



March 9, 2012

To Our Valued Shareholders:

We would like to take the opportunity to thank you for your continued support of our company and the service that we provide to our local communities. We feel that we have a unique competitive advantage over some of the other area banks because of our locations and we are proud to serve Washington, Brighton, Wellman and Richland. Did you know that Federation Bank has been named the **#1 Bank** for the past two years through the readership of the "Washington Evening Journal?" We are very proud of this distinction. We feel that this is directly attributed to our staff carrying out our mission statement; Federation Bank is a community-involved financial institution that provides diversified services by friendly and qualified staff committed to lasting customer and shareholder relationships.

Your votes FOR Director Graber and Director Hofer are important. Our directors have held strong and we feel have made the right kind of decisions that have served our company, our communities and you, the shareholder, well through the years. Please take the time to fill out your Proxy that is in this packet of information as your votes are very important for the continued direction and success of our company.

We feel that our efforts are showing results that we are happy to share with you. To summarize, our net income was \$985,000 or \$2.18 per basic common share compared to net income of \$787,000 or \$1.77 per basic common share last year. Our assets at year end were \$111 million compared to \$107 million last year – an increase of \$4 million in assets. It is our goal to start to grow our assets knowing that with the current state of the economy we will have to be creative in attracting new, quality loans to our bank. Our projection for net income in 2012 is approximately \$900,000 and in the first two months we had a profit of \$175,000. We believe all of the changes we have made the last several years have positioned the Bank to move ahead with a bright future. To show the confidence of the Board in the future of Washington Bancorp, a \$0.75 per share cash dividend was declared at the January board meeting. This dividend is payable on March 15, 2012 to shareholders of record as of February 29, 2012.

Improvement in earnings also gives the Washington Bancorp Directors more flexibility. One of our options is that we are now in a position to purchase back stock that our shareholders would like to sell. If you would like to offer your shares to Washington Bancorp we ask that you give us an "asked" price and based on earnings and current market price we will pay you a negotiated price for your stock. Please call Leisha Linge at 319-653-7256 to discuss selling your shares of Washington Bancorp stock.

We also want to thank all of our shareholders who have remained loyal to the company. Again, we encourage you to take a moment to fill out your Proxy and return it to us in the postage-paid envelope.

If you have any questions or concerns, please call one of us at 319-653-7256.

Dale J. Torpey
Chairman of the Board

James E. Miller
*President,
Washington Bancorp*

Jamie Collier
*President & CEO,
Federation Bank*