>Liabilities</b>		
Customer accounts		
Savings and demand accounts	\$ 8,831,525	\$ 7,786,467
Repurchase agreements with customers	55,222	55,843
	<b>8,886,747</b>	<b>7,842,310</b>
FHLB advances	2,067,444	2,078,930
Other borrowings	800,000	800,600
Advance payments by borrowers for taxes and insurance	24,175	38,376
Federal and state income taxes, net	0	18,075
Accrued expenses and other liabilities	95,782	58,699
	<b>11,874,148</b>	<b>10,836,990</b>
<b>Stockholders equity</b>		
Common stock, \$1.00 par value, 300,000,000 shares authorized; 129,546,736 and 129,320,072 shares issued; 112,474,412 and 112,247,748 shares outstanding	129,547	129,320
Paid-in capital	1,578,132	1,574,555
Accumulated other comprehensive income, net of taxes	55,028	54,431
Treasury stock, at cost; 17,072,324 shares	(208,985)	(208,985)
Retained earnings	282,025	196,164
	<b>1,835,747</b>	<b>1,745,485</b>
	<b>\$ 13,709,895</b>	<b>\$ 12,582,475</b>



**Table of Contents****WASHINGTON FEDERAL, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(UNAUDITED)**

	Quarter Ended June 30, 2010	2009	Nine Months Ended June 30, 2010	2009
	(Dollars in thousands, except per share data)			
<b>INTEREST INCOME</b>				
Loans & covered loans	\$ 141,744	\$ 141,120	\$ 421,513	\$ 440,477
Mortgage-backed securities	21,790	27,919	70,169	81,572
Investment securities and cash equivalents	3,837	762	6,394	2,459
	<b>167,371</b>	169,801	<b>498,076</b>	524,508
<b>INTEREST EXPENSE</b>				
Customer accounts	37,682	44,062	111,865	151,095
FHLB advances and other borrowings	30,404	31,486	92,120	95,665
	<b>68,086</b>	75,548	<b>203,985</b>	246,760
<b>Net interest income</b>	<b>99,285</b>	94,253	<b>294,091</b>	277,748
Provision for loan losses	20,736	52,200	153,909	141,200
<b>Net interest income after provision for loan losses</b>	<b>78,549</b>	42,053	<b>140,182</b>	136,548
<b>OTHER INCOME</b>				
Gain on FDIC-assisted transaction	0	0	85,608	0
Gain on sale of investments	0	959	20,428	959
Other	5,154	4,386	14,409	12,949
	<b>5,154</b>	5,345	<b>120,445</b>	13,908
<b>OTHER EXPENSE</b>				
Compensation and benefits	16,756	14,522	54,570	43,165
Occupancy	3,711	3,215	10,358	9,748
FDIC premiums	4,874	6,779	13,313	8,243
Other	7,536	6,417	21,574	19,424
	<b>32,877</b>	30,933	<b>99,815</b>	80,580
Loss on real estate acquired through foreclosure, net	(31,031)	(4,786)	(60,386)	(7,745)
Income before income taxes	19,795	11,679	100,426	62,131
Income tax provision (benefit)	7,127	5,646	(2,264)	23,564
<b>NET INCOME</b>	<b>12,668</b>	6,033	<b>102,690</b>	38,567
Preferred dividends accrued	0	3,533	0	7,488
<b>NET INCOME AVAILABLE TO COMMON SHAREHOLDERS</b>	<b>\$ 12,668</b>	\$ 2,500	<b>\$ 102,690</b>	\$ 31,079

**PER SHARE DATA**

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Basic earnings	\$	.11	\$	.03	\$	.91	\$	.35
Diluted earnings		.11		.03		.91		.35
Cash dividends per share		.05		.05		.15		.15
Basic weighted average number of shares outstanding		<b>112,470,205</b>		88,047,527		<b>112,424,364</b>		88,011,571
Diluted weighted average number of shares outstanding, including dilutive stock options		<b>112,705,160</b>		88,082,467		<b>112,693,009</b>		88,043,422

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



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**WASHINGTON FEDERAL, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(UNAUDITED)**

	<b>Nine Months Ended</b>	
	<b>June 30,</b>	<b>June 30,</b>
	<b>2010</b>	<b>2009</b>
	<b>(Dollars in thousands)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	<b>\$ 102,690</b>	\$ 31,079
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization (accretion) of fees, discounts, premiums and intangible assets, net	<b>83,628</b>	3,285
Depreciation		