CSB BANCORP INC /OH
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March 24, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x 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))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to 240.14a-12

CSB BANCORP, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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

(3) Filing Party:

(4) Date Filed:

CSB Bancorp, Inc.

91 North Clay Street

Millersburg, Ohio 44654

March 17, 2016

Dear Fellow Shareholders:

We invite you to attend the 2016 Annual Meeting of Shareholders (the Meeting) of CSB Bancorp, Inc. (CSB) to be held on Wednesday, April 27, 2016, at 7:00 p.m., local time, at the Carlisle Inn, located at 4949 Walnut Street, Walnut Creek, Ohio 44687.

The Meeting is being conducted for the following purposes:

1. To elect the following directors for terms of three years each:

Nominee	Term Will Expire In
Jeffery A. Robb, Sr.	2019
John R. Waltman	2019

2. To approve, in a non-binding advisory vote, the compensation of CSB s named executive officers;

3. To ratify the appointment of S.R. Snodgrass, P.C. as the independent registered public accounting firm for CSB for the fiscal year ending December 31, 2016; and

4. To transact any other business that may properly come before the Meeting or any adjournments thereof.

At the conclusion of the Meeting, we will review highlights of the past year.

We hope you will be able to attend the Meeting. Whether or not you plan to attend, it is important that your shares be represented. We encourage you to execute and vote your shares promptly by telephone, by internet, or by completing, executing and returning the enclosed proxy by mail in the envelope provided. Please refer to the proxy card for information on voting by phone or by internet.

Thank you for your support of CSB.

Sincerely,

/s/ John R. Waltman	/s/ Eddie L. Steiner
John R. Waltman	Eddie L. Steiner

Chairman, Board of Directors	President and Chief Executive Officer

CSB Bancorp, Inc.

91 North Clay Street

Millersburg, Ohio 44654

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS OF CSB BANCORP, INC.

Date and Time:	Wednesday, April 27, 2016, at 7:00 p.m., local time
Place:	Carlisle Inn, 4949 Walnut Street, Walnut Creek, OH 44687
Items of Business:	1. The election of two directors named in the proxy statement. 2. To approve, in a non-binding advisory vote, the compensation of CSB s named executive officers. 3. The ratification of S. R. Snodgrass, P.C. as our independent auditor for the 2016 fiscal year. 4. To transact any other business that may properly come before the meeting or any adjournment of the meeting.
Record Date and Voting:	You may vote at the meeting if you were a shareholder of record at the close of business on March 10, 2016. **Your vote is important.** You may vote your shares by Internet or telephone by no later than 3:00 a.m., Eastern Daylight Time, on April 27, 2016, as directed in the proxy materials. You may also complete, sign and return the enclosed proxy card by mail. Voting in the above ways will not prevent you from attending or voting your shares at the meeting, but will ensure that your shares are represented at the meeting. We encourage you to vote by Internet or telephone in order to reduce mailing and handling expenses. If your shares are held by a broker, it is important that you provide instructions to your broker so that your vote is counted on all matters. If you wish to personally vote your broker-held shares, please obtain a legal proxy from the broker holder of record indicating that you are the beneficial owner of the shares you wish to vote.
Internet Availability of Proxy Materials:	Our proxy statement and 2015 Annual Report are available at **http://www.csb1.com Please select Investor Relations/Proxy Site**

By order of the Board of Directors,

John R. Waltman	Eddie L. Steiner
Chairman, Board of Directors	President and Chief Executive Officer

CSB BANCORP, INC.

91 North Clay Street

Millersburg, Ohio 44654

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation by the Board of Directors of CSB Bancorp, Inc., an Ohio corporation (CSB or the Company), of the accompanying proxy to be voted at the 2016 Annual Meeting of Shareholders (the Annual Meeting) to be held on Wednesday, April 27, 2016, at the Carlisle Inn, located at 4949 Walnut Street, Walnut Creek, Ohio 44687 at 7:00 p.m., local time, or at any adjournment(s) thereof. This proxy statement, together with the related proxy and CSB s 2015 Annual Report to Shareholders (the Annual Report), are being mailed to the shareholders of the Company on or about March 24, 2016.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

When And Where Will The Annual Meeting Be Held?

The Annual Meeting will be held on Wednesday, April 27, 2016, at the Carlisle Inn, Walnut Creek, Ohio 44687 at 7:00 p.m., local time. To obtain directions to the Annual Meeting location, please contact Ms. Peggy L. Conn at 330-674-9015.

Why Did I Receive These Proxy Materials?

You have received these proxy materials because CSB s Board of Directors is soliciting a proxy to vote your shares at the Annual Meeting. This proxy statement contains information that CSB is required to provide to you under the rules of the Securities and Exchange Commission (the Commission) and is intended to assist you in voting your shares.

Who May Vote At The Annual Meeting?

Only holders of common shares of record at the close of business on March 10, 2016 are entitled to receive notice of, and to vote at, the Annual Meeting. At the close of business on March 10, 2016, there were 2,742,242 common shares, par value $6.25 per share, of the Company outstanding and entitled to vote.

Each holder of common shares is entitled to one vote for each common share held on March 10, 2016. At this time, it is not known whether there will be cumulative voting for the election of directors at the Annual Meeting. Cumulative voting is not available for the other proposals referenced and described in this proxy statement. A shareholder wishing to exercise cumulative voting with respect to the election of directors must notify the President, a Vice President or the Secretary of CSB in writing before 7:00 p.m., EDT on April 25, 2016. If cumulative voting is requested and if an announcement of such request is made upon the convening of the Annual Meeting by the Chairman or the Secretary of the Annual Meeting on behalf of the shareholder requesting cumulative voting, you will have votes equal to the number of directors to be elected, multiplied by the number of common shares owned by you, and will be entitled to distribute your votes among the candidates as you see fit. If any shareholder properly demands cumulative voting for the election of directors at the Annual Meeting, your proxy will give the individuals named on the proxy full discretion and authority to vote cumulatively, and in their sole discretion to allocate votes among any or all of the nominees for director, unless authority to vote for any or all of the nominees is withheld.

What Is The Difference Between Holding Shares As A Shareholder Of Record And As A Beneficial Owner?

If your shares are registered directly in your name, you are considered the shareholder of record of those shares. CSB has sent these proxy materials directly to all shareholders of record. Alternatively, if your shares are held in an account at a brokerage firm, bank, broker-dealer or other similar organization, which is sometimes called street name, then you are the beneficial owner of those shares, and these proxy materials were forwarded to you by that organization. The organization holding your shares is the shareholder of record for purposes of voting the shares at the Annual Meeting. As the beneficial owner, you have the right to direct that organization how to vote the common shares held in your account by following the voting instructions the organization provides to you. If you hold your common shares in street name, you may be eligible to appoint your proxy electronically via the Internet or by telephone and may incur costs associated with the electronic access or telephone usage.

How Do I Vote?

Whether or not you plan to attend the Annual Meeting, we urge you to vote in advance by proxy, electronically over the internet or by telephone. To vote by proxy, you must complete, sign and date the accompanying proxy card and return it in the envelope provided. Please refer to the proxy card for information on voting electronically. If you plan to attend the Annual Meeting and vote in person, we will give you a ballot when you arrive. If your common shares are held in an account at a brokerage firm, bank, broker-dealer or other similar organization or another record holder, you must bring a legal proxy from the shareholder of record indicating that you were the beneficial owner of the shares on March 10, 2016 in order to vote in person.

How Will My Common Shares Be Voted?

Those common shares represented by a properly executed proxy received prior to the Annual Meeting and not subsequently revoked will be voted as you direct. If you submit a valid proxy prior to the Annual Meeting but do not complete the voting instructions on the proxy, to the extent permitted by applicable law, your proxy will vote your common shares as recommended by the Board of Directors, as follows:

FOR the election of each of the director nominees listed below under **PROPOSAL ONE ELECTION OF DIRECTORS;**

FOR the non-binding, advisory resolution to approve the compensation of CSB s named executive officers under **PROPOSAL TWO ADVISORY VOTE ON EXECUTIVE COMPENSATION;**

FOR the ratification of S.R. Snodgrass, P.C. (Snodgrass) as CSB s independent registered public accounting firm for the fiscal year ending December 31, 2016 under **PROPOSAL THREE RATIFICATION AND APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.**

Can Other Matters Be Decided At The Annual Meeting?

On the date that this proxy statement was printed, CSB did not know of any matters to be raised at the Annual Meeting other than those included in this proxy statement. If you submit a valid proxy and other matters are properly presented for consideration at the Annual Meeting, then the individuals appointed as proxies will have the discretion to vote on those matters for you.

May I Revoke My Proxy?

Yes, proxies may be revoked at any time before a vote is taken or the authority granted is otherwise exercised. Revocation may be accomplished by:

executing and delivering a later dated proxy with regard to the same common shares;

- giving notice in writing to Ms. Peggy L. Conn, Corporate Secretary, CSB Bancorp, Inc., 91 North Clay Street, Millersburg, Ohio 44654, which must be received prior to the Annual Meeting; or

- notifying the Corporate Secretary in person at the Annual Meeting.

If your shares are held in street name and you wish to revoke your proxy, you should follow the instructions provided to you by the record holder of your shares. If you wish to revoke your proxy in person at the Annual Meeting, you must bring a legal proxy from the shareholder of record indicating that you were the beneficial owner of the shares on March 10, 2016. Attending the Annual Meeting will not, by itself, revoke your proxy.

What Constitutes A Quorum?

Under CSB s Code of Regulations, as amended (the Regulations), a quorum for purposes of the Annual Meeting shall consist of a majority of the voting capital stock of CSB then outstanding and entitled to vote at the Annual Meeting. The common shares outstanding are the only shares of CSB s capital stock entitled to vote at the Annual Meeting. Common shares may be present in person or represented by proxy at the Annual Meeting. As of March 10, 2016, there were 2,742,242 common shares outstanding and entitled to vote. Consequently, at least 1,371,122 common shares must be represented at the Annual Meeting in person or by proxy in order to constitute a quorum for the transaction of business.

Abstentions are counted as present for purposes of determining a quorum. Street name holders generally cannot vote their shares directly and must instead instruct the broker, bank or other shareholder of record how to vote their shares using the voting instructions provided by it. If a street name holder does not provide timely instructions, the broker or other nominee may have the authority to vote on some proposals but not others. If the broker or other nominee votes on one proposal, but does not vote on another proposal because the nominee does not have discretionary voting power and has not received instructions from the beneficial owner, this results in a broker non-vote. Broker non-votes on a matter are counted as present for purposes of establishing a quorum for the Annual Meeting, but are not considered entitled to vote on that particular matter. Consequently, broker non-votes generally have no effect on the matter.

What Are The Voting Requirements To Elect the Directors And To Approve the Other Proposals In This Proxy Statement?

The vote required to approve each of the proposals that are scheduled to be presented at the Annual Meeting is as follows:

Proposal One Election Of Directors

The director nominees receiving the greatest number of votes will be elected. Broker non-votes and proxies marked **Withhold Authority** will not be counted toward the election of directors or toward the election of individual nominees and, thus, will have no effect other than that they will be counted for establishing a quorum.

Proposal Two Approval of the Non-Binding Advisory Vote on the Compensation of CSB s Named Executive Officers

The proposal to approve the compensation of CSB s named executive officers requires the affirmative vote of the holders of a majority of the votes cast on the matter at the Annual Meeting. However, because the vote on this matter is advisory, the results will not be binding on the Board of Directors. The Board will review the voting results and will take them into consideration when making future decisions regarding executive compensation. Abstentions will be counted as a vote cast and, thus, will have the same effect as a vote against Proposal Two. Broker non-votes will not be counted in determining whether the proposal has been approved.

Proposal Three Ratification Of Independent Registered Public Accounting Firm

The proposal to ratify the appointment of CSB s independent registered public accounting firm requires the affirmative vote of the holders of a majority of the votes cast on the matter at the Annual Meeting. This Proposal is considered to be a routine matter and, therefore, CSB does not expect any broker non-votes on Proposal Three. Abstentions will be counted as a vote cast and, thus, will have the same effect as a vote against Proposal Three.

What Are The Recommendations Of CSB s Board Of Directors?

The Board of Directors has determined that voting for the proposals is in the best interest of CSB and recommends that each shareholder vote **For** the election of each of the director nominees listed below under **Proposal One Election Of Directors,** **For** the non-binding advisory resolution to approve the compensation of CSB s named executive officers under **Proposal Two Approval of the Non-Binding Advisory Resolution on the Compensation of CSB s Named Executive Officers,** and **For** the ratification of Snodgrass as CSB s independent registered public accounting firm for the fiscal year ending December 31, 2016 under **Proposal Three Ratification And Appointment Of Independent Registered Public Accounting Firm.**

Who Pays The Cost Of Proxy Solicitation?

The accompanying proxy is solicited by and on behalf of the Board of Directors of CSB, whose Notice of Annual Meeting is attached to this proxy statement, and the entire cost of such solicitation will be borne by CSB. In addition to the use of the mail, proxies may be solicited by personal interview, telephone, facsimile and electronic mail by directors, officers and employees of CSB. Arrangements will be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of common shares held of record by such persons, and CSB will reimburse them for reasonable out-of-pocket expenses incurred by them in connection therewith.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON APRIL 27, 2016

The proxy statement for the Annual Meeting, the form of proxy card, the Company s Annual Report on Form 10-K for the year ended December 31, 2015, and the Company s 2015 Annual Report to Shareholders are available at http://www.csb1.com; select Investor Relations/Proxy Site.

BENEFICIAL OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The following table sets forth information as of March 10, 2016, regarding beneficial ownership of the common shares by each director, each director nominee, each of the named executive officers of CSB appearing in the Summary Compensation Table and all directors, named executive officers and other executive officers of the Company as a group. In addition, unless otherwise indicated, all persons named below can be reached at CSB Bancorp, Inc., 91 North Clay Street, Millersburg, Ohio 44654.

Name	Sole Voting	Shared Voting	Total	Percent of Outstanding (2)
Robert K. Baker	9,584	15,565	25,149	*
Julian L. Coblentz	503	274	777	*
Ronald E. Holtman	1,800	650	2,450	*
J. Thomas Lang	1,470	6,607	8,077	*
Jeffery A. Robb, Sr.	5,575		5,575	*
Eddie L. Steiner	26,343	1,653	27,996	1.02%
John R. Waltman	16,365	500	16,865	*
Steven R. Bailey(3)	3,222	10	3,232	*
Paula J. Meiler	21,494	100	21,594	*
All current directors and executive officers (8 persons)	83,134	25,349	108,483	3.96%

* Indicates less than 1% beneficial ownership of the total of common shares outstanding as of March 10, 2016 plus the number of common shares issuable upon the exercise of outstanding options within 60 days of March 10, 2016 for the person or persons indicated. None of the shares reported are pledged as security.

(1) The amounts shown represent the total outstanding common shares beneficially owned by the individuals plus the common shares issuable upon the exercise of stock options within 60 days of March 10, 2016. Unless otherwise indicated, each individual has sole voting and dispositive power with respect to the common shares indicated.

(2) For all directors and executive officers, the percentage of common shares owned is based upon the sum of: (i) 2,742,242 common shares issued and outstanding on March 10, 2016; and (ii) the number of common shares, if any, as to which the named individual or group has the right to acquire beneficial ownership upon the exercise of stock options within 60 days of March 10, 2016.

(3) Retired effective March 4, 2016.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), requires CSB s executive officers and directors, and persons who own more than ten percent of CSB s common shares, to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the Commission and to provide CSB with a copy of such form. Based on CSB s review of the copies of such forms it has received, CSB believes that its executive officers and directors complied with all filing requirements applicable to them with respect to transactions during the fiscal year ended December 31, 2015.

PROPOSAL ONE   ELECTION OF DIRECTORS

CSB s Regulations provide that its business shall be managed by a board of directors of not less than three and not more than twenty-five persons, and that such directors shall be divided into three classes, as nearly equal in number as possible, and have set terms of three years. In accordance with CSB s Regulations, the Board of Directors has currently established the number of directors at seven.

The Board of Directors has nominated Jeffery A. Robb, Sr. and John R. Waltman to serve until the 2019 Annual Meeting of Shareholders, and until their respective successors are elected and qualified. Messrs. Robb and Waltman are each incumbent directors whose present terms expire at the Annual Meeting.

Assuming that at least a majority of the issued and outstanding common shares are present at the Annual Meeting so that a quorum exists, the two nominees for director of CSB receiving the most votes will be elected as directors. Shareholders have the right to vote cumulatively in the election of directors. In order to exercise the right to vote cumulatively, a shareholder must give written notice to the President, a Vice President or the Secretary of CSB not less than forty-eight hours before the time fixed for the Annual Meeting, and the shareholder s demand for cumulative voting must be announced at the commencement of the Annual Meeting by or on behalf of the shareholder. If cumulative voting is elected, a shareholder may cast as many votes in an election of directors as the number of directors to be elected multiplied by the number of shares held. If one or more of the nominees should, at the time of the Annual Meeting, be unavailable or unable to serve as a director, the common shares represented by proxy will be voted to elect the remaining nominees and any substitute nominees designated by the Board of Directors. As of the date of this proxy statement, the Board of Directors knows of no reason why any of the nominees will be unavailable or unable to serve.

Starting on the following page for each nominee for election as a director and for each director whose term will continue after the Annual Meeting is a brief statement, as of March 10, 2016, regarding the age, principal occupation or employment, other affiliations and business experience during the last five years for such persons. In addition, the following information provides the Nominating Committee s evaluation regarding re-nomination of each of the director nominees and the key attributes, skills, and qualifications presented by each director nominee and the continuing directors.

The Board Of Directors Recommends That Shareholders Vote For The Election Of The Nominees.

NOMINEES FOR ELECTION OF DIRECTORS

(Term Expiring in 2019)

Jeffery A. Robb, Sr., Age 66

Mr. Robb has served as a director of CSB since 2001 and is a member of the Audit and the Bank s Executive/Loan Committees. CSB has designated Mr. Robb as an audit committee financial expert. Mr. Robb is currently President and CEO of Robb Companies, Inc. and Robbco Marine / Ohio Yamaha located in Hebron, Ohio, which are privately owned companies. Mr. Robb, who maintains an inactive certified public accounting license in the state of Ohio, is a former director of the Federal Reserve Bank of Cleveland and former executive director of the Community Bankers Association of Ohio. Mr. Robb is the retired president and chief executive officer of Proctor, Robb and Company, CPA, an accounting firm that specialized in providing audit, tax, management expertise and consulting services to community banks, thrifts and credit unions. Mr. Robb s prior military service includes serving in the United States Army as an Armor Officer and he is a Vietnam Veteran. Mr. Robb s educational background in accounting and his professional experiences as an executive officer, director and bank service provider allow him to provide continued financial and bank specific expertise to the Board of Directors, and accordingly the Board of Directors has nominated him for re-election.

John R. Waltman, Age 74

Mr. Waltman has served as a director of CSB since 2001, Chairman of the Board of CSB since 2007, and is the current Chairman of the Compensation and the Bank s Executive/Loan Committees. Mr. Waltman is a practicing attorney and Of Counsel to the law firm Critchfield, Critchfield and Johnston Ltd., Millersburg, Ohio. Mr. Waltman also serves as Lead Trustee of the Board the Holmes County Education Foundation, a 501(c) (3) non-profit foundation and has been a trustee of that Foundation for twenty-seven years. Mr. Waltman is a member of the Investment and Compensation Committees of the Foundation. Mr. Waltman s education and experiences in the legal field, his leadership role in a philanthropic foundation, his knowledge of investments and wealth management, as well as his knowledge of the business community and experience as a director of CSB, allow him to provide continued legal and local business expertise to the Board of Directors, and accordingly the Board of Directors has nominated him for re-election.

DIRECTORS CONTINUING IN OFFICE

(Term Expiring in 2017)

Robert K. Baker, Age 61

Mr. Baker has served as a director of CSB since 2001, is Chairman of the Nominating Committee and is a member of the Audit and the Banks s Executive/Loan Committees. The Company has designated Mr. Baker as an audit committee financial expert. Mr. Baker served as Chairman of the Board of CSB from 2003 through April 2007. Mr. Baker is Controller and Assistant Secretary/Treasurer of Bakerwell, Inc. and Bakerwell Service Rigs, privately owned companies servicing the gas and oil industry. Mr. Baker maintains an inactive certified public accounting license in the state of Ohio. Mr. Baker has served the community as a member of the local school board, as a director of the Pomerene Hospital Foundation, as a director of the Holmes County Airport Authority and as Treasurer/director of the Historic Downtown Millersburg Association. Mr. Baker s education and experience in the field of accounting and business ownership experiences in the north central Ohio business market, as well as his experience as a director of CSB, allow him to provide continued financial and regional business expertise to the Board of Directors.

J. Thomas Lang, Age 72

Mr. Lang has served as a director of CSB since 1993 and is a member of the Compensation, Nominating and Bank s Executive/Loan Committees. Mr. Lang is a veterinarian and dairy farmer and is President and co-owner of Spring Hill Farm Inc. located in Big Prairie, Ohio. Mr. Lang s education and agricultural ownership business experiences in the local business market as well as his knowledge and experience as a director of CSB, allow him to provide continued regional agricultural business and leadership expertise to the Board of Directors.

DIRECTORS CONTINUING IN OFFICE

(Term Expiring in 2018)

Ronald E. Holtman, Age 73

Mr. Holtman has served as a director of CSB since 2001 and is Chairman of the Audit Committee and a member of the Compensation and Nominating Committees. Mr. Holtman retired from the legal profession and serves as Of Counsel with the law firm of Logee, Hostetler, Stutzman & Lehman, located in Wooster, Ohio. Mr. Holtman serves as a director of the Western Reserve Group, a mutual insurance company, located in Wooster, Ohio. He is currently Chairman of the Board of Directors of the Western Reserve Group and also serves on its Board s Compensation and Governance Committees. Mr. Holtman is a Director Emeritus of the Wayne County Community Foundation and a Trustee of the Methodist Theological School of Ohio, located in Delaware, Ohio. During his legal career, Mr. Holtman served as a Judge Advocate in the United States Air Force and upon entering private practice has specialized in advising small businesses and individuals in the following areas: real estate, commercial matters, tax and business planning, estate planning, probate of estates and banking matters. Mr. Holtman s education and experiences in the legal field and in the north central Ohio business markets, as well as his experience as a director of CSB, allow him to provide continued local business, real estate and legal expertise to the Board of Directors.

Julian L. Coblentz, Age 37

Mr. Coblentz has served as a director of CSB since 2015 and is a member of the Audit Committee. Mr. Coblentz serves as Vice President of Operations of Coblentz Distributing, Inc. and is the Operations Manager at Walnut Creek Foods in Walnut Creek, Ohio, a position he has held since 2002. In his role, Mr. Coblentz has supported long-term planning and business strategy, people development, and operational refinements throughout the organization. Mr.

Coblentz has been the owner and operator of Ten Talents Investment Management LLC since 2007. Mr. Coblentz serves as a Trustee of the Holmes County Education Foundation. From 2000 to 2002 Mr. Coblentz maintained his Series 7 and Series 63 Securities Licenses while working as a financial advisor in the trust and brokerage department at CSB s subsidiary, The Commercial and Savings Bank of Millersburg, Ohio (Commercial & Savings Bank or Bank). Mr. Coblentz is a lifelong resident of Holmes County. Mr. Coblentz holds a B.A. from Malone College (now University) with a major in commercial Music Technology and a minor in Business Administration. Mr.

Coblentz s education and experiences in the banking industry, leadership experiences in private business and his knowledge of local business allow him to provide expertise to the Board of Directors.

Eddie L. Steiner, Age 60

Mr. Steiner has served as a director of CSB since 2001 and is a member of the Bank s Executive/Loan Committee. Mr. Steiner currently serves as President and Chief Executive Officer of CSB, a position he has held since 2006, and is the President and Chief Executive Officer of Commercial & Savings Bank, a position he has held since December 2011. Mr. Steiner is Chairman of Commercial & Savings Bank s board of directors, a position he has held since 2006. Mr. Steiner also serves as a director and Chairman of the Audit Committee of the Western Reserve Group, a property and casualty mutual insurance company, located in Wooster, Ohio. Mr. Steiner is a licensed certified public accountant in the state of Ohio. In 2008, Mr. Steiner received his graduate degree from the ABA Stonier Graduate School of Banking. Mr. Steiner served as a member of the Community Depository Institutions Advisory Council for the Federal Reserve Bank of Cleveland beginning January 2011 through December 2015 and became chair of the council effective January 2013. Mr. Steiner served as a member of the Community Depository Institutions Advisory council for the Board of Governors of the Federal Reserve System, Washington, DC from January 2013 through December 2015. Effective May 2013, Mr. Steiner was appointed to the Ohio Division of Financial Institutions Banking Commission. Mr. Steiner s education and experiences in the banking and financial services industries, as well as his business leadership experiences and skills, allow him to provide continued business and leadership insight to the Board of Directors.

MEMBERSHIP AND MEETINGS OF THE BOARD AND ITS COMMITTEES

In 2015, each director attended more than 75% of the total number of meetings of the board and the committees on which they served. In addition, all board members are expected to attend the annual meetings of shareholders, and all attended the 2015 Annual Meeting of Shareholders. Current committee membership and the number of meetings of the full board and each committee in 2015 are shown in the table below.

Name	CSB Bancorp, Inc. Board	Nominating	Compensation	Audit	Subsidiary Bank Board	Bank Level Executive/Loan
Mr. Baker	Member	Chair		Member	Member	Member
Mr. Coblentz	Member			Member	Member	
Mr. Holtman	Member	Member	Member	Chair	Member	
Mr. Lang	Member	Member	Member		Member	Member
Mr. Robb	Member			Member	Member	Member
Mr. Steiner	Member				Chair	Member
Mr. Waltman	Chair		Chair		Member	Chair
Number of 2015 meetings	12	2	2	7	12	21

In 2015, the Board of Directors affirmatively determined that each of the following directors are independent directors under the rules of The NASDAQ Stock Market LLC (the NASDAQ): Mr. Baker, Mr. Coblentz, Mr. Holtman, Mr. Lang, Mr. Robb, and Mr. Waltman.

Board Leadership Structure and Role in Risk Oversight

John R. Waltman is the Chairman of the Board of Directors of CSB. Mr. Waltman chairs the meetings of the board of directors and the annual meeting of shareholders. In his role, he has the authority to call meetings of the outside directors and lead executive sessions of the outside directors. Eddie L. Steiner is the Chairman of the Board of the

Company s subsidiary, Commercial & Savings Bank. The Board of Directors believes Mr. Steiner s role is to identify CSB s strategic priorities and lead Board discussions on the execution of Company strategy. The Board of Directors believes that the separation of the Chief Executive Officer and the Company s board chair position within its leadership structure appropriately balances the promotion of CSB s strategic development with the Board s management oversight function. The Board of Directors also believes that its leadership structure has created an environment of open and efficient communication between the Board and management, enabling the Board to maintain an active and informed role in risk management by being able to monitor and manage those matters that may present significant risks to CSB.

The Board of Directors role in CSB s risk management process includes reviewing regular reports from senior management on areas of material risk to the Company, including operational, financial, legal, regulatory and strategic risks. The Board of Directors reviews these reports to enable it to understand and assess CSB s risk environment, risk management and risk mitigation strategies. While the Board of Directors has the ultimate oversight responsibility for the risk management process, various committees of both management and the Board also have responsibility for risk management. The Audit Committee assists the Board of Directors in its oversight of CSB s accounting and financial reporting processes. The Compensation Committee oversees the management of risks relating to executive and non-executive compensation plans and arrangements. While each committee oversees certain risks and the management of such risks, the entire Board of Directors is regularly informed of such risks through committee reports.

Executive Sessions

The non-employee directors of the Board meet periodically in executive session to discuss issues related to management, personnel and any other matters deemed appropriate by the non-employee directors. During 2015, the non-employee directors convened in executive session on one occasion.

Directors Compensation

Each director of CSB also serves as a director of Commercial & Savings Bank. Outside directors of Commercial & Savings Bank are compensated for board and committee meetings. Directors receive no compensation from CSB. Directors who are employees receive no additional compensation for serving on the board or its committees. Commercial & Savings Bank provides non-employee directors the following cash compensation:

A cash retainer of $11,000 per year, paid in quarterly installments;

A cash payment of $550 for each board and committee meeting attended, (Audit Committee Chairman receives $600 per meeting); and

Reimbursement for customary and usual travel expenses (outside of board and committee meeting attendance).

The following table sets forth compensation information for each of the non-employee directors of CSB and Commercial & Savings Bank:

Name	Fees Earned Or Paid in Cash ($)	Total ($)
Mr. Baker		33,000
Mr. Coblentz		19,800
Mr. Holtman		28,350
Mr. Lang		31,900

Dr. Miller*	9,465
Mr. Robb	34,100
Mr. Waltman	33,550

* Dr. Miller retired from the Board effective at the 2015 annual shareholder meeting.

Committees of the Board of Directors

The Board has three standing subcommittees, the Nominating Committee, the Compensation Committee and the Audit Committee. Each of those committees has a charter with designated responsibilities and each committee functions as described in further detail below.

The Board meets as needed to attend to any business necessitating action between regularly scheduled meetings. Accordingly, the Board has not designated any committee to act on its behalf between regularly scheduled meetings.

In addition to the Board s three standing committees, the Bank has an Executive/Loan Committee, comprised solely of directors of the Company Board. That bank-level committee s duties and activities are further described below.

Nominating Committee

CSB has a Nominating Committee, which recommends to the board the nominees for election as directors. The Nominating Committee currently consists of Robert K. Baker, Ronald E. Holtman, and J. Thomas Lang. The Nominating Committee will consider candidates for nomination as a director who are recommended by shareholders, directors and other sources. Under the terms of the Nominating Committee Charter, the Nominating Committee is responsible for ensuring that the Board and its committees are appropriately constituted in order that the Board may effectively meet its fiduciary and other obligations to the shareholders and to the Company. The Nominating Committee develops and recommends to the Board the Corporate Governance guidelines. The Committee is responsible for the selection of individuals for nomination to the Board of Directors and considering incumbent directors for nomination and re-election.

In considering and evaluating potential candidates for positions on the CSB Board of Directors, and consistent with its charter, the Nominating Committee considers, among other things: (i) the potential candidates knowledge of the communities in which CSB and Commercial & Savings Bank operate; (ii) their experience and any special business, financial, or other expertise; (iii) their reputation for honesty and integrity; and (iv) their ability to provide independent and objective oversight and supervision for matters which may impact CSB and Commercial & Savings Bank. The Nominating Committee also considers applicable requirements of CSB s Regulations and requirements of applicable law and regulations with respect to evaluating potential candidates, as well as other matters which the Nominating Committee deems appropriate in light of the specific circumstances and the potential candidate. To that end, the Nominating Committee may conduct its own analysis and may also seek information from a variety of outside sources in order to ascertain whether a potential candidate meets the referenced criteria.

The Nominating Committee utilizes the same standards and criteria in considering and evaluating potential candidates for positions on the Board of Directors who are recommended by shareholders, when appropriate. The Nominating Committee currently does not have a diversity statement within its charter. Although CSB does not have a specific diversity policy for director candidates, it is the policy of the Nominating Committee that nominees for director should have a diversity of viewpoints, background, experience and skills. Each of the members of the Nominating Committee are independent, as defined by the NASDAQ listing requirements. The Nominating Committee operates under a written charter, which is reviewed annually by the Committee and the Board of Directors and is available on the Company s website at www.csb1.com.

Compensation Committee

The Compensation Committee is responsible for overseeing the administration of the Company s compensation philosophy for appropriate levels of compensation and benefits for directors, officers and employees of CSB. The Compensation Committee currently consists of John R. Waltman, Ronald E. Holtman and J. Thomas Lang. All members of the Compensation Committee are considered independent for purposes of the NASDAQ listing requirements. The Compensation Committee operates under a written charter, which is reviewed annually by the Committee and the Board of Directors and is available on the Company s website at www.csb1.com.

Pursuant to the terms of its charter, the Compensation Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to its chairperson or a subcommittee of at least two members of the Compensation

Committee except such powers and authorities required by law or regulation to be exercised by the whole Committee. The Compensation Committee may invite such members of management to its meetings as it may deem desirable or appropriate, consistent with the maintenance of the confidentiality of compensation discussions. Pursuant to its charter, the Compensation Committee has the authority to select, retain, terminate and approve the fees and other retention terms of special counsel or other experts or consultants, as it deems appropriate, without seeking approval of the Board or management. Executive sessions, excluding the chief executive officer, are held in conjunction with his annual performance and compensation review to ensure open dialogue and discussion.

Additional discussion of the Compensation Committee s role is set forth in the Discussion of Executive Compensation Programs section of this proxy statement beginning on page 15.

Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its responsibility to oversee the accounting and financial reporting processes of CSB. The Audit Committee members are Ronald E. Holtman, Robert K. Baker, Julian L. Coblentz and Jeffery A. Robb, Sr. All of the members of the Audit Committee are independent directors, as defined by the NASDAQ listing requirements. Among other things, the Audit Committee is responsible for the engagement of independent auditors, reviewing with the independent auditors the plans and results of the audit, and reviewing the adequacy of internal accounting controls. The Board of Directors has determined that Messrs. Baker and Robb meet the requirements of an audit committee financial expert as defined by the Commission. Mr. Baker acquired these attributes through education and his experience as a certified public accountant and as a Controller within private industry. Mr. Robb acquired these attributes through education and his experience in the banking industry and as a certified public accountant. The Audit Committee operates under a written charter, which is reviewed annually by the Committee and the Board and is available on the Company s website at www.csb1.com.

Bank Executive/Loan Committee

The Bank Board s Executive/Loan Committee meets throughout the year to monitor the lending activities of Commercial & Savings Bank and help ensure that such activities are conducted in a manner consistent with the Bank s credit policy. As credit risk represents the major risk component within Commercial & Savings Bank, the Executive/Loan Committee oversees management s implementation and enforcement of the Bank s credit risk management framework. The Executive/Loan Committee consists of John R. Waltman, Robert K. Baker, J. Thomas Lang, Jeffery A. Robb, Sr. and Eddie L. Steiner.

SHAREHOLDER NOMINATIONS

The Nominating Committee of the Board of Directors will consider recommendations for nominations to serve as a director received from shareholders in accordance with CSB s Regulations. Shareholder recommendations for nomination should be submitted in writing to Ms. Peggy L. Conn, Secretary, CSB Bancorp, Inc., 91 North Clay Street, Millersburg, Ohio 44654. The recommendation must be provided to CSB in writing not less than 14 nor more than 50 days prior to the date of the Annual Meeting. The recommendation should also include the name, age, business address, residence address, principal occupation and number of shares of CSB beneficially owned by the recommended candidate for nomination. Shareholder recommendations must also include the information that would be required to be disclosed in the solicitation of proxies for the election of directors under the federal securities laws. CSB may also require any nominee to furnish additional information regarding the eligibility and qualifications of the candidate recommended.

EXECUTIVE OFFICERS

The following are the executive officers of CSB, all of whom are employed full-time in service to the Company or Commercial & Savings Bank. Each executive is appointed annually by, and serves at the pleasure of, the Board of Directors of CSB. This table lists each executive officer s age as of March 10, 2016.

Name	Age	Positions Held with CSB and The Commercial & Savings Bank
Eddie L. Steiner	60	President and Chief Executive Officer of CSB since 2006 and a member of the Board of Directors since 2001; President and Chief Executive Officer of Commercial & Savings Bank since January 2012; principal executive officer of Commercial & Savings Bank from February 2011 through December 2011; Chairman of the Board of Directors of Commercial & Savings Bank since April 2006; and member of the Board of Directors of Commercial & Savings Bank since 2001.
Paula J. Meiler	61	Senior Vice President and Chief Financial Officer of CSB since 2004; Senior Vice President and Chief Financial Officer of Commercial & Savings Bank since 2004.

PROPOSAL TWO ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) and corresponding SEC rules enable the shareholders of CSB to vote to approve, on an advisory and non-binding basis, the compensation of CSB s named executive officers as disclosed in this proxy statement in accordance with SEC rules (this is commonly called a Say-on-Pay vote). Accordingly, the following advisory resolution will be submitted for shareholder approval at the Annual Meeting:

RESOLVED, that the shareholders of CSB Bancorp, Inc. (CSB) approve, on an advisory basis, the compensation of CSB s Named Executive Officers as disclosed in CSB s proxy statement for its 2016 Annual Meeting of Shareholders pursuant to Item 402 of SEC Regulation S-K, including in the Discussion of Executive Compensation Programs, the Summary Compensation Table, and the related executive compensation tables, notes and narratives.

The Board of Directors believes that CSB s compensation policies and procedures, which are reviewed and approved by the Compensation Committee, are effective in aligning the compensation of CSB s executive officers with CSB s short-term and long-term goals, and that such compensation and incentives are designed to attract, retain and motivate CSB s executive officers who are directly responsible for CSB s continued success. CSB believes that its compensation policies link the interests of its executive officers with the interests of the shareholders and that such policies do not threaten the value of CSB or the investments of CSB s shareholders. Additionally, CSB believes that its executive compensation is reasonable and similar to the executive compensation of financial institutions of similar size and position.

Shareholders are encouraged to carefully review the information provided in this proxy statement regarding the compensation of CSB s named executive officers in the section captioned Discussion of Executive Compensation Programs beginning on page 15 of this proxy statement.

Because your vote is non-binding and advisory, the outcome of the vote will not be binding on the Board of Directors. However, the Board of Directors and the Compensation Committee will review and consider the voting results when making decisions regarding executive compensation in the future.

The Compensation Committee and the Board of Directors recommend that you vote FOR approval of the advisory resolution set forth above.

DISCUSSION OF EXECUTIVE COMPENSATION PROGRAMS

The following discussion provides information regarding the compensation programs for CSB s named executive officers, including: (i) the overall objectives of the Company s compensation programs; (ii) the material elements and factors of CSB s compensation programs; and (iii) a discussion of the Compensation Committee s determinations during 2015 regarding such individuals. For 2015, CSB s named executive officers were:

Eddie L. Steiner	President and Chief Executive Officer of CSB and Chairman, Chief Executive Officer and President of Commercial & Savings Bank.
Paula J. Meiler	Senior Vice President and Chief Financial Officer of CSB and Senior Vice President and Chief Financial Officer of Commercial & Savings Bank.
Steven R. Bailey.	Former Executive Vice President; Chief Operating Officer and Chief Information Officer of CSB and Commercial & Savings Bank. Mr. Bailey retired from these positions effective March 4, 2016.

The specific amounts paid or payable to the named executive officers are disclosed in the tables and narrative beginning on page 20 of this proxy statement. The following discussion cross-references those specific tabular and narrative disclosures where appropriate.

Compensation Philosophy and Objectives

The Compensation Committee believes that in order to manage and grow a well-run financial services organization it is necessary to establish compensation programs and related opportunities that are attractive, motivating and rewarding to high quality executives, managers and staff. These programs and opportunities must be balanced with their cost to CSB and its shareholders. In order to arrive at the appropriate balance, CSB has established the following compensation philosophy and guidelines for its overall compensation program:

1. In order to attract and retain highly qualified management, CSB strives to provide target base salaries close to the mean of the market rate paid for comparable positions by similarly sized bank holding companies.

2. Where practical, CSB establishes performance-based compensation focused on individual results, team results, and contributions to CSB s overall performance.

Compensation Committee Decision-Making Process

The Compensation Committee oversees the compensation of CSB s named executive officers and establishes the Company s overall compensation philosophy and objectives. In addition, the Compensation Committee evaluates and assesses the design of CSB s compensation and benefit programs and monitors external market pay levels and practices, in order to determine appropriate compensation adjustments and future compensation decisions. The Compensation Committee also reviews and approves incentive award opportunities, actual bonus payments and award grants and reviews and recommends for Board of Directors approval the proposed implementation or material changes to CSB s compensation programs. The Compensation Committee assesses such compensation programs within the context of applicable regulatory guidance, with the goal of establishing appropriate incentives to attract, retain and align executives interests with established current and long-term objectives of CSB without incenting undue risk.

Outside Executive Compensation Consultants

Neither the Compensation Committee nor management engaged an outside executive compensation consultant in 2015.

Peer Group Evaluation

Total compensation for the named executive officers is comprised of base salaries, annual cash incentive awards, retirement plan contributions, severance protection, long-term equity awards and other benefits and perquisites. To determine compensation levels for the named executive officers, as well as other officers, the Compensation Committee reviews compensation survey data from independent sources to ensure that the total compensation program is competitive. Specifically, during 2015, with the participation of CSB s management, including the Company s Chief Executive Officer, the Compensation Committee evaluated its pay practices for both directors and the named executive officers including but not limited to comparison against the following similarly situated financial institutions.

Farmers National Banc Corp	Canfield, Ohio
LCNB Corporation	Lebanon, Ohio
Farmers & Merchants Bancorp Inc.	Archbold, Ohio
Ohio Valley Bancorp	Gallipolis, Ohio
SB Financial Group	Defiance, Ohio
Middlefield Banc Corp.	Middlefield, Ohio
United Bancshares Inc.	Columbus Grove, Ohio
Cheviot Financial Corp	Cheviot, Ohio
Cortland Bancorp	Cortland, Ohio
DCB Financial Corp	Lewis Center, Ohio
Wayne Savings Bancshares, Inc.	Wooster, Ohio
United Bancorp, Inc.	Martins Ferry, Ohio

Each of the financial services institutions listed above are publicly-traded institutions ranging in size from approximately 183% of CSB s asset level to approximately 65% of CSB s asset level, and are all located and doing business primarily in Ohio.

2015 Named Executive Officer Compensation

Base Salary

The purpose of the base salary program is to pay for the qualifications, experience, and marketability of the position consistent with market practices. A pay range for each position is established around the mean of the market rate paid for comparable positions by similarly-sized financial institutions. Individual pay within the range is determined by executive performance, job proficiency and contributions over a period of years. For 2015, the base salary levels for all CSB named executive officers are at or below the median of base salaries of peers in other similar-sized financial organizations.

Pay adjustments are tied directly to CSB s performance appraisal process, which evaluates the employee on a series of performance criteria. This process is used for all CSB employees, including the named executive officers. Pay adjustments are typically made annually. In addition to these performance-based base pay adjustments, it is periodically necessary to make additional market adjustments in those instances where market base salary levels move faster than anticipated or where additional duties and responsibilities are added to the job.

Each outside director annually completes a survey of the Chief Executive Officer s performance and objectives for the coming year. The Compensation Committee reviews all director submissions and the Chairman of the Compensation Committee or CSB s board Chairman, or both in concert, then conduct a performance review meeting annually with the Chief Executive Officer. The Chief Executive Officer expressed a desire not to receive a base salary or bonus increase, which was honored by the Compensation Committee. The Committee s action is not a reflection of any dissatisfaction with Mr. Steiner s performance. The Chief Executive Officer follows a similar process in annually reviewing the performance of and establishing coming year objectives for each of the Chief Executive Officer s direct reports.

The amount of a named executive officer s base salary is the reference point for much of the other compensation. For example, the relative ranges of potential annual incentive awards for executives are fairly proportionate to the named executive officers respective base salaries. In addition, base salary is one component of the contribution formula under CSB s 401(k) and profit sharing plan and the key component in the Company s severance and change in control agreement.

Annual Incentive

The purpose of the annual incentive program is to focus executives on achieving and possibly exceeding CSB s annual performance objectives consistent with safe and sound operations of the Company and Commercial & Savings Bank. In 2015, the performance expectations were established around the attainment of specific performance ratios, performance to current year financial plan, and satisfactory compliance with regulatory and audit reviews as well as consideration of the potential impact of executives actions on safe and sound operations and appropriate risk management controls.

Each component of the annual incentive program has a separate measurement. The Compensation
C-weight:bold;">103,279

94,716

302,226

283,172

Provision for (reversal of) loan losses
(3,000
)

—

(11,936
)

3,600

Net interest income after provision for (reversal of) loan losses
106,279

94,716

314,162

279,572

OTHER INCOME
8,072

5,059

20,562

16,062

OTHER EXPENSE

Compensation and benefits
28,946

24,582

81,908

68,731

Occupancy
6,060

4,530

17,668

13,801

FDIC insurance premiums
2,978

2,831

8,679

9,280

Information technology
3,505

2,371

10,365

7,661

Amortization of intangible assets
1,052

660

2,601

1,386

Other
10,752

6,636

28,250

20,214

53,293

41,610

149,471

121,073

Gain (loss) on real estate acquired through foreclosure, net
(2,056
)

176

(3,454
)

(7,145
)
Income before income taxes
59,002

58,341

181,799

167,416

Income tax provision

21,092

21,003

64,996

58,818

NET INCOME
$
37,910

$
37,338

$
116,803

$
108,598

PER SHARE DATA

Basic earnings
$
0.38

$
0.36

$
1.15

$
1.03

Diluted earnings
0.37

0.36

1.14

1.03

Basic weighted average number of shares outstanding
100,979,219

104,143,915

101,777,112

105,119,097

Diluted weighted average number of shares outstanding, including dilutive stock options
101,393,936

104,192,444

102,234,350

105,167,959

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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WASHINGTON FEDERAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Quarter Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
	(In thousands)			
Net income	$37,910	$37,338	$116,803	$108,598
Other comprehensive income (loss) net of tax:				
Net unrealized gain (loss) on available-for-sale securities	22,026	(10,697)	28,527	(12,925)
Related tax benefit (expense)	(8,095)	3,931	(10,484)	4,750
Other comprehensive income (loss)	13,931	(6,766)	18,043	(8,175)
Comprehensive income	$51,841	$30,572	$134,846	$100,423

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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WASHINGTON FEDERAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
			(In thousands)			
Balance at October 1, 2013	$132,573	$1,625,051	$594,450	$6,378	$(420,817)	$1,937,635
Net income			116,803			116,803
Other comprehensive income adjustment				18,043		18,043
Dividends paid on common stock			(31,393)			(31,393)
Compensation expense related to common stock options		900				900
Proceeds from exercise of common stock options	759	9,599				10,358
Restricted stock		2,520				2,520
Treasury stock acquired					(64,231)	(64,231)
Balance at June 30, 2014	$133,332	$1,638,070	$679,860	$24,421	$(485,048)	$1,990,635

(In thousands)	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
			(In thousands)			
Balance at October 1, 2012	$129,950	$1,586,295	$480,780	$13,306	$(310,579)	$1,899,752
Net income			108,598			108,598
Other comprehensive income adjustment				(8,175)		(8,175)
Dividends paid on common stock			(27,591)			(27,591)
Compensation expense related to common stock options		900				900
Proceeds from exercise of common stock options	26	271				297
Proceeds from issuance of common stock	1,996	31,495				33,491
Restricted stock	418	2,239				2,657
Treasury stock acquired					(87,037)	(87,037)
Balance at June 30, 2013	$132,390	$1,621,200	$561,787	$5,131	$(397,616)	$1,922,892

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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WASHINGTON FEDERAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended June 30,	
	2014	2013
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$116,803	$108,598
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,467	10,507
Cash received from FDIC under loss share	949	13,014
Stock option compensation expense	900	900
(Reversal of) provision for loan losses	(11,936)	3,600
Loss (gain) on real estate held for sale, net	598	(18)
(Increase) decrease in accrued interest receivable	(2,174)	872
Increase in FDIC loss share receivable	(2,029)	(1,346)
Increase (decrease) in income taxes payable	8,258	(9,446)
(Increase) decrease in other assets	(14,514)	36,665
Decrease in accrued expenses and other liabilities	(10,487)	(23,177)
Net cash provided by operating activities	94,835	140,169
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (loan originations) principal collections	(329,076)	475,354
FHLB & FRB stock redemption	9,952	4,391
Available-for-sale securities purchased	(1,080,476)	(506,966)
Principal payments and maturities of available-for-sale securities	363,103	198,555
Available-for-sale securities sold	—	43,198
Held-to-maturity securities purchased	—	(821,215)
Principal payments and maturities of held-to-maturity securities	68,981	428,827
Net cash received from acquisitions	1,776,660	202,308
Proceeds from real estate owned and held for investment	66,766	104,360
Premises and equipment purchased	(35,647)	(22,941)
Net cash provided by investing activities	840,263	105,871
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in customer accounts	(178,161)	(250,364)
Net proceeds from borrowings	—	27,529
Proceeds from exercise of common stock options and related tax benefit	10,358	297
Dividends paid on common stock	(31,393)	(26,651)
Treasury stock purchased	(64,231)	(87,037)
Decrease in advance payments by borrowers for taxes and insurance	(13,930)	(14,387)
Net cash used by financing activities	(277,357)	(350,613)
Increase (decrease) in cash and cash equivalents	657,741	(104,573)
Cash and cash equivalents at beginning of period	203,563	751,430
Cash and cash equivalents at end of period	$861,304	$646,857

(CONTINUED)
SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WASHINGTON FEDERAL, INC. AND SUBSIDIARIES

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CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(UNAUDITED)

	Nine Months Ended June 30,	
	2014	2013
	(In thousands)	
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Non-cash investing activities		
Non-covered real estate acquired through foreclosure	$32,818	$72,762
Covered real estate acquired through foreclosure	6,163	10,245
Cash paid during the period for		
Interest	97,485	104,370
Income taxes	54,072	48,111
The following summarizes the non-cash activities related to acquisitions		
Fair value of assets acquired	$80,384	$819,904
Fair value of liabilities assumed	(1,857,044)	(776,009)
Net fair value of (liabilities) assets	$(1,776,660)	$43,895

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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WASHINGTON FEDERAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
QUARTER ENDED JUNE 30, 2014 AND 2013
(UNAUDITED)

NOTE A – Summary of Significant Accounting Policies
Nature of Operations. Washington Federal is a Washington corporation headquartered in Seattle, Washington. The Company is a bank holding company that conducts its operations through a federally-insured national bank subsidiary. The Bank is principally engaged in the business of attracting deposits from the general public and investing these funds, together with borrowings and other funds, in one-to-four family residential real estate loans, multi-family real estate loans and commercial loans. As used throughout this document, the terms "Washington Federal" or the "Company" refer to Washington Federal, Inc. and its consolidated subsidiaries and the term "Bank" refers to the operating subsidiary Washington Federal, National Association.
Use of Estimates. The consolidated unaudited interim financial statements included in this report have been prepared by Washington Federal. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from these estimates.
Summary of Significant Accounting Policies. The significant accounting policies used in preparation of the Company's consolidated financial statements are disclosed in its 2013 Form 10-K. Other than as discussed below, there have not been any additions or material changes in its significant accounting policies compared to those contained in its 2013 Form 10-K.
Off-Balance-Sheet Credit Exposures – The only material off-balance-sheet credit exposures are loans in process and unused lines of credit, which had a combined balance at June 30, 2014, excluding covered loans, of $528 million. The Company estimates losses on off-balance-sheet credit exposures by including the exposures with the related principal balance outstanding and then applying its general reserve methodology.
In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation are reflected in the interim financial statements. The September 30, 2013 Consolidated Statement of Financial Condition was derived from audited financial statements. The information included in this Form 10-Q should be read in conjunction with Company’s 2013 Annual Report on Form 10-K (“2013 Form 10-K”) as filed with the Securities and Exchange Commission. Interim results are not necessarily indicative of results for a full year.

NOTE B - Acquisitions

Certain Branches of Bank of America, National Association

During this fiscal year, the Bank has acquired seventy-four branches from Bank of America, National Association. Effective as of the close of business on October 31, 2013, the Bank completed the acquisition of eleven branches that are located in New Mexico. Effective as of the close of business on December 6, 2013, the Bank completed the acquisition of another forty branches that are located in Washington, Oregon, and Idaho. Effective as of the close of business on May 2, 2014, the Bank completed the acquisition of another twenty-three branches that are located in Arizona and Nevada.

Management believes that these transactions represent a significant enhancement of our branch network. This transaction will bring new customers to the Company and improve the deposit mix and reduce overall funding costs.

The combined acquisitions provided $1.9 billion in deposit accounts, $13 million of loans, and $25 million in branch properties. The Bank paid a 1.99% premium on the total deposits and received $1.8 billion in cash from the transactions.

The acquisition method of accounting was used to account for the acquisitions. The purchased assets and assumed liabilities are recorded at their respective acquisition date estimated fair values. The Bank recorded $11 million in core deposit intangible and $31 million in goodwill related to these transactions.

The operating results of the Company include the operating results produced by the first eleven branches for the period from November 1, 2013 to June 30, 2014, for the additional forty branches from December 7, 2013 to June 30, 2014, and for the most recent twenty-three branches from May 3, 2014 to June 30, 2014.

The table below displays the adjusted fair value as of the acquisition date for each major class of assets acquired and liabilities assumed:

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WASHINGTON FEDERAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

	Adjusted Fair Value Recorded by Washington Federal (In thousands)
Assets:	
Cash	$1,776,660
Loans receivable, net	12,881
Property and equipment, net	25,097
Core deposit intangible	11,040
Goodwill	31,225
Other assets	70
Total Assets	1,856,973
Liabilities:	
Customer accounts	1,853,798
Other liabilities	3,175
Total Liabilities	1,856,973
Net assets acquired	$—

NOTE C – Dividends

On July 18, 2014, the Company paid its 126th consecutive quarterly cash dividend. Dividends per share were $.11 and $.09 for the quarters ended June 30, 2014 and 2013, respectively.

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WASHINGTON FEDERAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE D – Loans Receivable (excluding Covered Loans)

	June 30, 2014			September 30, 2013		
	(In thousands)					
Non-acquired loans						
Single-family residential	$5,466,771	64.7	%	$5,359,149	67.1	%
Construction - speculative	126,926	1.5		130,778	1.6	
Construction - custom	372,789	4.4		302,722	3.8	
Land - acquisition & development	88,319	1.1		77,775	1.1	
Land - consumer lot loans	111,919	1.4		121,671	1.5	
Multi-family	893,742	10.6		831,684	10.4	
Commercial real estate	523,850	6.2		414,961	5.1	
Commercial & industrial	333,552	3.9		243,199	3.0	
HELOC	117,177	1.4		112,186	1.4	
Consumer	132,062	1.5		47,141	0.6	
Total non-acquired loans	8,167,107	96.7		7,641,266	95.6	
Non-impaired acquired loans						
Single-family residential	12,014	0.2		14,468	0.2	
Construction - speculative	—	—		—	—	
Construction - custom	—	—		—	—	
Land - acquisition & development	1,069	—		1,489	—	
Land - consumer lot loans	2,654	—		3,313	—	
Multi-family	3,057	—		3,914	0.1	
Commercial real estate	103,215	1.1		133,423	1.7	
Commercial & industrial	60,349	0.7		75,326	0.9	
HELOC	8,469	0.1		10,179	0.1	
Consumer	6,427	0.1		8,267	0.1	
Total non-impaired acquired loans	197,254	2.2		250,379	3.1	
Credit-impaired acquired loans						
Single-family residential	326	—		333	—	
Construction - speculative	—	—		—	—	
Land - acquisition & development	1,670	—		2,396	—	
Multi-family	—	—		—	—	
Commercial real estate	66,356	0.9		76,909	1.1	
Commercial & industrial	4,280	0.1		7,925	0.1	
HELOC	10,658	0.1		11,266	0.1	
Consumer	58	—		71	—	
Total credit-impaired acquired loans	83,348	1.1		98,900	1.3	
Total loans						
Single-family residential	5,479,111	64.9		5,373,950	67.3	
Construction - speculative	126,926	1.5		130,778	1.6	
Construction - custom	372,789	4.4		302,722	3.8	
Land - acquisition & development	91,058	1.1		81,660	1.1	
Land - consumer lot loans	114,573	1.4		124,984	1.5	
Multi-family	896,799	10.6		835,598	10.5	

Commercial real estate	693,421	8.2	625,293	7.9
Commercial & industrial	398,181	4.7	326,450	4.0

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HELOC	136,304	1.6	133,631	1.6
Consumer	138,547	1.6	55,479	0.7
Total Loans	8,447,709	100 %	7,990,545	100 %
Less:				
Allowance for probable losses	114,150		116,741	
Loans in process	303,084		275,577	
Discount on acquired loans	28,480		34,143	
Deferred net origination fees	36,041		36,054	
	481,755		462,515	
	$7,965,954		$7,528,030	

Changes in the carrying amount and accretable yield for acquired non-impaired and credit-impaired loans (excluding covered loans) for the nine months ended June 30, 2014 and the fiscal year ended September 30, 2013 were as follows:

June 30, 2014	Acquired Impaired		Acquired Non-impaired	
	Accretable Yield	Net Carrying Amount of Loans	Accretable Yield	Carrying Amount of Loans
	(In thousands)			
Balance as of beginning of period	$37,236	$69,718	$4,977	$245,373
Reclassification from nonaccretable balance, net (1)	7,300	—	—	—
Accretion	(8,884)	8,884	(606)	606
Transfers to REO	—	(1,188)	—	(4,710)
Payments received, net	—	(17,616)	—	(48,988)
Balance as of end of period	$35,652	$59,798	$4,371	$192,281

(1) reclassification due to improvements in expected cash flows of the underlying loans.

September 30, 2013	Acquired Impaired		Acquired Non-impaired	
	Accretable Yield	Net Carrying Amount of Loans	Accretable Yield	Carrying Amount of Loans
	(In thousands)			
Balance as of beginning of period	$16,928	$77,613	$—	$—
Reclassification from nonaccretable balance, net (1)	30,026	—	—	—
Additions (2)	—	9,865	10,804	351,335
Accretion	(9,718)	9,718	(5,827)	5,827
Transfers to REO	—	(3,975)	—	(7,755)
Payments received, net	—	(23,503)	—	(104,034)
Balance as of end of period	$37,236	$69,718	$4,977	$245,373

(1) reclassification due to improvements in expected cash flows of the underlying loans.
(2) includes loans which were acquired as part of the South Valley Bank acquisition.

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The following table sets forth information regarding non-accrual loans (excluding covered loans) held by the Company as of the dates indicated:

	June 30, 2014			September 30, 2013		
	(In thousands)					
Non-accrual loans:						
Single-family residential	$78,317	83.2	%	$100,460	76.5	%
Construction - speculative	1,966	2.1		4,560	3.5	
Construction - custom	143	0.2		—	—	
Land - acquisition & development	2,295	2.4		2,903	2.2	
Land - consumer lot loans	1,879	2.0		3,337	2.5	
Multi-family	2,103	2.2		6,573	5.0	
Commercial real estate	5,442	5.8		11,736	8.9	
Commercial & industrial	516	0.5		477	0.4	
HELOC	970	1.0		263	0.2	
Consumer	595	0.6		990	0.8	
Total non-accrual loans	$94,226	100	%	$131,299	100	%

The following tables provide an analysis of the age of loans (excluding covered loans) in past due status as of June 30, 2014 and September 30, 2013, respectively. These balances are net of LIP and charge-offs only.

June 30, 2014	Amount of Loans	Days Delinquent Based on $ Amount of Loans					% based	
Type of Loan	Net of LIP & Chg.-Offs	Current	30	60	90	Total	on $	
	(In thousands)							
Non-acquired loans								
Single-Family Residential	$5,464,370	$5,367,245	$18,990	$12,878	$65,257	$97,125	1.78	%
Construction - Speculative	85,412	84,635	301	—	476	777	0.91	
Construction - Custom	201,475	201,288	44	—	143	187	0.09	
Land - Acquisition & Development	72,241	70,183	227	—	1,831	2,058	2.85	
Land - Consumer Lot Loans	111,860	108,591	1,220	170	1,879	3,269	2.92	
Multi-Family	868,968	865,518	2,829	214	407	3,450	0.40	
Commercial Real Estate	476,863	474,923	95	—	1,845	1,940	0.41	
Commercial & Industrial	333,543	333,430	3	—	110	113	0.03	
HELOC	117,178	116,188	53	370	567	990	0.84	
Consumer	132,156	130,797	774	421	164	1,359	1.03	
Total non-acquired loans	7,864,066	7,752,798	24,536	14,053	72,679	111,268	1.41	%
Non-impaired acquired loans								
	12,014	11,990	—	—	24	24	0.20	%

Single-Family Residential Construction - Speculative	—	—	—	—	—	—	NM
Construction - Custom	—	—	—	—	—	—	NM
Land - Acquisition & Development	1,069	663	—	—	406	406	37.98

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Land - Consumer Lot Loans	2,651	2,651	—	—	—	—	—	
Multi-Family	3,057	3,057	—	—	—	—	—	
Commercial Real Estate	103,189	102,421	—	—	768	768	0.74	
Commercial & Industrial	60,348	60,136	212	—	—	212	0.35	
HELOC	8,468	8,335	133	—	—	133	1.57	
Consumer	6,427	5,626	12	358	431	801	12.46	
Total non-impaired acquired loans	197,223	194,879	357	358	1,629	2,344	1.19	%
Credit-impaired acquired loans								
Single-Family Residential	326	326	—	—	—	—	—	%
Construction - Speculative	—	—	—	—	—	—	NM	
Construction - Custom	—	—	—	—	—	—	NM	
Land - Acquisition & Development	1,670	1,670	—	—	—	—	—	
Land - Consumer Lot Loans	—	—	—	—	—	—	NM	
Multi-Family	—	—	—	—	—	—	NM	
Commercial Real Estate	66,344	65,996	—	—	348	348	0.52	
Commercial & Industrial	4,281	3,863	12	—	406	418	9.76	
HELOC	10,658	10,027	228	—	403	631	5.92	
Consumer	58	58	—	—	—	—	—	
Total credit-impaired acquired loans	83,337	81,940	240	—	1,157	1,397	1.68	%
Total Loans	$8,144,626	$8,029,617	$25,133	$14,411	$75,465	$115,009	1.41	%

September 30, 2013	Amount of Loans	Days Delinquent Based on $ Amount of Loans					% based	
Type of Loan	Net of LIP & Chg.-Offs	Current	30	60	90	Total	on $	
	(In thousands)							
Non-acquired loans								
Single-Family Residential	$5,356,200	$5,237,413	$26,888	$12,373	$79,526	$118,787	2.22	%
Construction - Speculative	82,422	80,047	—	—	2,375	2,375	2.88	
Construction - Custom	130,095	129,678	417	—	—	417	0.32	
Land - Acquisition & Development	71,567	70,106	—	—	1,461	1,461	2.04	

Land - Consumer Lot Loans	121,473	117,076	806	355	3,236	4,397	3.62	
Multi-Family	790,564	785,793	—	—	4,771	4,771	0.60	
Commercial Real Estate	404,680	398,114	2,942	351	3,273	6,566	1.62	
Commercial & Industrial	249,405	249,363	42	—	—	42	0.02	
HELOC	112,186	111,407	493	213	73	779	0.69	
Consumer	47,142	45,620	849	283	390	1,522	3.23	
Total non-acquired loans	7,365,734	7,224,617	32,437	13,575	95,105	141,117	1.92	%

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Non-impaired acquired loans								
Single-Family Residential	14,468	14,343	82	—	43	125	0.86	%
Construction - Speculative	—	—	—	—	—	—	—	
Construction - Custom	—	—	—	—	—	—	—	
Land - Acquisition & Development	1,489	1,241	—	—	248	248	16.66	
Land - Consumer Lot Loans	3,313	2,987	125	100	101	326	9.84	
Multi-Family	3,914	3,914	—	—	—	—	—	
Commercial Real Estate	133,398	128,610	134	617	4,037	4,788	3.59	
Commercial & Industrial	75,323	74,992	10	153	168	331	0.44	
HELOC	10,179	10,063	—	16	100	116	1.14	
Consumer	8,266	7,568	90	8	600	698	8.44	
Total non-impaired acquired loans	250,350	243,718	441	894	5,297	6,632	2.65	%
Credit-impaired acquired loans								
Single-Family Residential	333	333	—	—	—	—	—	%
Construction - Speculative	—	—	—	—	—	—	—	
Construction - Custom	—	—	—	—	—	—	—	
Land - Acquisition & Development	2,393	1,929	—	464	—	464	19.39	
Land - Consumer Lot Loans	—	—	—	—	—	—	—	
Multi-Family	—	—	—	—	—	—	—	
Commercial Real Estate	83,116	80,095	2,301	—	720	3,021	3.63	
Commercial & Industrial	1,705	1,396	—	—	309	309	18.12	
HELOC	11,266	11,176	—	—	90	90	0.80	
Consumer	71	71	—	—	—	—	—	
Total credit-impaired acquired loans	98,884	95,000	2,301	464	1,119	3,884	3.93	%
Total Loans	$7,714,968	$7,563,335	$35,179	$14,933	$101,521	$151,633	1.97	%

Most loans restructured in troubled debt restructurings ("TDRs") are accruing and performing loans where the borrower has proactively approached the Company about modification due to temporary financial difficulties. Each request is individually evaluated for merit and likelihood of success. The concession for these loans is typically a payment reduction through a rate reduction of between 100 to 200 basis points for a specific term, usually six to twenty-four months. Interest-only payments may also be approved during the modification period. As of June 30, 2014, single-family residential loans comprised 86.1% of TDRs.

The Company reserves for restructured loans within its allowance for loan loss methodology by taking into account the following performance indicators: 1) time since modification, 2) current payment status and 3) geographic area.

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The following tables provide information related to loans that were restructured during the periods indicated:

	Quarter Ended June 30,					
	2014			2013		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
		(In thousands)			(In thousands)	
Troubled Debt Restructurings:						
Single-Family Residential	48	$10,693	$ 10,693	111	$27,619	$ 27,619
Construction - Speculative	—	—	—	—	—	—
Construction - Custom	—	—	—	—	—	—
Land - Acquisition & Development	3	756	756	—	—	—
Land - Consumer Lot Loans	5	573	573	4	685	685
Multi-Family	—	—	—	—	—	—
Commercial Real Estate	2	1,398	1,398	1	2,411	2,411
Commercial & Industrial	—	—	—	—	—	—
HELOC	—	—	—	—	—	—
Consumer	—	—	—	1	11	11
	58	$13,420	$ 13,420	117	$30,726	$ 30,726

	Nine Months Ended June 30,					
	2014			2013		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
		(In thousands)			(In thousands)	
Troubled Debt Restructurings:						
Single-Family Residential	199	45,132	45,132	337	88,085	88,085
Construction - Speculative	—	—	—	1	2,481	2,481
Construction - Custom	—	—	—	—	—	—
Land - Acquisition & Development	3	756	756	—	—	—
	10	1,746	1,746	20	3,027	3,027

Land - Consumer Lot Loans						
Multi-Family	2	1,201	1,201	1	44	44
Commercial Real Estate	3	2,197	2,197	1	2,411	2,411
Commercial & Industrial	—	—	—	—	—	—
HELOC	1	261	261	1	199	199
Consumer	3	207	207	1	11	11
	221	$51,500	$ 51,500	362	$96,258	$ 96,258

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The following tables provide information on restructured loans for which a payment default occurred during the periods indicated and that had been modified as a TDR within 12 months or less of the payment default:

	Quarter Ended June 30,			
	2014		2013	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
	(In thousands)		(In thousands)	
Troubled Debt Restructurings That Subsequently Defaulted:				
Single-Family Residential	17	$3,088	25	$6,833
Construction - Speculative	—	—	—	—
Construction - Custom	—	—	—	—
Land - Acquisition & Development	—	—	—	—
Land - Consumer Lot Loans	1	69	1	109
Multi-Family	—	—	—	—
Commercial Real Estate	—	—	—	—
Commercial & Industrial	—	—	—	—
HELOC	—	—	1	79
Consumer	1	170	—	—
	19	$3,327	27	$7,021

	Nine Months Ended June 30,			
	2014		2013	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
	(In thousands)		(In thousands)	
Troubled Debt Restructurings That Subsequently Defaulted:				
Single-Family Residential	42	$9,206	65	$15,366
Construction - Speculative	—	—	—	—
Construction - Custom	—	—	—	—
Land - Acquisition & Development	—	—	1	838
Land - Consumer Lot Loans	4	445	2	237
Multi-Family	—	—	—	—
Commercial Real Estate	—	—	—	—
Commercial & Industrial	—	—	—	—
HELOC	—	—	2	113
Consumer	1	170	—	—
	47	$9,821	70	$16,554

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NOTE E – Allowance for Losses on Loans
The Company has an asset quality review function that analyzes its loan portfolios and reports the results of the review to the Board of Directors on a quarterly basis. The single-family residential, HELOC and consumer portfolios are evaluated based on their performance as a pool of loans, since no single loan is individually significant or judged by its risk rating, size or potential risk of loss. The construction, land, multi-family, commercial real estate and commercial and industrial loans are risk rated on a loan by loan basis to determine the relative risk inherent in specific borrowers or loans. Based on that risk rating, the loans are assigned a grade and classified as follows:

- Pass – the credit does not meet one of the definitions below.

- Special mention – A special mention credit is considered to be currently protected from loss but is potentially weak. No loss of principal or interest is foreseen; however, proper supervision and Management attention is required to deter further deterioration in the credit. Assets in this category constitute some undue and unwarranted credit risk but not to the point of justifying a risk rating of substandard. The credit risk may be relatively minor yet constitutes an unwarranted risk in light of the circumstances surrounding a specific asset.

- Substandard – A substandard credit is an unacceptable credit. Additionally, repayment in the normal course is in jeopardy due to the existence of one or more well defined weaknesses. In these situations, loss of principal is likely if the weakness is not corrected. A substandard asset is inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged, if any. Assets so classified will have a well defined weakness or weaknesses that jeopardize the liquidation of the debt. Loss potential, while existing in the aggregate amount of substandard assets, does not have to exist in individual assets risk rated substandard.

- Doubtful – A credit classified doubtful has all the weaknesses inherent in one classified substandard with the added characteristic that the weakness makes collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. The probability of loss is high, but because of certain important and reasonably specific pending factors that may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral, and refinancing plans.

- Loss – Credits classified loss are considered uncollectible and of such little value that their continuance as a bankable asset is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this asset even though partial recovery may be affected in the future. Losses should be taken in the period in which they are identified as uncollectible. Partial charge-off versus full charge-off may be taken if the collateral offers some identifiable protection.

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The following table summarizes the activity in the allowance for loan losses (excluding acquired and covered loans) for the quarter ended June 30, 2014 and fiscal year ended September 30, 2013:

Quarter Ended June 30, 2014	Beginning Allowance (In thousands)	Charge-offs	Recoveries	Provision & Transfers	Ending Allowance
Single-family residential	$63,348	$(2,530)	$4,717	$(3,175)	$62,360
Construction - speculative	6,773	—	2	(388)	6,387
Construction - custom	1,599	—	—	79	1,678
Land - acquisition & development	6,027	—	85	843	6,955
Land - consumer lot loans	2,974	(86)	—	(26)	2,862
Multi-family	4,187	—	—	(46)	4,141
Commercial real estate	5,924	(32)	24	773	6,689
Commercial & industrial	20,403	(38)	4	(1,673)	18,696
HELOC	975	(18)	—	58	1,015
Consumer	2,721	(696)	787	555	3,367
	$114,931	$(3,400)	$5,619	$(3,000)	$114,150

Fiscal Year Ended September 30, 2013	Beginning Allowance (In thousands)	Charge-offs	Recoveries	Provision & Transfers	Ending Allowance
Single-family residential	$81,815	$(20,947)	$9,416	$(6,100)	$64,184
Construction - speculative	12,060	(1,446)	501	(2,708)	8,407
Construction - custom	347	(481)	—	1,016	882
Land - acquisition & development	15,598	(3,983)	4,105	(6,555)	9,165
Land - consumer lot loans	4,937	(1,363)	40	(62)	3,552
Multi-family	5,280	(1,043)	171	(592)	3,816
Commercial real estate	1,956	(747)	17	4,369	5,595
Commercial & industrial	7,626	(1,145)	95	10,038	16,614
HELOC	965	(163)	—	200	1,002
Consumer	2,563	(2,783)	2,000	1,744	3,524
	$133,147	$(34,101)	$16,345	$1,350	$116,741

The Company recorded a $3,000,000 reversal of the provision for loan losses during the quarter ended June 30, 2014, while $0 provision was recorded for the same quarter one year ago. The primary reason for the current period recovery is the credit quality of the portfolio has been improving significantly and economic conditions are more favorable. Non-performing assets ("NPAs") amounted to $162,357,000, or 1.10%, of total assets at June 30, 2014, compared to $213,616,000, or 1.63%, of total assets as of September 30, 2013. Acquired loans, including covered loans, are not initially classified as non-performing loans because, at acquisition, the carrying value of these loans is adjusted to reflect fair value. Non-accrual loans decreased from $131,299,000 at September 30, 2013, to $94,226,000 at June 30, 2014, a 28.2% decrease.

The Company had net recoveries of $2,219,000 for the quarter ended June 30, 2014, compared with $4,780,000 of net charge-offs for the same quarter one year ago. A loan is charged-off when the loss is estimable and it is confirmed that the borrower will not be able to meet its contractual obligations.

For the period ending June 30, 2014, $114,090,000 of the allowance was calculated under the Company's general allowance methodology and the remaining $60,000 was made up of specific reserves on loans that were deemed to be impaired. For the period ending September 30, 2013, these amounts were $113,268,000 and $3,473,000, respectively.

The shift in total allowance allocation from specific reserves to general reserves is due to the Company having already addressed many of the problem loans

focused in the speculative construction and land A&D portfolios, combined with an increase in delinquencies and elevated charge-offs in the single family residential portfolio as compared to prior to the 2009-2011 financial crisis.
The following tables shows a summary of loans collectively and individually evaluated for impairment and the related allocation of general and specific reserves as of June 30, 2014 and September 30, 2013:

June 30, 2014	Loans Collectively Evaluated for Impairment				Loans Individually Evaluated for Impairment			
	General Reserve Allocation	Gross Loans Subject to General Reserve (1)	Ratio		Specific Reserve Allocation	Gross Loans Subject to Specific Reserve (1)	Ratio	
	(In thousands)				(In thousands)			
Single-family residential	$62,360	$ 5,388,306	1.2	%	$—	$ 78,464	—	%
Construction - speculative	6,327	116,420	5.4		60	10,506	0.6	
Construction - custom	1,678	372,789	0.5		—	—	—	
Land - acquisition & development	6,955	86,030	8.1		—	2,289	—	
Land - consumer lot loans	2,862	98,860	2.9		—	13,059	—	
Multi-family	4,141	888,346	0.5		—	5,395	—	
Commercial real estate	6,689	495,988	1.4		—	27,863	—	
Commercial & industrial	18,696	377,271	5.0		—	40	—	
HELOC	1,015	116,174	0.9		—	1,004	—	
Consumer	3,367	132,061	2.6		—	—	—	
	$114,090	$ 8,072,245	1.4	%	$60	$ 138,620	—	%

(1) Excludes acquired loans with discounts sufficient to absorb potential losses and covered loans

September 30, 2013	Loans Collectively Evaluated for Impairment				Loans Individually Evaluated for Impairment			
	General Reserve Allocation	Gross Loans Subject to General Reserve (1)	Ratio		Specific Reserve Allocation	Gross Loans Subject to Specific Reserve (1)	Ratio	
	(In thousands)				(In thousands)			
Single-family residential	$64,184	$ 5,262,159	1.2	%	$—	$ 96,989	—	%
Construction - speculative	7,307	115,554	6.3		1,100	15,224	7.2	
Construction - custom	882	302,722	0.3		—	—	—	
Land - acquisition & development	6,943	67,521	10.3		2,222	10,254	21.7	
Land - consumer lot loans	3,506	107,216	3.3		46	14,455	0.3	
Multi-family	3,711	824,279	0.5		105	7,405	1.4	
Commercial real estate	5,595	400,789	1.4		—	14,172	—	
Commercial & industrial	16,614	256,954	6.5		—	48	—	
HELOC	1,002	111,169	0.9		—	1,017	—	
Consumer	3,524	47,141	7.5		—	—	—	
	$113,268	$ 7,495,504	1.5	%	$3,473	$ 159,564	2.2	%

(1) Excludes acquired loans with discounts sufficient to absorb potential losses and covered loans

The following tables provide information on loans based on credit quality indicators (defined above) as of June 30, 2014 and September 30, 2013.

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Credit Risk Profile by Internally Assigned Grade (excludes covered loans):

June 30, 2014	Internally Assigned Grade					Total
	Pass	Special mention	Substandard	Doubtful	Loss	Gross Loans
	(In thousands)					
Non-acquired loans						
Single-family residential	$5,325,757	$2,993	$138,021	$—	$—	$5,466,771
Construction - speculative	116,002	—	10,924	—	—	126,926
Construction - custom	372,789	—	—	—	—	372,789
Land - acquisition & development	79,820	—	8,499	—	—	88,319
Land - consumer lot loans	111,459	—	460	—	—	111,919
Multi-family	888,836	—	4,906	—	—	893,742
Commercial real estate	490,940	17,097	15,813	—	—	523,850
Commercial & industrial	312,811	16,508	4,123	110	—	333,552
HELOC	116,929	—	248	—	—	117,177
Consumer	131,910	—	152	—	—	132,062
	7,947,253	36,598	183,146	110	—	8,167,107
Non-impaired acquired loans						
Single-family residential	12,014	—	—	—	—	12,014
Construction - speculative	—	—	—	—	—	—
Construction - custom	—	—	—	—	—	—
Land - acquisition & development	663	—	406	—	—	1,069
Land - consumer lot loans	2,654	—	—	—	—	2,654
Multi-family	3,057	—	—	—	—	3,057
Commercial real estate	89,566	2,516	11,133	—	—	103,215
Commercial & industrial	42,571	13,600	4,144	34	—	60,349
HELOC	8,469	—	—	—	—	8,469
Consumer	6,427	—	—	—	—	6,427
	165,421	16,116	15,683	34	—	197,254
Credit-impaired acquired loans						
Pool 1 - Construction and land A&D	1,340	—	330	—	—	1,670
Pool 2 - Single-family residential	326	—	—	—	—	326
Pool 3 - Multi-family	—	—	—	—	—	—
Pool 4 - HELOC & other consumer	10,716	—	—	—	—	10,716
Pool 5 - Commercial real estate	50,556	2,155	13,645	—	—	66,356
Pool 6 - Commercial & industrial	712	3,162	—	406	—	4,280
Total credit impaired acquired loans	63,650	5,317	13,975	406	—	83,348

Total gross loans	$8,176,324		$58,031		$212,804		$550		$—	$8,447,709
Total grade as a % of total gross loans	96.9	%	0.7	%	2.4	%	—	%	—	%

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September 30, 2013	Internally Assigned Grade					Total
	Pass	Special mention	Substandard	Doubtful	Loss	Gross Loans
	(In thousands)					
Non-acquired loans						
Single-family residential	$5,184,101	$4,595	$170,453	$—	$—	$5,359,149
Construction - speculative	99,436	3,199	28,143	—	—	130,778
Construction - custom	302,722	—	—	—	—	302,722
Land - acquisition & development	64,355	775	12,645	—	—	77,775
Land - consumer lot loans	121,039	—	632	—	—	121,671
Multi-family	819,911	2,114	9,659	—	—	831,684
Commercial real estate	373,012	21,652	20,297	—	—	414,961
Commercial & industrial	240,441	1,049	1,709	—	—	243,199
HELOC	112,186	—	—	—	—	112,186
Consumer	46,720	—	421	—	—	47,141
	7,363,923	$33,384	$243,959	$—	$—	$7,641,266
Non-impaired acquired loans						
Single-family residential	14,468	—	—	—	—	14,468
Construction - speculative	—	—	—	—	—	—
Construction - custom	—	—	—	—	—	—
Land - acquisition & development	312	—	1,177	—	—	1,489
Land - consumer lot loans	3,313	—	—	—	—	3,313
Multi-family	3,227	—	687	—	—	3,914
Commercial real estate	105,055	4,190	24,178	—	—	133,423
Commercial & industrial	64,933	1,309	9,084	—	—	75,326
HELOC	10,179	—	—	—	—	10,179
Consumer	8,267	—	—	—	—	8,267
	209,754	5,499	35,126	—	—	250,379
Credit-impaired acquired loans						
Pool 1 - Construction and land A&D	980	461	955	—	—	2,396
Pool 2 - Single-family residential	333	—	—	—	—	333
Pool 3 - Multi-family	—	—	—	—	—	—
Pool 4 - HELOC & other consumer	11,337	—	—	—	—	11,337
Pool 5 - Commercial real estate	52,509	3,155	21,245	—	—	76,909
Pool 6 - Commercial & industrial	881	—	7,044	—	—	7,925
Total credit impaired acquired loans	66,040	3,616	29,244	—	—	98,900

Total gross loans	$7,639,717	$42,499	$308,329	$—	$—	$7,990,545
Total grade as a % of total gross loans	95.6 %	0.5 %	3.9 %	— %	— %	

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Credit Risk Profile Based on Payment Activity (excludes acquired and covered loans):

June 30, 2014	Performing Loans		Non-Performing Loans	
	Amount	% of Total Gross Loans	Amount	% of Total Gross Loans
	(In thousands)			
Single-family residential	$5,388,454	98.6 %	$78,317	1.4 %
Construction - speculative	124,960	98.5	1,966	1.5
Construction - custom	372,646	100.0	143	—
Land - acquisition & development	86,024	97.4	2,295	2.6
Land - consumer lot loans	110,040	98.3	1,879	1.7
Multi-family	891,639	99.8	2,103	0.2
Commercial real estate	518,408	99.0	5,442	1.0
Commercial & industrial	333,036	99.8	516	0.2
HELOC	116,207	99.2	970	0.8
Consumer	131,467	99.5	595	0.5
	$8,072,881	98.8 %	$94,226	1.2 %

September 30, 2013	Performing Loans		Non-Performing Loans	
	Amount	% of Total Gross Loans	Amount	% of Total Gross Loans
	(In thousands)			
Single-family residential	$5,258,688	98.1 %	$100,460	1.9 %
Construction - speculative	126,218	96.5	4,560	3.5
Construction - custom	302,722	100.0	—	—
Land - acquisition & development	74,872	96.3	2,903	3.7
Land - consumer lot loans	118,334	97.3	3,337	2.7
Multi-family	825,111	99.2	6,573	0.8
Commercial real estate	389,423	97.1	11,736	2.9
Commercial & industrial	256,525	99.8	477	0.2
HELOC	111,923	99.8	263	0.2
Consumer	46,151	97.9	990	2.1
	$7,509,967	98.3 %	$131,299	1.7 %

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The following table provides information on impaired loan balances and the related allowances by loan types as of June 30, 2014 and September 30, 2013:

June 30, 2014	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
	(In thousands)			
With no related allowance recorded:				
Single-family residential	$24,929	$27,853	$—	$22,460
Construction - speculative	1,755	2,378	—	1,762
Construction - custom	360	360	—	180
Land - acquisition & development	1,934	8,931	—	1,794
Land - consumer lot loans	812	910	—	714
Multi-family	130	130	—	130
Commercial real estate	28,024	34,904	—	23,625
Commercial & industrial	3,916	24,183	—	3,809
HELOC	1,154	1,835	—	708
Consumer	439	554	—	380
	63,453	102,038	—	55,562
With an allowance recorded:				
Single-family residential	333,814	339,578	10,956	333,527
Construction - speculative	8,751	9,181	60	8,927
Construction - custom	1,196	1,196	—	1,196
Land - acquisition & development	5,092	6,032	—	5,085
Land - consumer lot loans	12,922	13,305	—	12,852
Multi-family	5,266	5,486	—	5,278
Commercial real estate	19,292	20,160	—	16,837
Commercial & industrial	23	23	—	27
HELOC	1,198	1,198	—	1,198
Consumer	236	236	—	152
	387,790	396,395	11,016	(1) 385,079
Total:				
Single-family residential	358,743	367,431	10,956	355,987
Construction - speculative	10,506	11,559	60	10,689
Construction - custom	1,556	1,556	—	1,376
Land - acquisition & development	7,026	14,963	—	6,879
Land - consumer lot loans	13,734	14,215	—	13,566
Multi-family	5,396	5,616	—	5,408
Commercial real estate	47,316	55,064	—	40,462
Commercial & industrial	3,939	24,206	—	3,836
HELOC	2,352	3,033	—	1,906
Consumer	675	790	—	532
	$451,243	$498,433	$11,016	(1) $440,641

(1)Includes $60,000 of specific reserves and $10,956,000 included in the general reserves.

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September 30, 2013	Recorded Investment	Unpaid Principal Balance	Related Allowance	2013 Average Recorded Investment
	(In thousands)			
With no related allowance recorded:				
Single-family residential	$33,883	$38,928	$—	$21,458
Construction - speculative	3,891	4,099	—	3,339
Construction - custom	—	—	—	—
Land - acquisition & development	3,020	10,705	—	2,548
Land - consumer lot loans	3,186	3,376	—	1,839
Multi-family	4,929	4,929	—	1,734
Commercial real estate	23,537	31,876	—	9,651
Commercial & industrial	7,279	31,197	—	3,123
HELOC	446	946	—	133
Consumer	601	618	—	127
	80,772	126,674	—	43,952
With an allowance recorded:				
Single-family residential	335,140	341,910	15,137	330,407
Construction - speculative	8,892	9,342	1,100	12,362
Construction - custom	—	—	—	—
Land - acquisition & development	2,598	4,002	—	8,315
Land - consumer lot loans	12,631	13,014	2,222	12,301
Multi-family	5,958	6,178	46	7,731
Commercial real estate	7,539	8,476	105	9,321
Commercial & industrial	56	56	—	11
HELOC	938	938	—	858
Consumer	33	33	—	9
	373,785	383,949	18,610	(1) 381,315
Total:				
Single-family residential	369,023	380,838	15,137	351,865
Construction - speculative	12,783	13,441	1,100	15,701
Construction - custom	—	—	—	—
Land - acquisition & development	5,618	14,707	—	10,863
Land - consumer lot loans	15,817	16,390	2,222	14,140
Multi-family	10,887	11,107	46	9,465
Commercial real estate	31,076	40,352	105	18,972
Commercial & industrial	7,335	31,253	—	3,134
HELOC	1,384	1,884	—	991
Consumer	634	651	—	136
	$454,557	$510,623	$18,610	(1) $425,267

(1) Includes $3,473,000 of specific reserves and $15,137,000 included in the general reserves.

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NOTE F – New Accounting Pronouncements

In June 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-11, Transfers and Servicing (Topic 860) - Repurchase to Maturity Transactions, Repurchase Financings, and Disclosures. Under this new accounting guidance, repurchase-to-maturity transactions will be accounted for as secured borrowings rather than sales of an asset, and transfers of financial assets with contemporaneous repurchase financings will no longer be evaluated to determine whether they should be accounted for on a combined basis as forward contracts. The new guidance also prescribes additional disclosures particularly on the nature of collateral pledged in repurchase financings accounted for as secured borrowings. The new guidance is effective beginning on January 1, 2015. The Company does not expect this guidance to have a material impact on its consolidated financial position or results of operation.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This new accounting guidance clarifies the principles for recognizing revenue from contracts with customers. The new accounting guidance, which does not apply to financial instruments, is effective on a retrospective basis beginning on January 1, 2017. The Company does not expect the new guidance to have a material impact on its consolidated financial position or results of operation.

In January 2014, the FASB issued ASU 2014-01, Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects. This new guidance permits reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense (benefit). Those not electing the proportional amortization method would account for the investment using the equity method or cost method. This new guidance is effective on a retrospective basis beginning after December 15, 2014 with early adoption permitted. The Company has adopted this ASU prospectively as of December 31, 2013 as the retrospective adjustments were not material. The amount of affordable housing tax credits that are expected to be recognized during the 2014 fiscal year is $3 million. The net investment balance recognized as of June 30, 2014 is $38 million. Using the proportional amortization method, the amount recognized as a component of income tax expense for the 2014 fiscal year is $4 million. Contingent commitments for equity contributions during the 2014 calendar year are $31 million. Overall, this adoption does not have a material impact on the Company's consolidated financial statements.

In January 2014, the FASB issued ASU 2014-04, Receivables - Troubled Debt Restructurings by Creditors (Subtopic 310-40) - Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. The new guidance clarifies that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either: (a) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure; or (b) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additional disclosures are required. The amendments are effective beginning after December 15, 2014. This ASU is not expected to have a material impact on the Company's consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, A Similar Tax Loss, or a Tax Credit Carryforward Exists. Some entities present unrecognized tax benefits as a liability unless the unrecognized tax benefit is directly associated with a tax position taken in a tax year that results in, or that resulted in, the recognition of a net operating loss or tax credit carryforward for that year and the net operating loss or tax credit carryforward has not been utilized. Other entities present unrecognized tax benefits as a reduction of a deferred tax asset for a net operating loss or tax credit carryforward in certain circumstances. The objective of the new guidance is to eliminate this diversity in practice. The new guidance is effective beginning after December 15, 2013. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. This new guidance is not expected to have a material impact on the Company's consolidated financial statements.

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NOTE G – Fair Value Measurements
U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:
Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active exchange markets that the entity has the ability to access as of the measurement date.
Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data.
Level 3: Significant unobservable inputs that reflect a company’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.
We have established and documented the Company's process for determining the fair values of the Company's assets and liabilities, where applicable. Fair value is based on quoted market prices, when available, for identical or similar assets or liabilities. In the absence of quoted market prices, fair value is determined using valuation models or third-party appraisals. The following is a description of the valuation methodologies used to measure and report the fair value of financial assets and liabilities on a recurring or nonrecurring basis:
Measured on a Recurring Basis
Securities
Securities available for sale are recorded at fair value on a recurring basis. Most securities at fair value are priced using model pricing based on the securities' relationship to other benchmark quoted prices as provided by an independent third party, and under the provisions of the Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification are considered a Level 2 input method. Securities that are traded on active exchanges are considered a Level 1 input method.

The following tables present the balance of assets measured at fair value on a recurring basis at June 30, 2014 and September 30, 2013:

	Fair Value at June 30, 2014			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Available-for-sale securities				
Equity securities	$101,981	$—	$—	$101,981
Obligations of U.S. government	—	721,312	—	721,312
Obligations of states and political subdivisions	—	23,277	—	23,277
Corporate debt securities	—	485,083	—	485,083
Mortgage-backed securities			—	
Agency pass-through certificates	—	1,662,001	—	1,662,001
Other Commercial MBS	—	109,367	—	109,367
Total balance at end of period	$101,981	$3,001,040	$—	$3,103,021

There were no transfers between, into and/or out of Levels 1, 2 or 3 during the quarter ended June 30, 2014.

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	Fair Value at September 30, 2013			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Available-for-sale securities				
Equity securities	$101,237	$—	$—	$101,237
Obligations of U.S. government	—	533,975	—	533,975
Obligations of states and political subdivisions	—	22,545	—	22,545
Corporate debt securities	—	452,015	—	452,015
Mortgage-backed securities				
Agency pass-through certificates	—	1,251,176	—	1,251,176
Total balance at end of period	$101,237	$2,259,711	$—	$2,360,948

There were no transfers between, into and/or out of Levels 1, 2 or 3 during the fiscal year ended September 30, 2013 other than a transfer from Level 2 to Level 1 of $511 in Equity securities.

Measured on a Nonrecurring Basis

Impaired Loans & Real Estate Held for Sale

From time to time, and on a nonrecurring basis, fair value adjustments to collateral-dependent loans and real estate held for sale are recorded to reflect write-downs of principal balances based on the current appraised or estimated value of the collateral. When management determines that the fair value of the collateral or the real estate held for sale requires additional adjustments, either as a result of a non-current appraisal value or when there is no observable market price, the Company classifies the impaired loan or real estate held for sale as Level 3. Level 3 assets recorded at fair value on a nonrecurring basis at June 30, 2014 included loans for which a specific reserve allowance was established or a partial charge-off was recorded based on the fair value of collateral, as well as covered REO and real estate held for sale for which fair value of the properties was less than the cost basis.

Real estate held for sale consists principally of properties acquired through foreclosure.

The following tables present the aggregated balance of assets that were measured at estimated fair value on a nonrecurring basis through the nine months ended June 30, 2014 and June 30, 2013, and the total losses (gains) resulting from those fair value adjustments for the quarters and nine months ended June 30, 2014 and June 30, 2013. These estimated fair values are shown gross of estimated selling costs.

	Nine Months Ended June 30, 2014				Quarter Ended June 30, 2014	Nine Months Ended June 30, 2014
	Level 1	Level 2	Level 3	Total	Total Losses (Gains)	
	(In thousands)					
Impaired loans (1)	$—	$—	$10,156	$10,156	$(775)	$(1,311)
Covered REO (2)	—	—	8,935	8,935	374	503
Real estate held for sale (2)	—	—	43,082	43,082	10,400	16,782
Balance at end of period	$—	$—	$62,173	$62,173	$9,999	$15,974

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	Nine Months Ended June 30, 2013				Quarter Ended June 30, 2013	Nine Months Ended June 30, 2013
	Level 1	Level 2	Level 3	Total	Total Losses	
	(In thousands)					
Impaired loans (1)	$—	$—	$64,500	$64,500	$1,967	$13,005
Covered REO (2)	—	—	18,312	18,312	231	603
Real estate held for sale (2)	—	—	77,080	77,080	5,626	19,650
Balance at end of period	$—	$—	$159,892	$159,892	$7,824	$33,258

(1) The losses represents remeasurements of collateral-dependent loans.
(2) The losses represents aggregate writedowns and charge-offs on real estate held for sale.

There were no liabilities carried at fair value, measured on a recurring or nonrecurring basis, at June 30, 2014 or June 30, 2013.

The following describes the process used to value Level 3 assets measured on a nonrecurring basis:

Impaired loans - The Company adjusts the carrying amount of impaired loans when there is evidence of probable loss and the expected fair value of the loan is less than its contractual amount. The amount of the impairment may be determined based on the estimated present value of future cash flows or the fair value of the underlying collateral. Impaired loans with a specific reserve allowance based on cash flow analysis or the value of the underlying collateral are classified as Level 3 assets.

The evaluations for impairment are prepared by the Problem Loan Review Committee, which is chaired by the Chief Credit Officer and includes the Loan Review manager and Special Credits manager, as well as senior credit officers, division managers and group executives, as applicable. These evaluations are performed in conjunction with the quarterly allowance for probable loan & lease losses process.

Applicable loans are evaluated for impairment on a quarterly basis. Loans included in the previous quarter's review are reevaluated and if their values are materially different from the prior quarter evaluation, the underlying information (loan balance and collateral value) are compared. Material differences are evaluated for reasonableness and discussions are held between the relationship manager and their division manager to understand the difference and determine if any adjustment is necessary. The inputs are developed and substantiated on a quarterly basis, based on current borrower developments, market conditions and collateral values. The following method is used to value impaired loans:

- The fair value of the collateral, which may take the form of real estate or personal property, is based on internal estimates, field observations, assessments provided by third-party appraisers and other valuation models. The Company performs or reaffirms valuations of collateral-dependent impaired loans at least annually. Adjustments are made if management believes that more recent information is available and relevant with respect to the fair value of the collateral.

Real estate held for sale ("REO") - These assets are valued based on inputs such as appraisals and third-party price opinions, less estimated selling costs. Assets that are acquired through foreclosure are recorded initially at the lower of the loan balance or fair value at the date of foreclosure. After foreclosure, valuations are updated periodically, and current market conditions may require the assets to be written down further to a new cost basis. The following method is used to value real estate held for sale:

When a loan is reclassified from loan status to real estate held for sale due to the Company taking possession of the collateral, a Special Credits officer, along with the Special Credits manager, obtains a valuation, which may include a third-party appraisal, which is used to establish the fair value of the underlying collateral. The determined fair value net of selling costs, to the extent it does not exceed the carrying value of the loan, becomes the carrying value of the REO asset. In addition to the valuations from independent third-party sources, the carrying balance of REO assets are written down once a bona fide offer is contractually accepted, through execution of a Purchase and Sale Agreement, where the accepted price is lower than the current balance of the particular REO asset. The fair value of REO assets is re-evaluated quarterly and the REO asset is adjusted to reflect the lower of cost or fair value as necessary.

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Fair Values of Financial Instruments
U. S. GAAP requires disclosure of fair value information about financial instruments, whether or not recognized on the statement of financial condition, for which it is practicable to estimate those values. Certain financial instruments and all non-financial instruments are excluded from the disclosure requirements. Accordingly, the aggregate fair value estimates presented do not reflect the underlying fair value of the Company. Although management is not aware of any factors that would materially affect the estimated fair value amounts presented below, such amounts have not been comprehensively revalued for purposes of these financial statements since the dates shown, and therefore, estimates of fair value subsequent to those dates may differ significantly from the amounts presented below.

		June 30, 2014		September 30, 2013	
	Level in Fair Value Hierarchy	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
		(In thousands)			
Financial assets					
Cash and cash equivalents	1	$861,304	$861,304	$203,563	$203,563
Available-for-sale securities					
Equity securities	1	101,981	101,981	101,237	101,237
Obligations of U.S. government	2	721,312	721,312	533,975	533,975
Obligations of states and political subdivisions	2	23,277	23,277	22,545	22,545
Corporate debt securities	2	485,083	485,083	452,015	452,015
Mortgage-backed securities					
Agency pass-through certificates	2	1,662,001	1,662,001	1,251,176	1,251,176
Other Commercial MBS	2	109,367	109,367	—	—
Total available-for-sale securities		3,103,021	3,103,021	2,360,948	2,360,948
Held-to-maturity securities	2				
Total held-to-maturity securities		1,583,852	1,534,239	1,654,666	1,582,849
Loans receivable	3	7,965,954	8,516,535	7,528,030	8,070,279
Covered loans	3	207,207	212,002	295,947	300,610
FDIC indemnification asset	3	44,065	43,117	64,615	62,300
FHLB and FRB stock	2	162,904	162,904	173,009	173,009
Financial liabilities					
Customer accounts	2	10,765,680	10,050,132	9,090,271	8,585,068
FHLB advances and other borrowings	2	1,930,000	2,055,239	1,930,000	2,064,248

The following methods and assumptions were used to estimate the fair value of financial instruments:
Cash and cash equivalents – The carrying amount of these items is a reasonable estimate of their fair value.
Available-for-sale securities and held-to-maturity securities – Securities at fair value are primarily priced using model pricing based on the securities' relationship to other benchmark quoted prices as provided by an independent third party, and under the provisions of the Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification are considered a Level 2 input method. Equity securities which are exchange traded are considered a Level 1 input method.
Loans receivable and covered loans – For certain homogeneous categories of loans, such as fixed- and variable-rate residential mortgages, fair value is estimated for securities backed by similar loans, adjusted for differences in loan characteristics, using the same methodology described above for AFS and HTM securities. The fair value of other

loan types is estimated by discounting the future cash flows and estimated prepayments using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining term. Some loan types were valued at carrying value because of their floating rate or expected maturity characteristics. Net deferred loan fees are not included in the fair value calculation but are included in the carrying amount.

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FDIC indemnification asset – The fair value of the indemnification asset is estimated by discounting the expected future cash flows using the current rates.
FHLB and FRB stock – The fair value is based upon the par value of the stock which equates to its carrying value.
Customer accounts – The fair value of demand deposits, savings accounts, and money market accounts is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated by discounting the estimated future cash flows using the rates currently offered for deposits with similar remaining maturities.
FHLB advances and other borrowings – The fair value of FHLB advances and other borrowings is estimated by discounting the estimated future cash flows using rates currently available to the Company for debt with similar remaining maturities.
The following tables provide a reconciliation of amortized cost to fair value of available-for-sale and held-to-maturity securities as of June 30, 2014, and September 30, 2013:

	June 30, 2014					
	Amortized Cost	Gross Unrealized Gains	Losses	Fair Value	Yield	
	(In thousands)					
Available-for-sale securities						
U.S. government and agency securities due						
1 to 5 years	$111,002	$2,834	$(381)	$113,455	1.57	
5 to 10 years	140,989	562	(62)	141,489	1.55	
Over 10 years	465,229	1,761	(622)	466,368	1.56	
Equity Securities						
Within 1 year	500	13	—	513	1.80	
1 to 5 years	100,000	1,468	—	101,468	1.90	
5 to 10 years	—	—	—	—	—	
Corporate bonds due						
Within 1 year	—	—	—	—	—	
1 to 5 years	317,452	2,562	—	320,014	0.72	
5 to 10 years	113,165	2,064	(160)	115,069	1.49	
Over 10 years	50,000	—	—	50,000	3.00	
Municipal bonds due						
Over 10 years	20,407	2,870	—	23,277	6.45	
Mortgage-backed securities						
Agency pass-through certificates	1,636,366	27,896	(2,261)	1,662,001	2.59	
Other Commercial MBS	109,300	67	—	109,367	1.69	
	3,064,410	42,097	(3,486)	3,103,021	2.09	
Held-to-maturity securities						
Mortgage-backed securities						
Agency pass-through certificates	1,583,853	6,010	(55,623)	1,534,240	3.13	
	$4,648,263	$48,107	$(59,109)	$4,637,261	2.46	%

	September 30, 2013				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
	(In thousands)				
Available-for-sale securities					
U.S. government and agency securities due					
1 to 5 years	$61,002	$3,393	$(252)	$64,143	1.98
5 to 10 years	129,219	—	(1,547)	127,672	0.86
Over 10 years	344,571	—	(2,411)	342,160	0.93
Equity Securities					
1 to 5 years	500	11	—	511	2.17
5 to 10 years	100,000	726	—	100,726	1.80
Corporate bonds due					
Within 1 year	19,500	3	—	19,503	0.49
1 to 5 years	317,190	1,980	(130)	319,040	0.75
5 to 10 years	113,060	1,180	(768)	113,472	1.53
Municipal bonds due					
Over 10 years	20,422	2,123	—	22,545	6.45
Mortgage-backed securities					
Agency pass-through certificates	1,245,400	10,270	(4,494)	1,251,176	2.18
	2,350,864	19,686	(9,602)	2,360,948	1.70
Mortgage-backed securities					
Agency pass-through certificates	1,654,666	3,387	(75,204)	1,582,849	3.14
	$4,005,530	$23,073	$(84,806)	$3,943,797	2.30 %

During the quarter ended June 30, 2014, there were no available-for-sale securities sold. There were $43,198,000 of available-for-sale securities sold during the fiscal year ended June 30, 2013, resulting in a gain of $0. These securities were acquired from South Valley Bank and sold on the same day. Substantially all mortgage-backed securities have contractual due dates that exceed 10 years.

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The following tables indicate the total unrealized gross losses in the securities portfolio (shown above). The unrealized gross losses and fair value of securities as of June 30, 2014 and September 30, 2013 are also shown by the length of time that individual securities in each category have been in a continuous loss position. Management believes that the declines in fair value of these investments are not an other than temporary impairment.

June 30, 2014	Less than 12 months		12 months or more		Total	
	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value
	(In thousands)					
Corporate bonds due	$(98)	$24,903	$(62)	$9,938	$(160)	$34,841
U.S. government and agency securities due	(464)	74,536	(602)	217,016	(1,066)	291,552
Agency pass-through certificates	(3,332)	156,691	(54,551)	1,434,549	(57,883)	1,591,240
	$(3,894)	$256,130	$(55,215)	$1,661,503	$(59,109)	$1,917,633

September 30, 2013	Less than 12 months		12 months or more		Total	
	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value
	(In thousands)					
Corporate bonds due	$(660)	$52,434	$(238)	$9,763	$(898)	$62,197
U.S. government and agency securities due	(4,144)	309,109	(66)	14,091	(4,210)	323,200
Agency pass-through certificates	(78,291)	1,703,948	(1,407)	166,503	(79,698)	1,870,451
	$(83,095)	$2,065,491	$(1,711)	$190,357	$(84,806)	$2,255,848

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NOTE H – Covered Assets

Covered assets represent loans and real estate held for sale acquired from the FDIC that are subject to loss sharing agreements and were $233,546,000 as of June 30, 2014 compared to $326,927,000 as of September 30, 2013. Changes in the net carrying amount and accretable yield for acquired impaired and non-impaired covered loans for the year to date period ended June 30, 2014 and the fiscal year ended September 30, 2013 were as follows:

June 30, 2014	Acquired Impaired		Acquired Non-impaired	
	Accretable Yield	Net Carrying Amount of Loans	Accretable Yield	Net Carrying Amount of Loans
	(In thousands)			
Balance at beginning of period	$78,277	$138,091	$17,263	$157,856
Reclassification from nonaccretable balance, net (1)	5,885	(2,069)	—	—
Accretion	(20,230)	20,230	(4,409)	4,409
Transfers to REO	—	(6,359)	—	—
Payments received, net	—	(62,946)	—	(42,005)
Balance at end of period	$63,932	$86,947	$12,854	$120,260

(1) reclassification due to improvements/impairments in expected cash flows of the underlying pools.

September 30, 2013	Acquired Impaired		Acquired Non-impaired	
	Accretable Yield	Net Carrying Amount of Loans	Accretable Yield	Carrying Amount of Loans
	(In thousands)			
Balance at beginning of period	$50,902	$74,953	$23,789	$213,423
Additions (1)	43,299	107,946	—	—
Reclassification from nonaccretable balance, net (2)	17,850	—	—	—
Accretion	(33,774)	33,774	(6,526)	6,526
Transfers to REO	—	(11,196)	—	—
Payments received, net	—	(67,386)	—	(62,093)
Balance at end of period	$78,277	$138,091	$17,263	$157,856

(1) includes FDIC covered loans which were acquired as part of the South Valley Bank acquisition.
(2) reclassification due to improvements/impairments in expected cash flows of the underlying pools.

At June 30, 2014, none of the acquired impaired or non-impaired covered loans were classified as non-performing assets. Therefore, interest income, through accretion of the difference between the carrying amount of the loans and the expected cash flows, was recognized on all acquired loans. The allowance for credit losses related to the acquired loans results from decreased expectations of future cash flows due to increased credit losses for certain acquired loan pools.

The outstanding principal balance of acquired covered loans was $251,520,000 and $362,248,000 as of June 30, 2014 and September 30, 2013, respectively. The discount balance related to the acquired covered loans was $42,244,000 and $66,301,000 as of June 30, 2014 and September 30, 2013, respectively.

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The following table shows the year to date activity for the FDIC indemnification asset:

	June 30, 2014	September 30, 2013
	(In thousands)	
Balance at beginning of fiscal year 2014 and 2013	$64,615	$87,571
Additions (1)	2,029	18,101
Payments made (received)	(949)	(13,421)
Amortization	(22,236)	(28,722)
Accretion	606	1,086
Balance at end of period	$44,065	$64,615

(1) Includes FDIC covered loans which were acquired as part of the South Valley Bank acquisition in 2013.

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The following tables provide information on covered loans based on credit quality indicators (defined in Note E) as of June 30, 2014 and September 30, 2013:

June 30, 2014	Internally Assigned Grade					Total
	Pass	Special mention	Substandard	Doubtful	Loss	Net Loans
	(In thousands)					
Acquired non-impaired loans:						
Single-family residential	$21,812	$—	$2,656	$—	$—	$24,468
Construction - speculative	—	—	—	—	—	—
Construction - custom	—	—	—	—	—	—
Land - acquisition & development	1,441	—	395	—	—	1,836
Land - consumer lot loans	74	—	—	—	—	74
Multi-family	16,472	—	—	—	—	16,472
Commercial real estate	38,410	136	24,486	—	—	63,032
Commercial & industrial	2,831	—	2,748	—	—	5,579
HELOC	12,725	—	—	—	—	12,725
Consumer	501	—	—	—	—	501
	$94,266	$136	$30,285	$—	$—	$124,687
Total grade as a % of total net loans	75.6 %	0.1 %	24.3 %	— %	— %	
Acquired credit-impaired loans:						
Pool 1 - Construction and land A&D	$9,429	$—	$17,919	$—	$—	$27,348
Pool 2 - Single-family residential	16,429	—	982	—	—	17,411
Pool 3 - Multi-family	54	—	836	—	—	890
Pool 4 - HELOC & other consumer	2,938	—	1,227	—	—	4,165
Pool 5 - Commercial real estate	36,298	707	31,377	—	—	68,382
Pool 6 - Commercial & industrial	4,982	—	3,121	534	—	8,637
	$70,130	$707	$55,462	$534	$—	$126,833
				Total covered loans		251,520
					Discount	(42,244)
					Allowance	(2,069)
					Covered loans, net	$207,207

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September 30, 2013	Internally Assigned Grade					Total
	Pass	Special mention	Substandard	Doubtful	Loss	Net Loans
	(In thousands)					
Acquired non-impaired loans:						
Single-family residential	$26,426	$—	$2,034	$—	$—	$28,460
Construction - speculative	—	—	—	—	—	—
Construction - custom	—	—	—	—	—	—
Land - acquisition & development	3,069	1,019	722	—	—	4,810
Land - consumer lot loans	245	—	—	—	—	245
Multi-family	17,217	—	1,635	—	—	18,852
Commercial real estate	56,120	9,235	24,144	—	—	89,499
Commercial & industrial	5,175	500	3,741	—	—	9,416
HELOC	14,750	—	—	—	—	14,750
Consumer	604	—	—	—	—	604
	$123,606	$10,754	$32,276	$—	$—	$166,636
Total grade as a % of total net loans	74.2 %	6.4 %	19.4 %	— %	— %	
Acquired credit-impaired loans:						
Pool 1 - Construction and land A&D	$14,361	$4,296	$25,363	$—	$—	$44,020
Pool 2 - Single-family residential	21,541	—	—	—	—	21,541
Pool 3 - Multi-family	4,131	—	1,100	—	—	5,231
Pool 4 - HELOC & other consumer	4,111	—	1,880	—	—	5,991
Pool 5 - Commercial real estate	36,494	15,113	53,946	—	—	105,553
Pool 6 - Commercial & industrial	4,265	204	8,807	—	—	13,276
	$84,903	$19,613	$91,096	$—	$—	$195,612
				Total covered loans		362,248
					Discount	(66,301)
					Allowance	—
					Covered loans, net	$295,947

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The following tables provide an analysis of the age of acquired non credit-impaired covered loans in past due status as of June 30, 2014 and September 30, 2013:

June 30, 2014	Amount of Loans	Days Delinquent Based on $ Amount of Loans					% based	
Type of Loans	Net of LIP & Chg.-Offs	Current	30	60	90	Total	on $	
Single-Family Residential	$ 24,468	$23,056	$108	$13	$1,291	$1,412	5.77	%
Construction - Speculative	—	—	—	—	—	—	—	
Construction - Custom	—	—	—	—	—	—	—	
Land - Acquisition & Development	1,836	1,800	—	—	36	36	1.96	
Land - Consumer Lot Loans	74	74	—	—	—	—	—	
Multi-Family	16,472	16,472	—	—	—	—	—	
Commercial Real Estate	63,032	61,937	—	—	1,095	1,095	1.74	
Commercial & Industrial	5,579	5,579	—	—	—	—	—	
HELOC	12,725	12,628	97	—	—	97	0.76	
Consumer	501	486	2	13	—	15	2.99	
	$ 124,687	$122,032	$207	$26	$2,422	$2,655	2.13	%

September 30, 2013	Amount of Loans	Days Delinquent Based on $ Amount of Loans					% based	
Type of Loans	Net of LIP & Chg.-Offs	Current	30	60	90	Total	on $	
Single-Family Residential	$ 28,460	$27,411	$78	$—	$971	$1,049	3.69	%
Construction - Speculative	—	—	—	—	—	—	—	
Construction - Custom	—	—	—	—	—	—	—	
Land - Acquisition & Development	4,810	4,774	—	—	36	36	0.75	
Land - Consumer Lot Loans	245	199	—	—	46	46	18.78	
Multi-Family	18,852	17,511	—	—	1,341	1,341	7.11	
Commercial Real Estate	89,499	84,949	2,779	455	1,316	4,550	5.08	
Commercial & Industrial	9,416	9,416	—	—	—	—	—	
HELOC	14,750	14,334	103	74	239	416	2.82	
Consumer	604	601	3	—	—	3	0.50	
	$ 166,636	$159,195	$2,963	$529	$3,949	$7,441	4.47	%

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NOTE I – Derivatives and Hedging Activities

The Bank periodically enters into certain commercial loan interest rate swap agreements in order to provide commercial loan customers the ability to convert from variable to fixed interest rate payments, while the Bank retains a variable rate loan. Under these agreements, the Bank enters into a variable rate loan agreement and a swap agreement with the client. The swap agreement effectively converts the client’s variable rate loan into a fixed rate. The Bank enters into a corresponding swap agreement with a third party in order to offset its exposure on the variable and fixed components of the client's swap agreement. The interest rate swap agreements with the clients and third parties are not designated as hedges under ASC 815, the Derivatives and Hedging topic; the instruments are marked to market in earnings.

The notional amount of open interest rate swap agreements at June 30, 2014 was $256,007,000 compared to $83,594,000 as of September 30, 2013. There was no impact to the statement of operations for the nine months ended June 30, 2014 as the asset and liability side of the swaps offset each other. The fee income related to swaps was $838,005 for the nine months ended June 30, 2014.

The Bank periodically enters into forward contracts to purchase mortgage-backed securities as part of its interest rate risk management program. The notional amount of commitments to purchase mortgage-backed securities at June 30, 2014 was $50,000,000 and at September 30, 2013 was $200,000,000. When there is a balance, the fair value of these contracts is included with the available-for-sale securities on the statement of financial condition.

The following table presents the fair value and balance sheet classification of derivatives not designated as hedging instruments at June 30, 2014 and September 30, 2013:

	Asset Derivatives				Liability Derivatives			
	June 30, 2014		September 30, 2013		June 30, 2014		September 30, 2013	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
	(In thousands)							
Interest rate contracts	Other assets	$2,731	Other assets	$7	Other liabilities	$2,731	Other liabilities	$7
Commitments to purchase MBS	AFS securities	—	AFS securities	$3,188	N/A	N/A	N/A	N/A

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PART I – Financial Information
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

FORWARD LOOKING STATEMENTS

In addition to historical information, this Quarterly Report on Form 10-Q includes certain “forward-looking statements,” as defined in the Securities Act of 1933 and the Securities Exchange Act of 1934 as amended (the "Exchange Act"), based on current management expectations. Actual results could differ materially from those management expectations. Such forward-looking statements include statements regarding the Company’s intentions, beliefs or current expectations as well as the assumptions on which such statements are based. Stockholders and potential stockholders are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. Factors that could cause future results to vary from current management expectations include, but are not limited to: general economic conditions; legislative and regulatory changes, including without limitation the potential effect of the Dodd-Frank Wall Street Reform and Consumer Protection Act and regulations being promulgated thereunder; monetary fiscal policies of the federal government; changes in tax policies; rates and regulations of federal, state and local tax authorities; changes in interest rates; deposit flows; cost of funds; demand for loan products; demand for financial services; competition; changes in the quality or composition of the Company’s loan and investment portfolios; changes in accounting principles; policies or guidelines and other economic, competitive, governmental and technological factors affecting the Company’s operations, markets, products, services and fees. The Company undertakes no obligation to update or revise any forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time.

GENERAL

Washington Federal is a Washington corporation headquartered in Seattle, Washington. The Company is a bank holding company that conducts its operations through the Bank, a federally-insured national bank subsidiary.

On July 17, 2013, the Bank converted from a federal savings association to a national bank charter with the Office of the Comptroller of the Currency and is now a national bank. At the same time, the Company which had previously been a savings and loan holding company, became a bank holding company under the Bank Holding Company Act.

The Company's fiscal year end is September 30th. All references to 2013 and 2012 represent balances as of September 30, 2013 and September 30, 2012, respectively, or activity for the fiscal years then ended.

The results discussed below were impacted by the acquisition on close of business October 31, 2013 of eleven branches from Bank of America, National Association; these branches are located in New Mexico. Effective as of the close of business on December 6, 2013, the Bank completed the acquisition of another forty branches from Bank of America, National Association; these branches are located in Washington, Oregon, and Idaho. Effective as of the close of business on May 2, 2014, the Bank completed the acquisition of an additional twenty-three branches from Bank of America, National Association; these branches are located in Arizona and Nevada. The combined acquisitions provided $1.9 billion in deposit accounts, $13 million of loans, and $28 million in branch properties. Washington Federal paid a 1.99% premium on the total deposits and received $1.8 billion in cash from the transactions.

The operating results of the Company include the operating results produced by the first eleven branches for the period from November 1, 2013 to June 30, 2014, the additional forty branches from December 7, 2013 to June 30, 2014 and the twenty-three branches from May 3, 2014 to June 30, 2014.

INTEREST RATE RISK

Based on Management's assessment of the current interest rate environment, the Bank has taken steps to reduce its interest rate risk profile compared to its historical norms, including growing shorter-term business loans, transaction deposit accounts and extending the maturity on borrowings. The recent branch acquisitions have accelerated these efforts. The mix of transaction accounts is now approximately 50% of total deposits. The Bank has also been purchasing more variable rate investments. The composition of the investment portfolio is now 45% variable and 55% fixed rate. In addition, $1.6 billion of its purchased 30-year fixed rate mortgage-backed securities have been designated as held-to-maturity. With rising interest rates, these securities may be subject to unrealized losses. As of June 30, 2014, the unrealized net losses on these securities were $50 million.

The Company relies on various measures of interest rate risk, including an asset/liability maturity gap analysis, modeling of changes in forecasted net interest income under various rate change scenarios, and the impact of interest rate changes on the net portfolio value (“NPV”) of the Company.

Maturity Gap Analysis. At June 30, 2014, the Company had approximately $1.6 billion more in liabilities subject to repricing in the next year than assets, which resulted in a negative one-year maturity gap of 10.6% of total assets. There were $1.7 billion more in liabilities subject to repricing as of September 30, 2013, resulting in a 12.9% negative gap. The percentage decrease in the negative gap is primarily due to an increase in total assets. Additionally, the estimated maturities of mortgage securities and loans has extended as prepayments have slowed. A negative maturity gap implies that funding costs will change more rapidly than interest income on earning assets with movements in interest rates. Typically, a negative maturity gap results in lower margins when interest rates rise and higher margins when interest rates decline. Gap analysis provides management with a high-level indication of interest rate risk, but it is considered less reliable than more detailed modeling.

Net Interest Income Sensitivity. The potential impact of rising interest rates on future net interest income is estimated using a model that is based on account level detail for loans and deposits. In the event of an immediate and parallel increase of 200 basis points in both short and long-term interest rates, the model estimates that net interest income will decrease by 0.5% in the next year. This compares to an estimated decrease of 1.6% as of the September 30, 2013 analysis. This analysis assumes zero balance sheet growth and a constant percentage composition of assets and liabilities for consistency. Actual results will differ from the assumptions used in this model, as Management monitors and adjusts loan and deposit pricing and the size and composition of the balance sheet to respond to changing interest rates.

NPV Sensitivity. The NPV estimates the market value of shareholder's equity based upon forecasted interest rate scenarios. It is derived by calculating the difference between the present value of expected cash flows from interest-earning assets and the present value of expected cash flows from interest-paying liabilities and off-balance-sheet contracts. The sensitivity of the NPV to changes in interest rates provides a longer term view of interest rate risk as it incorporates all future expected cash flows. In the event of an immediate and parallel increase of 200 basis points in interest rates, the NPV is estimated to decline by $493 million and the NPV to total assets ratio to decline to 16.32% from a base of 18.51%. As of September 30, 2013, the estimated decrease in NPV in this event was $314 million and the NPV to total assets ratio was estimated to decline to 17.42% from a base of 18.74%. The increased NPV sensitivity and lower base NPV ratio as of June 30, 2014 is due to the impact of the branch acquisitions, including the characteristics of the acquired deposits and the deployment of cash into securities.
Interest Rate Spread. The interest rate spread decreased to 2.65% at June 30, 2014 from 2.73% at September 30, 2013. The spread decreased due to a decline in the average rate on loans and investment securities. As of June 30, 2014, the weighted average rate on customer deposit accounts and borrowings decreased by 21 basis points compared to September 30, 2013, while the weighted average rates on earning assets decreased by 29 basis points over the same period.
Net Interest Margin. The net interest margin decreased to 3.05% for the quarter ended June 30, 2014 from 3.15% for the quarter ended June 30, 2013. The yield on earning assets declined 28 basis points to 3.99% and the cost of interest bearing liabilities declined 21 basis points to 1.02%. The greater decline in the yield on earning assets was due to lower loan yields on new originations compared to prepaying and maturing loans. In addition, there is a greater portion of floating rate loans and securities than in the prior year.
As of June 30, 2014, the Company had increased total assets by $1,707,096,000 from $13,082,859,000 at September 30, 2013 due to the branch acquisitions during the fiscal year that brought $1,853,798,000 in deposits. For the quarter ended June 30, 2014, compared to September 30, 2013, loans (both non-covered and covered) increased $349,184,000, or 4.5%. Investment securities increased $671,260,000, or 16.7%. Cash and cash equivalents of $861,304,000 and stockholders’ equity of $1,990,635,000 as of June 30, 2014 provides management with flexibility in

managing interest rate risk going forward.

LIQUIDITY AND CAPITAL RESOURCES

The Company's net worth at June 30, 2014 was $1,990,635,000, or 13.46% of total assets. This was an increase of $53,000,000 from September 30, 2013 when net worth was $1,937,635,000, or 14.81% of total assets. The Company's net worth was impacted in the nine months ended June 30, 2014 by net income of $116,803,000, the payment of $31,393,000 in cash dividends, treasury stock purchases of $64,231,000, as well as an increase in other comprehensive income of $18,043,000.

Management believes this strong net worth position will help the Company manage its inherent risks and resultant profitability and provide the capital support needed for controlled growth in a regulated environment. To be categorized as well capitalized, Washington Federal must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following table.

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	Actual			Capital Adequacy Guidelines			Categorized as Well Capitalized Under Prompt Corrective Action Provisions		
	Capital	Ratio		Capital	Ratio		Capital	Ratio	
	(In thousands)								
June 30, 2014									
Total capital (to risk-weighted assets)									
The Company	$1,751,035	24.52	%	$571,202	8.00	%	NA	NA	
The Bank	1,743,057	24.41	%	571,334	8.00	%	$714,168	10.00	%
Tier I capital (to risk-weighted assets)									
The Company	1,660,786	23.26	%	285,601	4.00	%	NA	NA	
The Bank	1,652,787	23.14	%	285,667	4.00	%	428,501	6.00	%
Tier I Capital (to average assets)									
The Company	1,660,786	11.64	%	570,874	4.00	%	NA	NA	
The Bank	1,652,787	11.58	%	570,970	4.00	%	713,712	5.00	%
September 30, 2013									
Total capital (to risk-weighted assets)									
The Company	1,749,383	26.49	%	528,243	8.00	%	NA	NA	
The Bank	1,693,227	25.64	%	528,380	8.00	%	660,475	10.00	%
Tier I capital (to risk-weighted assets)									
The Company	1,666,091	25.23	%	264,121	4.00	%	NA	NA	
The Bank	1,609,914	24.38	%	264,190	4.00	%	396,285	6.00	%
Tier I Capital (to average assets)									
The Company	1,666,091	13.03	%	511,334	4.00	%	NA	N/A	
The Bank	1,609,914	12.59	%	511,358	4.00	%	639,197	5.00	%

The Company's cash and cash equivalents amounted to $861,304,000 at June 30, 2014, an increase from $203,563,000 at September 30, 2013. The Company continues to hold higher than normal amounts of liquidity due to concern about potentially rising interest rates. It is anticipated that the funds will be invested opportunistically over time as risk adjusted investment opportunities to enhance yields improve. Additionally, see "Interest Rate Risk" above and the "Statement of Cash Flows" included in the financial statements.

CHANGES IN FINANCIAL CONDITION

Available-for-sale and held-to-maturity securities: Available-for-sale securities increased $742,073,000, or 31.4%, during the nine months ended June 30, 2014, which included the purchase of $1,080,476,000 of available-for-sale securities. Most of these investments made with the proceeds from the recent branch acquisitions. There were no available-for-sale securities sold during the nine months ended June 30, 2014. During the same period, there were no held-to-maturity securities purchased or sold. As of June 30, 2014, the Company had net unrealized gains on available-for-sale securities of $24,421,000, net of tax, which were recorded as part of stockholders’ equity.

Loans receivable: During the nine months ended June 30, 2014, the balance of loans receivable increased to $7,965,954,000 compared to $7,528,030,000 at September 30, 2013. This increase includes net loan activity (originations less principal payments and maturities) for non covered loans of $451,916,000, which includes the acquisition of $12,881,000 in loans as described in Note B. During the nine month period, $32,818,000 of non covered loans were transferred to REO.

Covered loans: As of June 30, 2014, FDIC covered loans decreased 30.0%, or $88,740,000 to $207,207,000, compared to September 30, 2013 due primarily to $104,951,000 of net principal payments and maturities. The FDIC loss share coverage for the majority of these loans will expire during fiscal year 2015. If all FDIC loss share coverage had expired as of June 30, 2014, the NPA ratio would increase from 1.10% to 1.16% and the delinquency rate would rise from 1.41% to 1.57%.

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The following table shows the loan portfolio by category for the last three quarters.

Loan Portfolio by Category *	June 30, 2014			March 31, 2014			December 31, 2013		
Total Loans									
Single-family residential	5,479,111	64.9		5,462,093	66.7		5,436,083	67.0	
Construction - speculative	126,926	1.5		135,001	1.7		135,868	1.7	
Construction - custom	372,789	4.4		354,279	4.3		333,954	4.1	
Land - acquisition & development	91,058	1.1		77,049	0.9		75,506	0.9	
Land - consumer lot loans	114,573	1.4		116,864	1.4		122,467	1.5	
Multi-family	896,799	10.6		869,635	10.6		846,116	10.5	
Commercial real estate	693,421	8.2		634,457	7.8		622,240	7.7	
Commercial & industrial	398,181	4.7		351,705	4.4		354,166	4.4	
HELOC	136,304	1.6		131,852	1.6		131,949	1.6	
Consumer	138,547	1.6		48,239	0.6		51,960	0.6	
Total Loans	8,447,709	100.0		8,181,174	100	%	8,110,309	100	%
Less:									
Allowance for probable losses	114,150			114,931			118,158		
Loans in process	303,084			264,946			273,263		
Discount on acquired loans	28,480			29,286			31,485		
Deferred net origination fees	36,041			34,902			35,845		
	481,755			444,065			458,751		
	$7,965,954			$7,737,109			$7,651,558		

* Excludes covered loans

Non-performing assets (excludes discounted acquired assets): NPAs decreased during the quarter ended June 30, 2014 to $162,357,000 from $213,616,000 at September 30, 2013, a 24.0% decrease, due to improving credit conditions and credit quality. Non-performing assets as a percentage of total assets was 1.10% at June 30, 2014 compared to 1.63% at September 30, 2013.

This level of NPAs is significantly higher than the Company's history prior to 2007 of 0.50%. The Company’s 30-year average of NPAs is 0.97%.

The following table sets forth information regarding restructured and non-accrual loans and REO held by the Company at the dates indicated.

	June 30, 2014			September 30, 2013		
	(In thousands)					
Restructured loans:						
Single-family residential	$333,814	86.1	%	$356,577	85.7	%
Construction - speculative	8,554	2.2		10,733	2.6	
Construction - custom	1,196	0.3		1,196	0.3	
Land - acquisition & development	5,092	1.3		7,211	1.7	
Land - consumer lot loans	12,922	3.3		12,706	3.1	
Multi - family	5,266	1.4		7,557	1.8	
Commercial real estate	19,292	5.0		18,539	4.5	
Commercial & industrial	23	—		56	—	
HELOC	1,198	0.3		1,088	0.3	
Consumer	236	0.1		33	—	
Total restructured loans (1)	$387,593	100	%	$415,696	100	%
Non-accrual loans:						
Single-family residential	$78,317	83.2	%	$100,460	76.5	%
Construction - speculative	1,966	2.1		4,560	3.5	
Construction - custom	143	0.2		—	—	
Land - acquisition & development	2,295	2.4		2,903	2.2	
Land - consumer lot loans	1,879	2.0		3,337	2.5	
Multi-family	2,103	2.2		6,573	5.0	
Commercial real estate	5,442	5.8		11,736	8.9	
Commercial & industrial	516	0.5		477	0.4	
HELOC	970	1.0		263	0.2	
Consumer	595	0.6		990	0.8	
Total non-accrual loans (2)	94,226	100	%	131,299	100	%
Total REO (3)	57,352			72,925		
Total REHI (3)	10,780			9,392		
Total non-performing assets	$162,358			$213,616		
Total non-performing assets and performing restructured loans as a percentage of total assets	3.54 %			4.62 %		

(1) Restructured loans were as follows:

Performing	$361,918	93.4	%	$391,415	94.2	%
Non-performing (included in non-accrual loans above)	25,675	6.6		24,281	5.8	
	$387,593	100	%	$415,696	100	%

(2)

The Company recognized interest income on nonaccrual loans of approximately $4,460,000 in the nine months ended June 30, 2014. Had these loans performed according to their original contract terms, the Company would have recognized interest income of approximately $3,988,000 for the nine months ended June 30, 2014. The recognized interest income may include more than nine months of interest for some of the loans that were brought current.

In addition to the nonaccrual loans reflected in the above table, at June 30, 2014 the Company had $49,806,000 of loans that were less than 90 days delinquent but which it had classified as substandard for one or more reasons. If these loans were deemed non-performing, the Company’s ratio of total NPAs and performing restructured loans as a percent of total assets would have increased to 3.88% at June 30, 2014.

(3) Total REO and REHI includes real estate held for sale acquired in settlement of loans or acquired from purchased institutions in settlement of loans. Excludes covered REO.

Restructured single-family residential loans are reserved for under the Company’s general reserve methodology. If any individual loan is significant in balance, the Company may establish a specific reserve as warranted.

Most restructured loans are accruing and performing loans where the borrower has proactively approached the Company about modifications due to temporary financial difficulties. Each request is individually evaluated for merit and likelihood of success. Single-family residential loans comprised 86.1% of restructured loans as of June 30, 2014. The concession for these loans is typically a payment reduction through a rate reduction of from 100 to 200 bps for a specific term, usually six to twelve months. Interest-only payments may also be approved during the modification period.

For commercial loans, six consecutive payments on newly restructured loan terms are required prior to returning the loan to accrual status. In some instances after the required six consecutive payments are made, a management assessment will conclude that collection of the entire principal balance is still in doubt. In those instances, the loan will remain on non-accrual. Homogeneous loans may or may not be on accrual status at the time of restructuring, but all are placed on accrual status upon the restructuring of the loan. Homogeneous loans are restructured only if the borrower can demonstrate the ability to meet the restructured payment terms; otherwise, collection is pursued and the loan remains on non-accrual status until liquidated. If the homogeneous restructured loan does not perform it will be placed in non-accrual status when it is 90 days delinquent.

A loan that defaults and is subsequently modified would impact the Company’s delinquency trend, which is part of the qualitative risk factors component of the general reserve calculation. Any modified loan that re-defaults and is charged-off would impact the historical loss factors component of the Company's general reserve calculation.

Allocation of the allowance for loan losses: The following table shows the allocation of the Company’s allowance for loan losses at the dates indicated.

	June 30, 2014					September 30, 2013				
	Amount	Loans to Total Loans (1)		Coverage Ratio (2)		Amount	Loans to Total Loans (1)		Coverage Ratio (2)	
	(In thousands)					(In thousands)				
Single-family residential	$62,360	66.6	%	1.1	%	$64,184	69.9	%	1.2	%
Construction - speculative	6,387	1.5		5.0		8,407	1.7		6.4	
Construction - custom	1,678	4.5		0.5		882	4.0		0.3	
Land - acquisition & development	6,955	1.1		7.9		9,165	1.0		11.8	
Land - consumer lot loans	2,862	1.4		2.6		3,552	1.6		2.9	
Multi-family	4,141	10.9		0.5		3,816	10.9		0.5	
Commercial real estate	6,689	6.4		1.3		5,595	5.4		1.3	
Commercial & industrial	18,696	4.6		5.0		16,614	3.4		6.5	

HELOC	1,015	1.4	0.9	1,002	1.5	0.9
Consumer	3,367	1.6	2.5	3,524	0.6	7.5
	$114,150	100 %	1.4 %	$116,741	100 %	1.5 %

(1) Represents the total amount of the loan category as a % of total gross loans, excluding non-acquired and non-covered loans outstanding not subject to the allowance for loan loss.

(2) Represents the allocated allowance of the loan category as a % of total gross loans, excluding non-acquired and non-covered loans outstanding not subject to the allowance for loan loss, for the same loan category.

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Customer accounts: Customer accounts increased $1,675,409,000, or 18.43%, to $10,765,680,000 at June 30, 2014 compared with $9,090,271,000 at September 30, 2013.
The following table shows the composition of the Bank's customer accounts by deposit type as of the dates shown:

	June 30, 2014 (In thousands)					September 30, 2013				
				Wtd. Avg. Rate					Wtd. Avg. Rate	
Non-interest checking	$818,273	7.6	%	—	%	$447,368	4.9	%	—	%
Interest checking	1,378,379	12.8		0.03	%	800,516	8.8		0.13	%
Savings (passbook/stmt)	620,415	5.8		0.10	%	404,938	4.5		0.15	%
Money Market	2,498,714	23.2		0.19	%	1,888,020	20.8		0.23	%
CD's	5,449,899	50.6		0.94	%	5,549,429	61.0		1.03	%
Total	$10,765,680	100	%	0.53	%	$9,090,271	100	%	0.69	%

FHLB advances and other borrowings: Total borrowings were $1,930,000,000 as of June 30, 2014 which is the same balance as of September 30, 2013. The Bank has a credit line with the FHLB Seattle equal to 50% of total assets, providing a substantial source of liquidity if needed. FHLB advances are collateralized as provided for in the Advances, Pledge and Security Agreement by all FHLB stock owned by the Bank, deposits with the FHLB and certain mortgages or deeds of trust securing such properties as provided in the agreements with the FHLB.

RESULTS OF OPERATIONS
Net Income: The quarter ended June 30, 2014 produced net income of $37,910,000 compared to $37,338,000 for the same quarter one year ago. For the nine months ended June 30, 2014, net income totaled $116,803,000 compared to $108,598,000 for the same period one year ago. Net income for the quarter and nine months ended June 30, 2014 benefited from higher net interest income and overall lower credit costs, which included the reversal of loan loss provision and reduced losses on real estate acquired through foreclosure for the nine month period. Some of this benefit was offset by higher other expense during these periods.
For the quarter and nine months ended June 30, 2014, net interest income was higher by $8,563,000 and $19,054,000, respectively. The provision for loan losses amounted to a reversal of $3,000,000 and $11,936,000 for the quarter and nine months ended June 30, 2014, respectively, as compared to a provision of $0 and $3,600,000 for the quarter and nine months ended June 30, 2013, respectively. Gains/losses recognized on real estate acquired through foreclosure was a net loss of $2,056,000 and $3,454,000 for the quarter and nine months ended June 30, 2014, respectively, as compared to a net gain of $176,000 and a net loss of $7,145,000 for the quarter and nine month periods one year ago, respectively. For the quarter and nine months ended June 30, 2014, other income was $3,013,000 and $4,500,000 higher, respectively, and other expense was $11,683,000 and $28,398,000 higher, respectively. Income tax provision was $89,000 and $6,178,000 higher for the quarter and nine months ended June 30, 2014, respectively. Please see the related discussions below about these changes.
Net Interest Income: Net interest income was $103,279,000 for the quarter ended June 30, 2014, compared to $94,716,000 for the same quarter one year ago, due to increased interest income on mortgage-backed securities and lower rates on customer deposits.
The following table sets forth certain information explaining changes in interest income and interest expense for the periods indicated compared to the same periods one year ago. For each category of interest-earning asset and interest-bearing liability, information is provided on changes attributable to (1) changes in volume (changes in volume multiplied by old rate) and (2) changes in rate (changes in rate multiplied by old volume). The change in interest income and interest expense attributable to changes in both volume and rate has been allocated proportionately to the

change due to volume and the change due to rate.

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Rate / Volume Analysis:

	Comparison of Quarters Ended 6/30/14 and 6/30/13			Comparison of Nine months Ended 6/30/14 and 6/30/13		
	Volume	Rate	Total	Volume	Rate	Total
	(In thousands)			(In thousands)		
Interest income:						
Loans and covered loans	$4,536	$(9,379)	$(4,843)	$3,516	$(24,520)	$(21,004)
Mortgaged-backed securities	4,471	4,085	8,556	11,985	14,637	26,622
Investments (1)	933	2,189	3,122	2,394	4,619	7,013
All interest-earning assets	9,940	(3,105)	6,835	17,895	(5,264)	12,631
Interest expense:						
Customer accounts	2,622	(4,769)	(2,147)	6,031	(13,365)	(7,334)
FHLB advances and other borrowings	—	419	419	2,154	(1,243)	911
All interest-bearing liabilities	2,622	(4,350)	(1,728)	8,185	(14,608)	(6,423)
Change in net interest income	$7,318	$1,245	$8,563	$9,710	$9,344	$19,054

(1) Includes interest on cash equivalents and dividends on FHLB stock

Provision for Loan Losses: The Company recorded a $3,000,000 reversal of the provision for loan losses during the quarter ended June 30, 2014, while $0 provision was recorded for the same quarter one year ago. Non-performing assets amounted to $162,357,000, or 1.10% , of total assets at June 30, 2014, compared to $233,403,000, or 1.79%, of total assets one year ago. Non-accrual loans decreased from $148,655,000 at June 30, 2013, to $94,226,000 at June 30, 2014, a 36.6% decrease. The Company had net recoveries of $2,219,000 for the quarter ended June 30, 2014, compared with $4,780,000 of net charge-offs for the same quarter one year ago. The improvement in the provision for loan losses is in response to three primary factors: first, the amount of NPAs improved year-over-year; second, non-accrual loans as a percentage of net loans decreased from 2.01% at June 30, 2013, to 1.20% at June 30, 2014; and third, the percentage of loans 30 days or more delinquent decreased from 2.27% at June 30, 2013, to 1.41% at June 30, 2014. Management believes the allowance for loan losses, totaling $114,150,000, or 1.35% of gross loans, is sufficient to absorb estimated losses inherent in the portfolio. See Note E for further discussion and analysis of the allowance for loan losses for the quarter ended June 30, 2014.

Other Income: The quarter ended June 30, 2014 produced total other income of $8,072,000 compared to $5,059,000 for the same quarter one year ago, an increase of $3,013,000, due primarily to increased transaction fee income related to deposit accounts acquired as part of the acquisition of branches from Bank of America, National Association as of the close of business on October 31, 2013, December 6, 2013, and May 2, 2014. Please see Note B for additional information.

Other Expense: The quarter ended June 30, 2014 produced total other expense of $53,293,000 compared to $41,610,000 for the same quarter one year ago, a 28.1% increase. Total other expense for the quarters ended June 30, 2014 and 2013 equaled 1.47% and 1.28%, respectively, of average assets. The number of staff, including part-time employees on a full-time equivalent basis, was 1,948 and 1,423 at June 30, 2014 and 2013, respectively. Higher staff and occupancy expense was due to an increase in the number of branches from 185 as of June 30, 2013 to 253 as of June 30, 2014. Additionally, information technology, ATM expenses and debit card charges were higher.

Loss on Real Estate Acquired Through Foreclosure: The quarter ended June 30, 2014, produced a net loss on the sale of real estate acquired through foreclosure of $2,056,000 compared to a net gain of $176,000 for the same quarter one year ago. The table below indicates some of the activity in the gain (loss) on real estate acquired through foreclosure.

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	Quarter Ended June 30, 2014	2013
	(In thousands)	
Net Gain on Sale	$2,466	$2,973
REO Writedowns	(2,953)	(2,032)
REO Operating Expenses	(1,569)	(765)
Gain (loss) on real estate acquired through foreclosure, net	$(2,056)	$176

Taxes: Income taxes increased to $21,092,000 for the quarter ended June 30, 2014, as compared to $21,003,000 for the same period one year ago. The effective tax rate for the quarter ended June 30, 2014 was 35.75% compared to 36.00% for the quarter ended June 30, 2013. The Company expects an effective tax rate of 35.75% going forward.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Management believes that there have been no material changes in the Company’s quantitative and qualitative information about market risk since September 30, 2013. For a complete discussion of the Company’s quantitative and qualitative market risk, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s 2013 Form 10-K.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures. The Company maintains a set of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act that are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company’s Chief Executive Officer and the Company’s Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management has evaluated, with the participation of the Company’s Chief Executive Officer and the Company’s Chief Financial Officer, the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this quarterly report (the "Evaluation Date"). Based on the evaluation, the Company’s Chief Executive Officer and the Company’s Chief Financial Officer have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective.

(b) Changes in Internal Control over Financial Reporting. During the period to which this report relates, there have not been any changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or that are reasonably likely to materially affect, such controls.

WASHINGTON FEDERAL, INC. AND SUBSIDIARIES

PART II – Other Information
Item 1. Legal Proceedings
From time to time the Company or its subsidiaries are engaged in legal proceedings in the ordinary course of business, none of which are considered to have a material impact on the Company's financial position or results of operations.

Item 1A. Risk Factors
In addition to the other information set forth in this report, you should carefully consider the factors discussed under "Part I--Item 1A--Risk Factors" in the 2013 Form 10-K for the year ended September 30, 2013. These factors could materially and adversely affect the Company's business, financial condition, liquidity, results of operations and capital position, and could cause its actual results to differ materially from our historical results or the results contemplated by the forward-looking statements contained in this report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
The following table provides information with respect to purchases made by or on behalf of the Company of the Company's common stock during the three months ended June 30, 2014.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan (1)	Maximum Number of Shares That May Yet Be Purchased Under the Plan at the End of the Period
April 1, 2014 to April 30, 2014	441,033	$22.10	441,033	7,983,601
May 1, 2014 to May 31, 2014	742,900	21.14	742,900	7,240,701
June 1, 2014 to June 30, 2014	316,067	22.23	316,067	6,924,634
Total	1,500,000	$21.64	1,500,000	6,924,634

(1) The Company's only stock repurchase program was publicly announced by its Board of Directors on February 3, 1995 and has no expiration date. Under this ongoing program, a total of 41,956,264 shares have been authorized for repurchase.

Item 3. Defaults Upon Senior Securities
Not applicable

Item 4. Mine Safety Disclosures
Not applicable

Item 5. Other Information
Not applicable

Item 6. Exhibits

(a) Exhibits

31.1	Section 302 Certification by the Chief Executive Officer
31.2	Section 302 Certification by the Chief Financial Officer
32	Section 906 Certification by the Chief Executive Officer and the Chief Financial Officer
101	Financial Statements from the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2014 formatted in XBRL

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SIGNATURES
Pursuant to the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

August 11, 2014	/S/ ROY M. WHITEHEAD ROY M. WHITEHEAD Chairman, President and Chief Executive Officer
August 11, 2014	/S/ DIANE L. KELLEHER DIANE L. KELLEHER Senior Vice President and Chief Financial Officer