

WASHINGTON BANCORP

102 East Main Street
Washington, Iowa 52353
(319) 653-7256

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be Held on April 8, 2014

Notice is hereby given that the Annual Meeting of Stockholders (the "Meeting") of Washington Bancorp, and with its subsidiary, Federation Bank, the ("Company") will be held at the Company's office located at 102 East Main Street, Washington, Iowa at 4:00 p.m. on April 8, 2014.

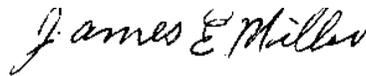
A proxy card and a proxy statement for the Meeting are enclosed.

The Meeting is for the purpose of considering and acting upon the election of two directors of Washington Bancorp, the First Amendment to the Washington Bancorp Stockholders Agreement and such other matters as may properly come before the Meeting, or any adjournments thereof. The Board of Directors is not aware of any other business to come before the Meeting.

Any action may be taken on the foregoing proposals at the Meeting on the date specified above, or on any date or dates to which the Meeting may be adjourned. Stockholders of record at the close of business on February 28, 2014 are the stockholders entitled to vote at the Meeting and any adjournments thereof.

You are requested to complete and sign the enclosed form of proxy, which is solicited on behalf of the Board of Directors, and to mail it promptly in the enclosed envelope. The proxy will not be used if you attend and vote at the Meeting in person.

BY ORDER OF THE BOARD OF DIRECTORS



James E. Miller
President

Washington, Iowa
March 14, 2014

IMPORTANT: THE PROMPT RETURN OF PROXIES WILL SAVE THE COMPANY THE EXPENSE OF FURTHER REQUESTS FOR PROXIES TO ENSURE A QUORUM AT THE MEETING. A SELF-ADDRESSED STAMPED ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE.

PROXY STATEMENT AND ANNUAL REPORT

WASHINGTON BANCORP

102 East Main Street
Washington, Iowa 52353
(319) 653-7256

ANNUAL MEETING OF STOCKHOLDERS

Tuesday, April 8, 2014

This proxy statement is furnished in connection with the solicitation on behalf of the Board of Directors of Washington Bancorp, and with its subsidiary, the (“Company”), the parent company of Federation Bank, of proxies to be used at the Annual Meeting of Stockholders of the Company (the “Meeting”), which will be held at the Company's office located at 102 East Main Street, Washington, Iowa on April 8, 2014, at 4:00 p.m., and all adjournments of the Meeting. The accompanying Notice of Annual Meeting, proxy card and this proxy statement are first being mailed to stockholders on or about March 14, 2014.

At the Meeting, stockholders of the Company are being asked to consider and vote upon the election of two directors and the First Amendment to the Washington Bancorp Stockholders Agreement.

Vote Required and Proxy Information

All shares of the Company's common stock, par value \$.01 per share (the “Common Stock”), represented at the Meeting by properly executed proxies received prior to or at the Meeting, and not revoked, will be voted at the Meeting in accordance with the instructions thereon. If no instructions are indicated, properly executed proxies will be voted for the director nominees and for the First Amendment to the Washington Bancorp Stockholders Agreement as set forth in this proxy statement. The Company does not know of any matters, other than as described in the Notice of Annual Meeting, to come before the Meeting. If any other matters are properly presented at the Meeting for action, the persons named in the enclosed form of proxy and acting thereunder will have the discretion to vote on such matters in accordance with their best judgment.

Directors shall be elected by a majority of the votes of the shares present or represented by proxy at the Meeting. One-third of the shares of the Common Stock, present in person or represented by proxy, shall constitute a quorum for purposes of the Meeting. Abstentions are counted for purposes of determining a quorum.

Amendments to the Washington Bancorp Stockholders Agreement shall be approved by a majority of the votes of the shares present or represented by proxy at the Meeting and upon approval executed by all of the stockholders.

A proxy given pursuant to this solicitation may be revoked at any time before it is voted. Proxies may be revoked by: (i) filing with the Secretary of the Company at or before the Meeting a written notice of revocation bearing a later date than the proxy, (ii) duly executing a subsequent proxy relating to the same shares and delivering it to the Secretary of the Company at or before the Meeting, or (iii) attending the Meeting and voting in person (although attendance at the Meeting will not in and of itself constitute revocation of a proxy). Any written notice revoking a proxy should be delivered to the Secretary, Washington Bancorp, 102 East Main Street, Washington, Iowa 52353.

Voting Securities and Certain Holders Thereof

Stockholders of record as of the close of business on February 28, 2014, will be entitled to one vote for each share of Common Stock then held subject to limitations set forth in the articles of incorporation and by-laws of the Company. As of that date, the Company had approximately 307,818 shares of Common Stock issued and outstanding.

PROPOSAL I – Election of Directors

Washington Bancorp’s Board of Directors is presently composed of six members. Directors of Washington Bancorp are generally elected to serve for a three-year term or until their respective successors shall have been elected and qualified. Approximately one-third of the directors are elected annually.

The following table sets forth certain information regarding the Washington Bancorp's Board of Directors, including their terms of office and nominees for election as directors. It is intended that the proxies solicited on behalf of the Board of Directors (other than proxies in which the vote is withheld as to one or more nominees) will be voted at the Meeting for the election of the nominees identified in the following table. If any nominee is unable to serve, the shares represented by all such proxies will be voted for the election of such substitute as the Board of Directors may recommend. At this time, the Board of Directors knows of no reason why any of the nominees might be unable to serve, if elected. There are no arrangements or understandings between any director or nominee and any other person pursuant to which such director or nominee was selected.

<u>Name</u>	<u>Age</u>	<u>Positions Held In Company</u>	<u>Director Since (1)</u>	<u>Term to Expire</u>	<u>Shares of Common Stock Beneficially Owned at February 28, 2014 (2)</u>	<u>Percent of Class</u>
<u>Nominees</u>						
James E. Miller	74	President and Director	1987	2014	8,252	2.68%
Dale J. Torpey	68	Chairman of the Board	2003	2014	15,396	5.00%
<u>Directors Continuing In Office</u>						
Myron L. Graber	65	Director	1992	2015	2,073	0.67%
Rick R. Hofer	66	Director	1988	2015	12,500	4.06%
James D. Gorham	75	Director	1991	2016	4,445	1.44%
Mary Levy	59	Director	1993	2016	5,445	1.77%

(1) Includes service as a director of Federation Bank.

(2) Includes shares held directly, as well as, in ESOP account, held by certain members of the named individuals' families, or held by trusts of which the named individual is a trustee or substantial beneficiary, with respect to which the named individuals may be deemed to have sole voting and investment power.

The business experience of each director and director nominee is set forth below. All directors have held their present positions for at least the past five years, except as otherwise indicated.

Nominees

James E. Miller is the President and a Director of Washington Bancorp. Mr. Miller is also President of Miller's General Contracting Inc. in Brighton, Iowa. Mr. Miller has served 36 years as a member of the Brighton City Council. He is a past President and charter member of the Brighton Lions Club. Mr. Miller is a member of the Fern Cliff Evangelical Free Church, a member of the Brighton Chamber of Commerce, a member of the Friends of Lake Darling and a member of the Brighton Volunteer Fire Department. Mr. Miller is also a director of Federation Bank.

Dale J. Torpey is the Chairman of the Board of Washington Bancorp. Mr. Torpey is currently past President of Community Bankers of Iowa, a past chairman of the Lending Committee and FHLB Steering Committee of the Independent Community Bankers of America. He is a board member of the following: Washington Community Schools Foundation, Washington County Hospital Foundation Finance Committee, Washington Community Theater

and the YMCA and Community Theater Endowment Committee. He is a member of St. James Church. Mr. Torpey is also the Chairman of the Board of Federation Bank.

Directors Continuing In Office

Myron L. Graber is an owner of LARRON, LLC, a real estate development company, and a real estate agent with Golden Crest Realty. Mr. Graber is a past member of the local Habitat for Humanity and Washington Concert Association boards. Mr. Graber is currently a member of Rotary Club, a member of the Optimists International, and a member of the Washington Mennonite Church. Mr. Graber is also a director of Federation Bank.

Rick R. Hofer is a retired Personnel and Credit Manager for Sittler Electric Supply, a position he held from 1993 to 2005. Prior to that time, he was the manager of Spurgeon's Department Store for 20 years. Mr. Hofer is a member of the Washington Noon Kiwanis Club, a member of St. James Church and a member of the Washington City Planning and Zoning Commission. Mr. Hofer has also served on the boards of the Washington Chamber of Commerce, Washington Community Chest, Washington Retail Association, City of Washington Board of Adjustments and Washington Noon Kiwanis. Mr. Hofer is also a director of Federation Bank.

James D. Gorham is a retired District Agent for Northwestern Mutual Life Insurance Co. and sales agent for Northwest Mutual Life Insurance Co. in Washington, Iowa. Mr. Gorham is the past Chairman of the Washington Free Public Library Foundation, a member of the Rotary Club, a member of the Sierra Club and a past President of the Washington Economic Development Group. Mr. Gorham is also a director of Federation Bank.

Mary Levy is the Treasurer and Co-Owner of Mose Levy Co., Inc., a steel distributor in Washington, Iowa. Mrs. Levy is the Treasurer of Washington County Historical Society, Inc., Director of the Conger House Museum, President of the Chilcote Questers, a member of the Washington Community YMCA/YWCA, and a member of the Iowa Natural Heritage Foundation. Mrs. Levy is also a director of Federation Bank.

PROPOSAL II – First Amendment to the Washington Bancorp Stockholders Agreement

The Washington Bancorp Stockholders Agreement is considered to be a Buy-Sell Agreement and would therefore be treated as a separate holding company under the Federal Reserve Bank Holding Company Act unless it: (1) relates only to the shares of a single bank, (2) terminates within 25 years, (3) engages in no other activity except to hold and vote the shares of a single bank, and (4) involves parties who are not participants in any similar Voting Trust or related agreement with respect to any other bank or nonbank business.

The First Amendment to the Washington Bancorp Stockholders Agreement is being presented for approval by the stockholders in order to comply with condition 2 above. The First Amendment to the Washington Bancorp Stockholders Agreement is to provide that the Stockholders Agreement dated November 20, 2012 shall terminate and be of no further force or effect as of November 20, 2037.

Other Matters

The Board of Directors is not aware of any business to come before the Meeting other than those matters described above in this proxy statement. However, if any other matter should properly come before the Meeting, it is intended that holders of the proxies will act in accordance with their best judgment.

The cost of solicitation of proxies will be borne by the Company. In addition to solicitation by mail, directors, officers and regular employees of the Company may solicit proxies personally or by telegraph or telephone without additional compensation.

Washington, Iowa
March 14, 2014

Management's Discussion and Analysis of the Company's Financial Statements and Results of Operations

The discussion presented below analyzes major factors and trends regarding the consolidated financial condition as of December 31, 2012, and December 31, 2011. The year-end financial information for 2013, 2012, 2011, 2010, and 2009 is not audited. The numbers are rounded for convenience. For a complete understanding of this discussion, reference should be made to the Company's financial statements and the related notes included in this Memorandum.

General

The Company is a bank holding company whose primary asset and principal activity are its ownership of 100% of the outstanding shares of Federation Bank. The Company conducts a commercial banking business which consists of attracting deposits from the general public and applying those funds to the origination of commercial, consumer, and real estate loans (including commercial loans secured by real estate). The Company's profitability depends upon net interest income, which is the difference between interest income generated from interest-earning assets (such as loans and investments) less the interest expense incurred on interest bearing liabilities (such as customer deposits and other borrowed funds). Net interest income is affected by the relative amounts of interest-earning assets and interest-bearing liabilities, and the interest rates earned and paid on these balances. Net interest income is dependent upon the Company's interest rate spread, which is the difference between the average yield earned on its interest-earning assets and the average rate paid on interest-bearing liabilities. When the interest-earning assets approximate or exceed interest bearing liabilities, any positive interest rate spread will generate net interest income. The interest rate spread is impacted by interest rates, deposit flows, and loan demand. Additionally, the Company's profitability is affected by such factors as the level of non-interest income and expenses, the provision for loan losses, and the effective tax rate paid by the Company on its income. Non-interest income consists primarily of fees and income from various deposit account products and services offered to customers. Non-interest expense consists of compensation and benefits, occupancy related expenses, and other operating expenses.

Results of Operations

Net Income

Net income for the Company was \$621,000 for the year ended December 31, 2013, compared with \$743,000 for the year ended December 31, 2012, a decrease of 121,000 or 16%. The primary factor contributing to the decrease in the net income was the decline in net interest income.

Net income for the Company was \$743,000 for the year ended December 31, 2012, compared with \$985,000 for the year ended December 31, 2011, a decrease of \$242,000 or 27%. The primary factors contributing to the decrease in the net income was the cost of Subchapter S conversion and the decrease in net interest income.

Net Interest Income

Net interest income was \$3,288,000 for the year 2013, a decrease of \$328,000, compared with the net interest income of \$3,616,000 for the year 2012, resulting primarily from a low interest rate environment.

Net interest income was \$3,616,000 for the year 2012, a decrease of \$197,000, compared with the net interest income of \$3,812,000 for the year 2011, resulting primarily from a low interest rate environment.

Provision for Loan Losses

The amount of the provision for loan losses is based on periodic evaluations of the loan portfolio, with particular attention directed toward non-performing and other potential problem loans. During these evaluations, consideration was given to such factors as management's evaluation of specific loans, the level and composition of non-performing loans, historical loss experience, results of examinations by regulatory agencies; the market value of collateral, the strength and availability of guaranties, concentrations of credits, and other judgmental factors.

The Company recorded no additional provision for loan losses during the years ended December 31, 2013 and December 31, 2012. The provision for loan losses were increased to \$129,000 during the year ended December 31, 2011. The Company's management believed the additional provision was adequate to maintain an allowance for loan losses given the size and risk inherent in the loan portfolio.

Non-Interest Income

Non-interest income for the year 2013 was \$578,000, a decrease of \$174,000, or 30%, compared with non-interest income of \$752,000 for the year 2012. The decrease in 2013 is primarily attributable to a decline in fees associated with the FHLB MPF Loan program of \$94,000, a reduction in deposit and debit card income of \$42,000, a decrease in realized gains on investments and OREO properties of \$24,000.

Non-interest income for the year 2012 was \$752,000, an increase of \$217,000, or 40.5%, compared with non-interest income of \$535,000 for the year 2011. The increase in 2012 is primarily attributable to BOLI income of \$71,000, a reduction in loan loss on OREO of \$88,000, an increase in service fee income of \$57,000, and an increase in loan fees of \$57,000.

Non-Interest Expense

Non-interest expense was \$3,032,000 for the year 2013, a decrease of \$242,000, or 7%, compared with non-interest expense in the amount of \$3,273,000 for the year 2012. The decrease is primarily due to the costs of merger/Subchapter S conversion in 2012.

Non-interest expense was \$3,273,000 for the year 2012, an increase of \$441,000, or 15.6%, compared with non-interest expense in the amount of \$2,832,000 for the year 2011. The increase in non-interest expense is primarily due to an increase in other non-interest expense primarily due to cost of merger/Subchapter S conversion and increase in compensation.

Loans and Asset Quality

The Bank's loans are diversified by borrower and industry groups. Loan growth has remained constant over the last few years and reflects the stability of the local economy. As of December 31, 2013, the Company's loan portfolio net of allowance for loan losses was \$67,687,000, compared to loans net of allowance for loan losses totaling \$65,509,000 as of December 31, 2012 and \$64,179,000 as of December 31, 2011.

Non-Performing Loans

The Company's financial statements are prepared on the accrual basis of accounting, including the recognition of interest income on its loan portfolio, unless a loan is placed on a non-accrual basis. Loans are placed on non-accrual when there are serious doubts regarding the collectability of all principal and interest due under the terms of the loan. Amounts received on non-accrual loans generally are applied first to principal and then to interest after all principal has been collected. The classification of a loan on non-accrual status does not necessarily indicate that the principal is uncollectible, in whole or in part. A determination as to collectability is made by the Company on a case-by-case basis. The Company considers both the adequacy of the collateral and the other resources of the borrower in determining the steps to be taken to collect non-accrual loans. The final determination as to these steps is made on a case-by-case basis. Alternatives that are considered are foreclosure, collecting on guaranties, restructuring the loan, or initiating collection lawsuits.

As of December 31, 2013, the Company had \$842,000 in loans accounted for as non-accruing, as compared to \$860,000 in loans accounted for as non-accruing on March 31, 2012 and \$1,079,000 on December 31, 2011.

Allowance for Loan Losses

In originating loans, management of the Company recognizes that credit losses will be experienced and the risk of loss will vary with, among other things, general economic conditions, the type of loan being made, the creditworthiness of the borrower over the term of the loan and, in the case of a secured loan, the quality of the collateral for such loan. The allowance for loan losses represents the Company's estimate of the allowance necessary to provide for potential loan loss exposure. In making this determination, the Company analyzes the ultimate collectability of its loan portfolio, incorporating feedback provided by internal loan staff; and examinations performed by regulatory agencies. The Company makes an ongoing evaluation as to the adequacy of the allowance for loan losses.

As of December 31, 2013, the Company had \$764,000 in the allowance for loan and lease losses, which was 1.12% of total loans and leases. The determination by the Company of the appropriate level of the allowance amount was \$776,000 at December 31, 2012 compared to \$836,000 at December 31, 2011. The allowance for loan losses is based on estimates, and ultimate losses will vary from current estimates. These estimates are reviewed periodically and adjustments are reported as provision expense if it becomes necessary to increase or decrease the allowance to ensure the balance is adequate given the risk in the loan portfolio.

Investment Activities

The investment portfolio of the Company was 29% of the Company's asset base as of December 31, 2013 compared to 26% of the Company's asset base as of December 31, 2012. Management of the Company has structured the investment portfolio to minimize interest rate risk, maintain sufficient liquidity, and maximize return. The Company's financial planning anticipates income streams based on normal maturity and reinvestment. The Company has adopted SFAS No. 115, and classified investments as held-to-maturity or available-for-sale. Currently, 100% of the Company's investment portfolio is classified as available-for-sale.

Deposit Activities

Deposits are attracted through the offering of a broad variety of deposit instruments, including checking accounts, money market accounts, regular savings accounts, term certificate accounts and retirement savings plans. As of December 31, 2013, the Company's total deposits were \$93,378,000, representing a decrease of 3% of total deposits in the amount of \$96,138,000 on December 31, 2012. The Company's total deposits equaled \$96,138,000 as of December 31, 2012, representing an increase of \$6,912,000 or 7.7% of total deposits over the amount of \$89,226,000 on December 31, 2011.

Liquidity

Liquidity measures the ability of the Company to meet maturing obligations and its existing commitments, to withstand fluctuations in deposit levels, to fund its operations, and to provide for customers' credit needs. The liquidity of the Company principally depends on cash flows from operating activities, investment in and maturity of assets, changes in balances of deposits and borrowings, and its ability to borrow funds.

The Company's investment securities portfolio, federal funds sold, borrowing capacity at the Federal Home Loan Bank and cash due from bank deposit balances serve as the primary sources of liquidity. Management believes the Company has adequate sources of funds.

Capital Resources

The Company's equity at December 31, 2013 was \$7,753,000, compared with \$7,210,000 at December 31, 2012. The increase is primarily due to the sale of shares through the Private Placement Memorandum of \$839,000, net income of \$622,000, and the sale of shares to the ESOP of \$66,000 offset by the change in unrealized gains on the available-for-sale investments of \$598,000 and the distributions to stockholders of \$385,000.

As of December 31, 2013, Federation Bank's Tier 1 leverage ratio was 8.28%, which exceeds minimum federal regulatory capital maintenance requirements.

Financial Information for 2013

Financial information for the Company and its subsidiary for the year 2013 that is not included herein is available by the Federal Reserve and the Federal Deposit Insurance Corporation at www.federalreserve.gov and www.fdic.gov.

Financial Condition

The following consolidated financial information does not purport to be complete and is qualified in its entirety by reference to the more detailed consolidated financial information contained elsewhere herein.

Selected Financial Condition Data:	12/2013	12/2012	12/2011	12/2010	12/2009
(Dollars in Thousands)					
Total assets.....	\$114,276	\$116,693	\$111,303	\$106,889	\$116,279
Loans receivable, net.....	67,687	65,509	64,178	61,731	66,539
Cash and cash equivalents.....	4,862	5,462	2,722	1,797	2,215
Investment securities.....	33,031	30,029	31,869	28,852	39,301
Investment in Federal Home Loan Bank Stock.....	1,275	1,393	1,193	1,009	1,052
Goodwill, net.....	1,091	1,091	1,091	1,091	1,091
Bank Owned Life Insurance.....	2,468	2,392	2,310	-	-
Deposits.....	93,378	96,138	89,226	86,189	87,017
Borrowed funds.....	12,860	12,765	9,114	9,066	18,677
Stockholders' equity.....	7,753	7,210	12,217	10,960	10,272
Selected Operations Data For Twelve Months Ended:	12/2013	12/2012	12/2011	12/2010	12/2009
(Dollars in Thousands)					
Total interest income.....	\$4,057	\$4,430	\$4,926	\$5,399	\$6,013
Total interest expense.....	770	814	1,114	1,867	2,786
Net interest income.....	3,288	3,616	3,812	3,532	3,227
Provision for loan losses.....	-	-	129	423	763
	3,288	3,616	3,683	3,109	2,464
Total noninterest income.....	578	752	535	1,055	(418)
Total noninterest expense.....	3032	3,273	2,832	3,045	2,984
Income before income taxes.....	834	1,094	1,386	1,119	(938)
Income tax expense.....	213	352	401	332	(451)
Net income.....	<u>\$ 621</u>	<u>\$ 742</u>	<u>\$ 985</u>	<u>\$ 787</u>	<u>\$ (487)</u>
Earnings per weighted average common share:					
Basic.....	<u>\$ 2.13</u>	<u>\$ 1.69</u>	<u>\$ 2.18</u>	<u>\$ 1.77</u>	<u>\$ (1.09)</u>
Diluted.....	<u>\$ 2.13</u>	<u>\$ 1.69</u>	<u>\$ 2.17</u>	<u>\$ 1.75</u>	<u>\$ (1.07)</u>

The following table sets forth Federation Bank's compliance with capital requirements at December 31, 2013.

Requirement	Capital Level at December 31, 2013				
	% of Assets	Amount	% of Assets	Amount	Amount of Excess
	(Dollars in Thousands)				
<u>Capital Standard</u>					
Tier 1 Capital to Average Assets.....	4.00%	\$4,434	8.28%	\$9,177	\$4,743
Tier 1 Capital to Risk Weighted Assets.....	4.00%	3,478	10.55%	9,177	5,699
Total Capital to Risk Weighted Assets.....	8.00%	6,956	11.43%	9,941	2,985

Washington Bancorp and Subsidiaries
Consolidated Statements of Financial Condition

	December 31, <u>2013</u>	December 31, <u>2012</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 4,892,178	\$ 5,462,177
Investment securities	33,031,391	30,028,673
Federal funds sold	-	6,903,000
Loans receivable, net of allowance for loan losses <i>(\$764,375 at December '13 and \$775,729 at December '12)</i>	67,868,890	65,508,914
Accrued interest receivable	717,935	655,202
Federal Home Loan Bank stock	1,275,900	1,393,200
Foreclosed real estate	103,423	200,895
Premises and equipment, net	2,713,610	2,402,328
Goodwill	1,091,402	1,091,402
Bank Owned Life Insurance	2,467,523	2,391,744
Other assets	<u>325,723</u>	<u>655,178</u>
Total assets	<u>\$ 114,275,973</u>	<u>\$ 116,692,713</u>
<u>Liabilities and Stockholders' Equity</u>		
Liabilities		
Deposits	93,378,103	96,138,304
Borrowed funds	12,859,573	12,764,945
Accrued expenses and other liabilities	<u>285,429</u>	<u>579,641</u>
Total liabilities	<u>106,523,104</u>	<u>109,482,890</u>
Stockholders' Equity		
Common Stock		
Common Stock	6,511	6,511
Additional Paid-in Capital	6,008,478	6,008,478
Retained Earnings	9,689,644	9,453,344
Accumulated other comprehensive gain (loss)	(38,357)	559,403
Cost of common shares acquired for treasury	<u>(7,913,407)</u>	<u>(8,817,914)</u>
Total stockholders' equity	<u>7,752,869</u>	<u>7,209,822</u>
Total liabilities and stockholders' equity	<u>\$ 114,275,973</u>	<u>\$ 116,692,713</u>

Washington Bancorp and Subsidiaries
Consolidated Statements of Income

For Twelve Months Ended December 31,

	<u>2013</u>	<u>2012</u>
Interest and dividend income:		
Loans, including fees:		
Mortgage loans	\$ 852,804	\$ 1,034,687
Other loans	2,493,354	2,577,571
Investment securities:		
Taxable	424,474	526,760
Nontaxable	241,933	249,079
Federal Home Loan Bank stock	<u>44,628</u>	<u>41,605</u>
Total interest income	<u>4,057,193</u>	<u>4,429,702</u>
Interest expense:		
Deposits	492,782	643,476
Borrowed funds	<u>276,864</u>	<u>170,649</u>
Total interest expense	<u>769,646</u>	<u>817,125</u>
Net interest income	3,287,547	3,615,577
Provision for loan losses	-	-
Net interest income after provision	<u>3,287,547</u>	<u>3,615,577</u>
Noninterest income:		
Security gains, net	-	7,782
Service charges and fees	355,761	397,957
Insurance commissions	21,404	23,486
Net Gain (Loss) on Sale of Other Real Estate Owned	(51,800)	(26,402)
BOLI	75,779	81,614
Other	<u>177,246</u>	<u>267,674</u>
Total noninterest income	<u>578,390</u>	<u>752,111</u>
Noninterest expense:		
Compensation and benefits	1,725,718	1,731,480
Occupancy and equipment	379,225	411,231
FDIC deposit insurance premium	69,704	70,273
Other	<u>857,067</u>	<u>1,060,338</u>
Total noninterest expense	<u>3,031,714</u>	<u>3,273,322</u>
Income before taxes	834,223	1,094,366
Income tax expense	<u>212,712</u>	<u>351,599</u>
Net income	<u>\$ 621,511</u>	<u>\$ 742,767</u>
Earnings per weighted average outstanding common share		
Basic	\$ 2.13	\$ 1.69
Diluted	\$ 2.13	\$ 1.69
Dividend-equivalent distribution per common share	\$ 0.75	\$ 0.75
Tax distributions per common share	\$ 0.60	N/A
 Weighted average common shares for:		
Basic earnings per share	291,515	439,354
Diluted earnings per share	291,515	439,851

Company Focus

At Washington Bancorp the belief is that the enhancement of shareholder value is achieved through a community-involved financial institution that provides diversified services by friendly and qualified staff committed to lasting customer and shareholder relationships. The board of directors and staff strive to provide continued improvement in shareholder value by participating in the financial wellbeing of the communities served, providing customers with products and services they need throughout the phases of their lives, and a positive working environment which promotes ongoing education and development.

Washington Bancorp Directors

Dale J. Torpey, Chairman	Rick R. Hofer
James D. Gorham	Mary Levy
James E. Miller, President	Myron L. Graber

Federation Bank Directors

Dale J. Torpey, Chairman	Rick R. Hofer
James D. Gorham	Mary Levy
James E. Miller	Myron L. Graber
Carroll Steinbeck	Donnie B. Dickinson
Gary J. Collier, President	Terry Engelken, Sr. VP
Leisha A. Linge, EVP	

Federation Bank Locations

Main Office
102 East Main Street
Washington, Iowa 52353

Brighton Office
122 East Washington Street
Brighton, Iowa 52540

Richland
107 Richland Street
Richland, Iowa 52585

Drive-Thru Office
220 East Washington Street
Washington, Iowa 52353

Wellman Office
813 Third St.
Wellman, Iowa 52356

On-Line
www.federationbankia.com

