WASHINGTON FEDERAL, INC.

ANNUAL REPORT 2002

TABLE OF CONTENTS

A SHORT HISTORY

Washington Federal, Inc. (Company) is a savings and loan holding company headquartered in Seattle, Washington. Its principal subsidiary is Washington Federal Savings (Association) which operates 115 offices in eight western states.

The Association had its origin on April 24, 1917 as Ballard Savings and Loan Association. In 1935, the state-chartered Association converted to a federal charter, became a member of the Federal Home Loan Bank (FHLB) system and obtained federal insurance. In 1958, Ballard Federal Savings and Loan Association merged with Washington Federal Savings and Loan Association of Bothell, and the latter name was retained for wider geographical acceptance. In 1971, Seattle Federal Savings and Loan Association, with three offices, merged into the Association, and at the end of 1978, was joined by the 10 offices of First Federal Savings and Loan Association of Mount Vernon.

On November 9, 1982, the Association converted from a federal mutual to a federal stock association. In 1987 and 1988, acquisitions of United First Federal, Provident Federal Savings and Loan, and Northwest Federal Savings and Loan, all headquartered in Boise, Idaho, added 28 Idaho offices to the Association. In 1988, the acquisition of Freedom Federal Savings and Loan Association in Corvallis, Oregon, added 13 Oregon offices, followed in 1990 by the eight Oregon offices of Family Federal Savings.

In 1991, the Association added three branches with the acquisition of First Federal Savings and Loan Association of Idaho Falls, Idaho, and acquired the deposits of First Western Savings Association of Las Vegas, Nevada in Portland and Eugene, Oregon, where they were doing business as Metropolitan Savings Association. In 1993, 10 branches were added with the acquisition of First Federal Savings Bank of Salt Lake City, Utah. In 1994, the Association expanded into Arizona.

In 1995, the stockholders approved a reorganization whereby Washington Federal Savings became a wholly-owned subsidiary of a newly formed holding company, Washington Federal, Inc. That same year, the Association purchased West Coast Mutual Savings Bank with its one branch in Centralia, Washington and opened six additional branches. In 1996, the Association acquired Metropolitan Bancorp of Seattle, adding eight offices in Washington in addition to opening four branches in existing markets. Between 1997 and 1999, Washington Federal Savings continued to develop its branch network, opening a total of seven branches and consolidating three offices into existing locations.

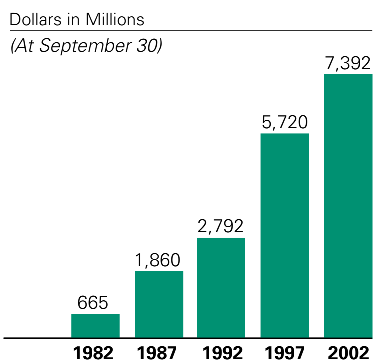
In 2000, the Association expanded into Las Vegas, opening its first branch in Nevada along with two branches in Arizona. In 2001, the Association opened two additional branches in Arizona and its first branch in Texas with an office in the Park Cities area of Dallas. In 2002, Washington Federal Savings opened five full-service branches in existing markets and entered Colorado with a loan production office.

The Association obtains its funds primarily through savings deposits from the general public, from repayments of loans, borrowings and retained earnings. These funds are used largely to make first lien loans to borrowers for the purchase of new and existing homes, the acquisition and development of land for residential lots, the construction of homes, the financing of small multi-family housing units, and for investment in obligations of the U.S. government, its agencies and municipalities. The Association also has a wholly-owned subsidiary, First Insurance Agency, Inc., which provides general insurance to the public.

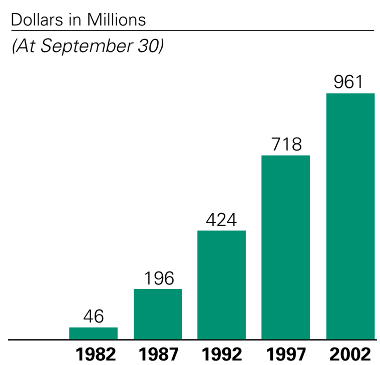
FINANCIAL HIGHLIGHTS

September 30,	**2002**	2001	% Change
	(In thousands, except per share data)		
Assets	**$7,392,441**	$7,026,743	+5%
Cash and cash equivalents	**975,153**	30,331	+3,115
Investment securities	**117,417**	145,724	–19
Loans receivable and securitized assets subject to repurchase	**5,047,964**	5,388,105	–6
Mortgage-backed securities	**970,284**	1,182,204	–18
Customer accounts	**4,521,922**	4,316,692	+5
FHLB advances and other borrowings	**1,750,000**	1,667,500	+5
Stockholders' equity	**960,718**	874,009	+10
Net income	**143,954**	113,614	+27
Diluted earnings per share	**2.25**	1.77	+27
Dividends per share	**0.90**	0.85	+6
Stockholders' equity per share	**15.12**	13.73	+10
Shares outstanding	**63,541**	63,648	—
Return on average stockholders' equity	**16.89%**	14.59%	—
Return on average assets	**2.05**	1.65	—
Efficiency ratio	**18.06**	18.93	—

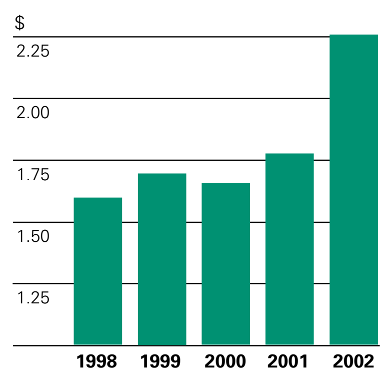
TOTAL ASSETS



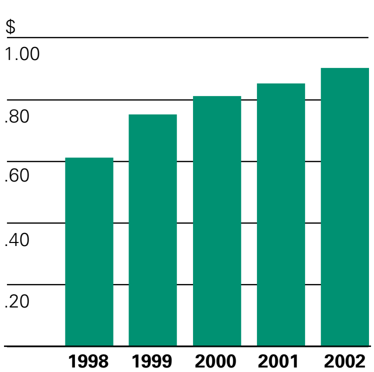
STOCKHOLDERS' EQUITY



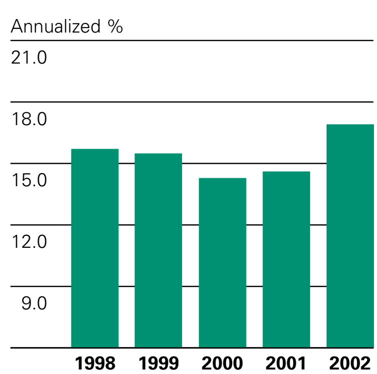
NET INCOME PER DILUTED SHARE



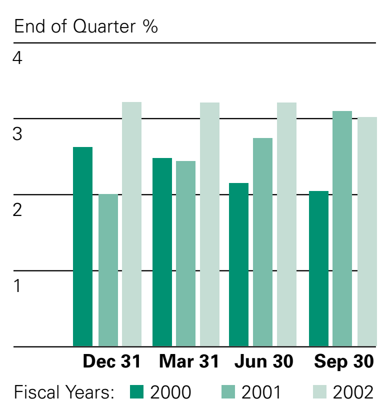
CASH DIVIDENDS PER SHARE



RETURN ON AVERAGE EQUITY



INTEREST RATE SPREADS



TO OUR STOCKHOLDERS

Dear Stockholder:

It is a privilege to report that your Company once again achieved record profitability during the past fiscal year. Net income improved to $144 million, a 27% increase over the prior year, marking the 18th time in the past 20 years that net income improved year-over-year. Earnings per share improved likewise by 27% to $2.25, also a record for your Company. The return on assets of 2.05% placed us among the industry elite, while return on equity improved to 16.89%, the highest in seven years.

Strong earnings enabled us to increase our cash dividend to $.92 per share annualized, the 37th dividend increase during the last twenty years. We also extended the dividend payment record to 79 consecutive quarters, and a 10% stock dividend was awarded in February.

The past year was an interesting one for portfolio mortgage lenders like Washington Federal. With long-term interest rates falling rapidly during the second half of the fiscal year, mortgage prepayments accelerated as borrowers raced to refinance their loans. At the same time, short-term rates fell even faster, causing our net interest spread to widen enough to more than offset the lower revenues produced by a smaller, lower-yielding loan portfolio. As always, operating expenses remained very low, creating the record results cited above and detailed more fully in the financial statements that follow.

We also actively managed our liabilities to position the Company for higher rates in the future, which we believe are likely. For example, borrowed funds were increased and maturities extended. Customer deposits grew by $205 million, a 5% increase from the prior year-end. The increase in liabilities, along with higher loan prepayments and undistributed net income, contributed to a substantially more liquid balance sheet. Cash and short-term investment accounts increased to $975 million. This cash will be reinvested in long-term assets when interest rates either increase or stabilize, representing a significant potential increase in revenues. Finally, our capital position improved to 13% of assets, a ratio that is roughly 50% higher than other large thrift institutions in our peer group. This strong capital position can be leveraged in the future to create additional earnings; alternatively, it provides flexibility to increase our stock repurchase program.

Although we are moving to diversify geographically, the Company's asset base is still centered in the Pacific Northwest. Rising unemployment and a slower economy in Oregon and Washington have been well reported and raise the obvious question regarding the condition of our loan portfolio. I am pleased to report that asset quality at the Company continues to be very strong. At year-end, we had no delinquencies beyond thirty days in our growing multi-family loan portfolio, problems in our land and construction loan portfolio were similar in number to previous years, and mortgage loan delinquencies continue at a much lower level than the industry average. Nonetheless, in response to the economic uncertainties facing the Company, we increased the allowance for loan losses. The Company, as a result, is well positioned to handle any increase in losses that might be reasonably expected in the current economic climate.

During the past year, we continued our de novo branch expansion program. We added new offices in Henderson, Nevada; Goodyear and Chandler, Arizona; Lake Oswego, Oregon; and Draper, Utah. The latter was the successor office to our Riverton, Utah branch. The Company's branch in Tremonton, Utah was sold during the year. To promote geographically diversified loan growth in the future, and to test a new market, we opened a loan production office in Denver, Colorado. Our checking account product was also enhanced with the addition of a debit card feature.

Issues related to corporate governance found their way to the front burner this year in the wake of corporate scandals and outright failures. Our simple business model and conservative approach, along with our philosophy of managing for the long-term, require that we present financial results to the investing public in a fully transparent way. I firmly believe that during the twenty years we have existed as a public entity, we have never let you down in that regard. The Sarbanes-Oxley Act, passed by Congress in response to the scandals, will burden us with additional cost but will not change the open and conservative manner in which we present financial operations.

With deepest regrets, I wish to acknowledge the passing of Harold Kean, who served your Company in various capacities for fifty years, from 1936 to 1986. Harold held the title of President from 1950 to 1977, continuing on as Chairman until 1986. Known for his creativity and "big picture" leadership, he was a housing finance industry leader, both locally and nationally, and was a pioneer in promoting the redevelopment of inner city neighborhoods. Harold played a critical role in engineering the model by which we still manage the Company today and his influence will be fondly remembered.

(Standing - left to right) Ronald L. Saper, Executive Vice President and Chief Financial Officer, Jack B. Jacobson, Executive Vice President and Chief Lending Officer, Edwin C. Hedlund, Executive Vice President and Secretary, (Seated) Roy M. Whitehead, Vice Chairman, President and Chief Executive Officer.

On a brighter note, the Company recently celebrated the twentieth anniversary of its initial public offering, which occurred on November 9, 1982 at an initial price of $11.75. Since then, the Company has returned over $198 in cash dividends and, after adjusting for splits and stock dividends, the stock today is worth approximately 49 times the original price.

Finally, I express my appreciation to our employees and directors for their effort during the past year. I would also like to thank our loyal customers and stockholders for their continued strong support. I hope to see you at the Annual Stockholders' Meeting scheduled at 2:00 p.m. on Tuesday, January 21, 2003 at the Sheraton Hotel in downtown Seattle, Washington.

Sincerely,

Roy M. Whitehead

Roy M. Whitehead
Vice Chairman, President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Washington Federal, Inc. (Company) is a savings and loan holding company. The Company's primary operating subsidiary is Washington Federal Savings (Association).

CRITICAL ACCOUNTING POLICIES

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions which affect reported amounts of certain assets, liabilities, revenues and expenses in the Company's consolidated financial statements. Accordingly, estimated amounts may fluctuate from one reporting period to another due to changes in assumptions underlying estimated values.

The Company has determined that the only accounting policy deemed critical to an understanding of the consolidated financial statements of Washington Federal, Inc. relates to the methodology for determining the valuation of the allowance for loan losses as more fully described under "Loans receivable" in Note A to the Consolidated Financial Statements.

INTEREST RATE RISK

The Company accepts a high level of interest rate volatility as a result of its policy to originate fixed-rate single family home loans that are longer-term than the short-term characteristics of its liabilities of customer accounts and borrowed money. At September 30, 2002, the Company had approximately $1,900,000,000 more liabilities subject to repricing in the next year than assets subject to repricing, which amounted to a negative maturity gap of 26% of total assets, compared to a negative maturity gap of 36% in the prior year. The Company's interest rate risk approach has never resulted in the recording of a monthly operating loss.

The Company's net interest spread increased from 3.09% at September 30, 2001 to its peak of 3.21% at December 31, 2001. As of March 31, 2002 and June 30, 2002 the spread was 3.20%. As of fiscal year end, September 30, 2002, the Company's net interest spread decreased to 3.01%. During the first three quarters of the year the spread increased primarily from declining costs of customer deposits. In the fourth quarter of fiscal 2002, the spread decreased due to the significant amount of cash ($975 million) invested at overnight rates (1.75%).

During this phase of the interest rate cycle the Company chose to position its balance sheet for increasing rates in the future by building cash, reducing the amount of loans and mortgage-backed investments, extending borrowed money and growing customer deposits. As of September 30, 2002, the Company had accumulated $975 million in cash and cash equivalents, which can be invested long-term in the future to take advantage of rising interest rates. This cash position was generated principally through the net run off of loans and mortgage-backed investments of $580 million, $205 million of increased deposits and $83 million of additional long-term borrowings.

ASSET QUALITY

The Company maintains an allowance to absorb losses inherent in the loan portfolio. The allowance is based on ongoing, quarterly assessments of the probable and estimable losses inherent in the loan portfolio. In analyzing the existing loan portfolio, the Company applies specific loss percentage factors to the different loan types. The loss percentages are based on Management's continuing evaluation of the pertinent factors underlying the quality of the loan portfolio, including changes in the size and composition of the loan portfolio, actual loan loss experience and current economic conditions.

Multi-family loans, builder construction loans and certain other loans are reviewed on an individual basis. They are reviewed to assess the ability of the borrowers to continue to service all of their principal and interest obligations. If the loans show signs of weakness, they are downgraded and, if warranted, placed on non-accrual status. The Company has an Asset Quality Review Committee that reports the results of its internal reviews to the Board of Directors on a quarterly basis.

Non-performing assets were $33,876,000 or .46% of total assets at September 30, 2002 compared to $33,758,000 or .48% of total assets at September 30, 2001. Total delinquencies over 30 days were $37,419,000 or .51% of total assets at September 30, 2002 compared to $49,390,000 or .70% of total assets at September 30, 2001. The aforementioned asset quality indicators, when compared to others in the industry, demonstrate the continued excellent quality of the loan portfolio and reflect the Company's high underwriting standards.

LIQUIDITY AND CAPITAL RESOURCES

The Company's net worth at September 30, 2002 was $960,718,000 or 13.0% of total assets. This is an increase of $86,709,000 from September 30, 2001 when net worth was $874,009,000 or 12.4% of total assets. This increase is attributable to higher profitability and an increase in the fair value of the available for sale securities. The ratio of net worth to total assets remains at a high level despite the distribution of 40.0% of earnings in the form of cash dividends.

The Company's net worth increased due in part to net income of $143,954,000, proceeds received from the exercise of common stock options of $1,618,000, purchases by the Employee Stock Ownership Plan of $3,744,000 and appreciation in the valuation reserve for available-for-sale securities of $5,000,000. Net worth was reduced by $57,383,000 as a result of cash dividends paid and $10,224,000 of stock repurchases.

Washington Federal's percentage of net worth to total assets is among the highest in the nation and is approximately three times the minimum required under Office of Thrift Supervision (OTS) regulations (see Note O). Management believes this strong net worth position will help protect the Company against interest rate risk and will enable it to compete more effectively.

Customer accounts increased $205,230,000 or 4.8% from one year ago, largely due to Management's continuing strategy of building deposits in a decreasing interest rate environment through competitive pricing.

The Company's cash and cash equivalents amounted to $975,153,000 at September 30, 2002, a significant increase from $30,331,000 one year ago. This shift in the balance sheet from long-term assets to short-term term assets resulted from the decision to position the balance sheet to take advantage of rising interest rates in the future. See "Interest Rate Risk" above.

CHANGES IN FINANCIAL POSITION

Available-for-sale and held-to-maturity securities. The Company purchased $180,683,000 of mortgage-backed and investment securities during fiscal 2002, all of which have been categorized as available-for-sale.

The Company had $10,000,000 in sales of available-for-sale investment securities resulting in a net realized gain of $650,000. As of September 30, 2002, the Company had unrealized gains in its available-for-sale portfolio of $56,000,000, net of tax, which are recorded as part of stockholders' equity.

Loans receivable and securitized assets subject to repurchase. Loans receivable and securitized assets subject to repurchase decreased 6.3% during fiscal 2002 to $5,047,964,000 at September 30, 2002 from $5,388,105,000 one year earlier. The decrease resulted from Management's unwillingness to aggressively compete during periods of increased refinancing activity caused by record low home mortgage rates.

Real estate held for sale. The balance at September 30, 2002 was $17,587,000, an increase from $16,778,000 reported one year ago.

FHLB stock. FHLB stock amounted to $132,320,000 at September 30, 2002 compared with $124,361,000 one year ago as the Company received $7,959,000 in stock dividends during the year.

Costs in excess of net assets acquired. As of September 30, 2002, costs in excess of net assets acquired totaled $35,703,000. The Company periodically monitors these assets for potential impairment in accordance with Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets." As of September 30, 2002, there was no impairment of costs in excess of net assets acquired. The Company will provide for any diminution in value of these assets should an impairment be identified. As a result of the discontinuance of goodwill amortization required by SFAS No. 142, other expenses were reduced by approximately $5.6 million, and diluted earnings per share were increased by $.06, for the year ended September 30, 2002.

Customer accounts. Customer accounts at September 30, 2002 totaled $4,521,922,000 compared with $4,316,692,000 at September 30, 2001, a 4.8% increase. See "Liquidity and Capital Resources" above.

FHLB advances and other borrowings. Total borrowings increased 5.0% to $1,750,000,000. See "Interest Rate Risk" above.

RESULTS OF OPERATIONS

GENERAL

Fiscal 2002 net income increased 27% from fiscal 2001. See Note S, "Selected Quarterly Financial Data (Unaudited)," which highlights the quarter-by-quarter results for the years ended September 30, 2002 and 2001.

	Dec 31 2000	Mar 31 2001	Jun 30 2001	Sep 30 2001	Dec 31 2001	Mar 31 2002	Jun 30 2002	Sep 30 2002
Interest rate on loans and mortgage-backed securities*	7.91%	7.80%	7.67%	7.61%	7.49%	7.41%	7.35%	7.26%
Interest rate on investment securities**	7.81	7.79	8.01	7.79	5.50	3.19	3.09	2.82
Combined	7.91	7.80	7.68	7.62	7.37	6.96	6.89	6.53
Interest rate on customer accounts	5.67	5.47	5.08	4.31	3.78	3.25	3.16	2.94
Interest rate on borrowings	6.26	5.21	4.71	5.09	5.24	5.24	5.24	5.03
Combined	5.91	5.37	4.95	4.53	4.16	3.76	3.69	3.52
Interest rate spread	2.00%	2.43%	2.73%	3.09%	3.21%	3.20%	3.20%	3.01%

* Includes securitized assets subject to repurchase

**Includes municipal bonds at tax-equivalent rates and cash equivalents

The interest rate spread decreased during fiscal 2002 from 3.09% at September 30, 2001 to 3.01% at September 30, 2002. See "Interest Rate Risk" above.

COMPARISON OF FISCAL 2002 RESULTS WITH FISCAL 2001

Net interest income increased $56,086,000 (25.9%) in fiscal 2002 over fiscal 2001 largely due to a significant reduction in interest expense.

Interest on loans, securitized assets subject to repurchase and mortgage-backed securities decreased $33,727,000 (6.5%) in fiscal 2002 from 2001 as average interest rates declined to 7.26% from 7.61% one year ago. The Company originated $1,430,834,000 in loans, which was more than offset by loan repayments and payoffs of $1,823,281,000 in fiscal 2002.

Interest and dividends on investment securities and cash equivalents increased $4,634,000 (25.9%) in fiscal 2002 from fiscal 2001. The weighted average yield declined to 2.82% at September 30, 2002 compared with 7.79% at September 30, 2001. The combined investment securities, cash equivalents and FHLB stock portfolio increased 336% to $1,176,737,000 at September 30, 2002 versus $270,085,000 one year ago.

Interest on customer accounts decreased 21.8% to $152,288,000 for fiscal 2002 from $194,710,000 for fiscal 2001. The decrease related to an increase in customer accounts to $4,521,922,000 from $4,316,692,000 the prior year coupled with a significant decrease in the average cost of customer accounts to 2.94% at year end compared to 4.31% one year ago.

Interest on FHLB advances and other borrowings decreased to $82,653,000 in fiscal 2002 from $125,410,000 in fiscal 2001 primarily due to a decline in average borrowings to $1,568,220,000 as of September 30, 2002 from $2,264,001,000 one year ago. This decrease in average volume was coupled with a decrease in average rates to 5.03% as of September 30, 2002 from 5.09% at September 30, 2001.

The provision for loan losses was $7,000,000 for fiscal 2002 compared to $1,850,000 in fiscal 2001. This increase reflects the continued decline in economic conditions in the markets the Company serves, including high unemployment levels and a slowdown in the home construction market in the Pacific Northwest. However, non-performing assets remained low at $33,876,000 or .46% of total assets at September 30, 2002 compared with $33,758,000 or .48% of total assets at September 30, 2001. Management believes the allowance for loan losses totaling $23,912,000 or 71% of non-performing assets is adequate to absorb estimated losses inherent in the portfolio.

Total other income decreased $1,648,000 (16.9%) in fiscal 2002 from fiscal 2001. Net gains on the sale of securities totaled $765,000 in fiscal 2002 compared to $3,235,000 in fiscal 2001. The decline was partially offset by a one time gain of $515,000 on the disposition of a branch in fiscal 2002.

Total other expense increased $2,115,000 (4.3%) in fiscal 2002 over fiscal 2001. Compensation expense increased $5,776,000 in fiscal 2002, primarily attributable to a bonus paid to all employees based on improved operating results (adjusted by goodwill amortization); however, this was offset by the elimination of goodwill amortization expense of $5,875,000 over fiscal 2001. Routine operating expenses, including data processing, increased $1,933,000 in fiscal 2002 largely due to the installation of a new teller system. Personnel, including part-time employees considered on a full-time equivalent basis, increased to 726 at September 30, 2002 compared to 714 staff at September 30, 2001. The branch network increased to 115 offices at September 30, 2002 versus 111 offices one year ago. Other expense for fiscal 2002 equaled .73% of average assets compared with .71% in fiscal 2001.

Income taxes increased $16,550,000 (26.8%) in fiscal 2002. The effective tax rate was 35.25% for both fiscal 2002 and 2001.

COMPARISON OF FISCAL 2001 RESULTS WITH FISCAL 2000

Net interest income increased $17,774,000 (8.9%) in fiscal 2001 over fiscal 2000 largely due to the Federal Reserve's 350 basis point decrease of short-term interest rates between January and September 2001.

Interest on loans and mortgage-backed securities increased $37,895,000 (7.9%) in fiscal 2001 from 2000. The increase was largely a result of the increase in earning asset volumes as the Company originated $1,744,216,000 in loans; offsetting loan repayments and payoffs of $1,318,784,000. Average interest rates on loans and mortgage-backed securities decreased to 7.61% from 7.90% one year ago.

Interest and dividends on investment securities increased $488,000 (2.8%) in fiscal 2001 from fiscal 2000. The weighted average yield declined to 7.79% at September 30, 2001 compared with 7.82% at September 30, 2000. The combined investment securities and FHLB stock portfolio increased 4.2% to $270,085,000 at September 30, 2001 versus $259,306,000 one year ago.

Interest on customer accounts increased 12.7% to $194,710,000 for fiscal 2001 from $172,735,000 for fiscal 2000. The increase related to an increase in customer accounts to $4,316,692,000 from $3,465,270,000 the prior year, offset by a decrease in the average cost of customer accounts to 4.31% at year end compared to 5.57% one year ago.

Interest on FHLB advances and other borrowings decreased slightly to $125,410,000 in fiscal 2001, from $126,776,000 in fiscal 2000. This slight decrease was partially due to a decrease in the average rates paid to 5.09% at September 30, 2001 compared to 6.29% as of September 30, 2000. This decrease in average rates was offset by an increase in average borrowings to $2,264,001,000 in fiscal 2001 from $2,115,423,000 in fiscal 2000.

The provision for loan losses was $1,850,000 for fiscal 2001 compared to none in fiscal 2000. This increase reflected the amount required to maintain the allowance for losses at an appropriate level based upon Management's evaluation of the adequacy of the allowance and an increase in actual charge-offs experienced. However, non-performing assets remained low at $33,758,000 or .48% of total assets at September 30, 2001 compared with $31,393,000 or .47% of total assets at September 30, 2000. Management continued to maintain the allowance for loan losses at levels which, at $19,683,000 or 58% of non-performing assets, was adequate to absorb estimated losses inherent in the portfolio.

Total other income decreased $641,000 (6.2%) in fiscal 2001 from fiscal 2000. Net gains on the sale of available-for-sale securities totaled $3,235,000 in fiscal 2001 compared to $4,058,000 in fiscal 2000.

Other expense increased $2,467,000 (5.3%) in fiscal 2001 over fiscal 2000. This increase was primarily attributed to increased compensation expense resulting from a bonus paid to all employees based on improved operating results. Personnel, including part-time employees considered on a full-time equivalent basis, increased to 714 at September 30, 2001 compared to 676 staff at September 30, 2000. The branch network increased to 111 offices at September 30, 2001 versus 108 offices one year ago. Other expense for fiscal 2001 equaled .71% of average assets compared with .73% in fiscal 2000.

Income taxes increased $4,350,000 (7.6%) in fiscal 2001. The effective tax rate was 35.25% for both fiscal 2001 and 2000.

SELECTED FINANCIAL DATA

Year ended September 30,	**2002**	2001	2000	1999	1998
		(In thousands, except per share data)			
Interest income	**$507,317**	$536,410	$498,027	$455,577	$460,604
Interest expense	**234,941**	320,120	299,511	244,490	252,233
Net interest income	**272,376**	216,290	198,516	211,087	208,371
Provision for loan losses	**7,000**	1,850	-	684	740
Other income	**8,206**	10,137	11,309	12,779	11,270
Other expense	**51,228**	49,113	46,646	46,101	45,116
Income before income taxes	**222,354**	175,464	163,179	177,081	173,785
Income taxes	**78,400**	61,850	57,500	62,795	61,949
Net income	**$143,954**	$113,614	$105,679	$114,286	$111,836
Per share data					
Basic earnings	**$ 2.27**	$ 1.79	$ 1.66	$ 1.70	$ 1.60
Diluted earnings	**2.25**	1.77	1.65	1.69	1.59
Cash dividends	**0.90**	0.85	0.81	0.75	0.68

September 30,	**2002**	2001	2000	1999	1998
			(In thousands)		
Total assets	**$7,392,441**	$7,026,743	$6,719,841	$6,163,503	$5,637,011
Loans and mortgage-backed securities*	**6,018,248**	6,570,309	6,277,340	5,731,644	5,119,571
Investment securities**	**1,044,417**	145,724	142,992	141,753	234,013
Customer accounts	**4,521,922**	4,316,692	3,465,270	3,379,502	3,156,202
FHLB advances	**1,650,000**	1,637,500	1,209,000	1,454,000	1,356,500
Other borrowings	**100,000**	30,000	1,154,509	454,257	221,819
Stockholders' equity	**960,718**	874,009	759,165	750,023	767,172
Number of					
Customer accounts	**213,404**	211,570	191,343	189,419	184,832
Mortgage loans	**38,096**	42,032	41,741	40,104	40,615
Offices	**115**	111	108	107	106

* Includes securitized assets subject to repurchase
**Includes cash equivalents

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

September 30,	2002	2001
	(In thousands)	
ASSETS		
Cash and cash equivalents	**$ 975,153**	$ 30,331
Available-for-sale securities, including encumbered securities of $198,910, at fair value	**918,776**	1,079,896
Held-to-maturity securities, including encumbered securities of $17,507, at amortized cost	**168,925**	248,032
Securitized assets subject to repurchase, net	**755,961**	1,180,336
Loans receivable, net	**4,292,003**	4,207,769
Interest receivable	**39,503**	48,280
Premises and equipment, net	**55,119**	54,242
Real estate held for sale	**17,587**	16,778
FHLB stock	**132,320**	124,361
Costs in excess of net assets acquired	**35,703**	35,703
Other assets	**1,391**	1,015
	$7,392,441	$7,026,743
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Customer accounts		
Savings and demand accounts	**$4,452,250**	$4,251,113
Repurchase agreements with customers	**69,672**	65,579
	4,521,922	4,316,692
FHLB advances	**1,650,000**	1,637,500
Other borrowings, primarily securities sold under agreements to repurchase	**100,000**	30,000
Advance payments by borrowers for taxes and insurance	**22,704**	23,196
Federal and state income taxes, including net deferred liabilities of $80,185 and $79,208	**84,235**	94,118
Accrued expenses and other liabilities	**52,862**	51,228
	6,431,723	6,152,734
Stockholders' equity		
Common stock, $1.00 par value, 100,000,000 shares authorized, 76,212,040 and 75,906,790 shares issued; 63,540,820 and 63,647,717 shares outstanding	**76,212**	69,006
Paid-in capital	**968,858**	893,633
Accumulated other comprehensive income, net of tax	**56,000**	51,000
Treasury stock, at cost; 12,671,220 and 12,259,073 shares	**(198,279)**	(189,212)
Retained earnings	**57,927**	49,582
	960,718	874,009
	$7,392,441	$7,026,743

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF OPERATIONS

Year ended September 30,	2002	2001	2000
	(In thousands, except per share data)		
INTEREST INCOME			
Loans and securitized assets subject to repurchase	**$408,619**	$428,532	$384,851
Mortgage-backed securities	**76,138**	89,952	95,738
Investment securities	**22,560**	17,926	17,438
	507,317	536,410	498,027
INTEREST EXPENSE			
Customer accounts	**152,288**	194,710	172,735
FHLB advances and other borrowings	**82,653**	125,410	126,776
	234,941	320,120	299,511
Net interest income	**272,376**	216,290	198,516
Provision for loan losses	**7,000**	1,850	—
Net interest income after provision for loan losses	**265,376**	214,440	198,516
OTHER INCOME			
Gain on sale of securities, net	**765**	3,235	4,058
Other	**7,323**	6,501	6,319
	8,088	9,736	10,377
OTHER EXPENSE			
Compensation and fringe benefits	**34,059**	28,283	26,739
Amortization of intangibles	**—**	5,875	6,006
Occupancy expense	**4,778**	4,497	4,096
Other	**12,391**	10,458	9,805
	51,228	49,113	46,646
Gain on real estate acquired through foreclosure, net	**118**	401	932
Income before income taxes	**222,354**	175,464	163,179
Income taxes			
Current	**79,423**	58,641	59,045
Deferred	**(1,023)**	3,209	(1,545)
	78,400	61,850	57,500
NET INCOME	**$143,954**	$113,614	$105,679
PER SHARE DATA			
Basic earnings	**$ 2.27**	$ 1.79	$ 1.66
Diluted earnings	**2.25**	1.77	1.65
Cash dividends	**0.90**	0.85	0.81
Weighted average number of shares outstanding, including dilutive stock options	**64,111,964**	64,055,925	64,027,508

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
			(In thousands)			
Balance at October 1, 1999	$ 62,192	$ 785,031	$ 43,986	$ 5,000	$ (146,186)	$ 750,023
Comprehensive income:						
Net income			105,679			105,679
Other comprehensive income, net of tax:						
Unrealized gains on securities				628		628
Reclassification adjustment for gains on securities sold				(2,628)		(2,628)
Total comprehensive income						103,679
Dividends			(51,310)			(51,310)
Proceeds from exercise of common stock options	92	1,117				1,209
Proceeds from Employee Stock Ownership Plan		(604)			4,653	4,049
Restricted stock issuance	12	201	(213)			—
Treasury stock					(48,485)	(48,485)
Balance at September 30, 2000	62,296	785,745	98,142	3,000	(190,018)	759,165
Eleven-for-ten stock split distributed February 23, 2001	6,247	101,767	(108,105)			(91)
Comprehensive income:						
Net income			113,614			113,614
Other comprehensive income, net of tax:						
Unrealized gains on securities				50,095		50,095
Reclassification adjustment for gains on securities sold				(2,095)		(2,095)
Total comprehensive income						161,614
Dividends			(54,011)			(54,011)
Proceeds from exercise of common stock options	459	5,663				6,122
Proceeds from Employee Stock Ownership Plan		346			806	1,152
Restricted stock issuance	4	112	(58)			58
Balance at September 30, 2001	69,006	893,633	49,582	51,000	(189,212)	874,009
Eleven-for-ten stock split distributed February 22, 2002	**6,905**	**70,824**	**(77,792)**			**(63)**
Comprehensive income:						
Net income			**143,954**			**143,954**
Other comprehensive income, net of tax:						
Unrealized gains on securities				**5,495**		**5,495**
Reclassification adjustment for gains on securities sold				**(495)**		**(495)**
Total comprehensive income						**148,954**
Dividends			**(57,383)**			**(57,383)**
Proceeds from exercise of common stock options	**282**	**3,462**				**3,744**
Proceeds from Employee Stock Ownership Plan		**461**			**1,157**	**1,618**
Restricted stock issuance	**19**	**478**	**(434)**			**63**
Treasury stock					**(10,224)**	**(10,224)**
Balance at September 30, 2002	**$76,212**	**$968,858**	**$ 57,927**	**$56,000**	**$(198,279)**	**$960,718**

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended September 30,	2002	2001	2000
		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 143,954	$ 113,614	$ 105,679
Adjustments to reconcile net income to net cash provided by operating activities			
Amortization of fees, discounts and premiums, net	(6,103)	(143)	(4,933)
Amortization of costs in excess of net assets acquired	—	5,874	6,006
Depreciation	3,521	2,996	2,337
Provision for loan losses	7,000	1,850	—
Gain on investment securities and real estate held for sale	(883)	(3,636)	(4,990)
Decrease (increase) in accrued interest receivable	8,777	(7,580)	(4,179)
Increase (decrease) in income taxes payable	(11,883)	15,106	1,508
FHLB stock dividends	(7,959)	(8,047)	(7,470)
Decrease (increase) in other assets	(376)	3,714	603
Increase in accrued expenses and other liabilities	1,634	1,436	2,682
Net cash provided by operating activities	137,682	125,184	97,243
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans and contracts originated			
Loans on existing property	(892,595)	(1,157,278)	(923,290)
Construction loans	(363,420)	(369,808)	(451,582)
Land loans	(87,212)	(130,161)	(118,947)
Loans refinanced	(87,607)	(86,969)	(28,471)
	(1,430,834)	(1,744,216)	(1,522,290)
Savings account loans originated	(5,765)	(3,342)	(3,004)
Loan principal repayments	1,823,281	1,318,784	961,634
Decrease in undisbursed loans in process	(13,323)	(29,503)	(17,087)
Loans purchased	(60,874)	(2,842)	(1,630)
Available-for-sale securities purchased	(180,683)	(89,882)	(150,287)
Principal payments and maturities of available-for-sale securities	344,986	216,992	132,608
Available-for-sale securities sold	10,000	50,282	12,442
Held-to-maturity securities purchased	—	—	(4,010)
Principal payments and maturities of held-to-maturity securities	80,154	45,325	36,540
Proceeds from sales of real estate held for sale	19,603	19,268	14,335
Premises and equipment purchased, net	(4,398)	(6,751)	(2,714)
Net cash provided (used) by investing activities	582,147	(225,885)	(543,463)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in customer accounts	205,230	851,422	85,768
Net increase (decrease) in short-term borrowings	(117,500)	(1,646,009)	455,252
Proceeds from long-term borrowings	200,000	950,000	—
Proceeds from exercise of common stock options	3,744	6,122	1,209
Dividends paid	(57,383)	(54,044)	(51,310)
Proceeds from Employee Stock Ownership Plan	1,618	1,152	4,049
Treasury stock purchased, net	(10,224)	—	(48,485)
Increase (decrease) in advance payments by borrowers for taxes and insurance	(492)	(5,897)	2,986
Net cash provided by financing activities	224,993	102,746	449,469
Increase in cash and cash equivalents	944,822	2,045	3,249
Cash and cash equivalents at beginning of year	30,331	28,286	25,037
Cash and cash equivalents at end of year	$ 975,153	$ 30,331	$ 28,286
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Non-cash investing activities			
Real estate acquired through foreclosure	$ 20,294	$ 18,229	$ 14,140
Non-cash operating activities			
Assets securitized, subject to repurchase, net	—	1,388,197	—
Cash paid during the year for			
Interest	237,480	322,933	295,129
Income taxes	90,743	45,746	54,744

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation. The consolidated financial statements include the accounts of Washington Federal, Inc. (Company) and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

Description of business. Washington Federal, Inc. is a savings and loan holding company. The Company's principal operating subsidiary is Washington Federal Savings (Association). The Company is principally engaged in the business of attracting savings deposits from the general public and investing these funds, together with borrowings and other funds, in one-to-four family residential real estate loans and multi-family real estate loans. The Company conducts its activities from a network of 115 offices located in Washington, Oregon, Idaho, Utah, Arizona, Nevada, Texas and Colorado.

Cash and cash equivalents. Cash and cash equivalents include cash on hand, amounts due from banks, overnight investments and repurchase agreements with an initial maturity of three months or less.

Investment and mortgage-backed securities. The Company accounts for investment and mortgage-backed securities in two categories: held-to-maturity and available-for-sale.

Held-to-Maturity Securities – Securities classified as held-to-maturity are accounted for at amortized cost, but the Company must have both the positive intent and the ability to hold those securities to maturity. There are very limited circumstances under which securities in the held-to-maturity category can be sold without jeopardizing the cost basis of accounting for the remainder of the securities in this category. Recognition for unrealized losses is provided if market valuation differences are deemed to be other than temporary.

Available-for-Sale Securities – Securities not classified as held-to-maturity are considered to be available-for-sale. Gains and losses realized on the sale of these securities are based on the specific identification method. Unrealized gains and losses for available-for-sale securities are excluded from earnings and reported as a net amount in a separate component of stockholders' equity.

Premiums and discounts on investments are deferred and recognized over the life of the asset using the interest method based on actual balances.

Forward contracts to purchase mortgage-backed securities are recorded at fair value on the balance sheet as available-for-sale securities. These contracts are designated by the Company as cash flow hedges of the price risk of the anticipated purchase of securities. Under cash flow hedge accounting, if specific criteria are met, the unrealized gains or losses are recognized as a component of stockholders' equity through comprehensive income until the related forecasted purchase of securities occurs whereupon the remaining unrealized gains or losses are included in the basis of the purchased securities. To the extent that forward contracts to purchase securities fail to meet hedging criteria, including purchasing the mortgage-backed securities within a specific time frame, the fair value of the contracts will be included in earnings.

The Company may enter into certain forward contracts to sell mortgage-backed securities to hedge the price risk in certain mortgage-backed securities accounted for as available-for-sale securities. To the extent forward sales contracts meet specific hedging criteria, the market value change associated with the contract is recorded through comprehensive income. To the extent that forward sales contracts fail to meet hedging criteria, the fair value of the contracts will be recorded in earnings. The Company records forward purchases and forward sales contracts net, where it has the legal right of offset, in available-for-sale securities.

Securitized assets subject to repurchase. In March 2001, the Company transferred some of its permanent single-family residential loans into a Real Estate Mortgage Investment Conduit (REMIC). The REMIC then issued securities backed by such loans, all of which were retained by the Company. The terms of the transfer of the loans to the REMIC contain a call provision whereby the Company can repurchase the loans when the outstanding balance of the pool declines to 15% or less of the original amount, therefore, the transfer did not qualify as a sale under generally accepted accounting principles. Accordingly, the retained interests continue to be accounted for in a manner similar to loans and are included in the accompanying balance sheet as Securitized Assets Subject to Repurchase.

Loans receivable. Loans receivable more than 90 days past due are placed on non-accrual status and an allowance for accrued interest is established. Any interest ultimately collected is credited to income in the period of recovery.

The Company maintains an allowance for loan losses to absorb losses inherent in the loan portfolio. The allowance is based on ongoing, quarterly assessments of the probable and estimable losses inherent in the loan portfolio. The Company's methodology for assessing the appropriateness of the allowance consists of several key elements, which include the formula allowance, specific allowances and the unallocated allowance.

The formula portion of the general loan loss allowance is established by applying a loss percentage factor to the different loan types. The allowances are provided based on Management's continuing evaluation of the pertinent factors underlying the quality of the loan portfolio, including changes in the size and composition of the loan portfolio, actual loan loss experience and current economic conditions. The recovery of the carrying value of loans is susceptible to future market conditions beyond the Company's control which may result in losses or recoveries differing from those provided.

Specific allowances are established in cases where Management has identified significant conditions or circumstances related to a loan that Management believes indicate the probability that a loss has been incurred.

The unallocated allowance comprises two components. The first component recognizes the estimation risk associated with the formula and specific allowances. The second component is based upon Management's evaluation of various conditions that are not directly measured in the determination of the formula and specific allowances. The conditions evaluated in connection with the unallocated allowance may include loan volumes and concentrations, seasoning of the loan portfolio, specific industry conditions, recent loss experience within certain parts of the portfolio and the duration of the current business cycle.

Impaired loans consist of loans receivable that will not be repaid in accordance with their contractual terms and are measured using the fair value of the collateral. Smaller balance loans are excluded from this analysis with limited exceptions.

Premises and equipment. Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets. Expenditures are capitalized for betterments and major renewals. Charges for ordinary maintenance and repairs are expensed to operations as incurred.

Real estate held for sale. Properties acquired in settlement of loans, purchased in acquisitions or acquired for development are recorded at the lower of cost or fair value.

Costs in excess of net assets acquired. Costs in excess of fair value of net assets acquired in business combinations are reviewed at least annually to determine that no impairment of the assets has occurred.

Deferred fees and discounts on loans. Loan discounts and loan fees are deferred and recognized over the life of the loans using the interest method based on actual loan payments.

Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates reported in the financial statements include the allowance for loan losses, intangible assets, deferred taxes and contingent liabilities. Actual results could differ from these estimates.

In the second quarters of fiscal 2002 and 2001, the Company declared an eleven-for-ten stock split in the form of a 10% stock dividend. All share and per share amounts have been adjusted to reflect these stock dividends.

Business segments. The Company has determined that its current business and operations consist of a single business segment.

Reclassifications. Certain reclassifications have been made to the financial statements for years prior to September 30, 2002 to conform to the classifications used in 2002.

NOTE B INVESTMENT SECURITIES

September 30,	2002 (In thousands)				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Available-for-sale securities					
U.S. government and agency securities due					
Within 1 year	$ 64,500	$ 245	$ —	$ 64,745	7.80%
1 to 5 years	15,045	1,314	—	16,359	6.98
5 to 10 years	4,745	128	(38)	4,835	7.04
Over 10 years	9,280	5,350	—	14,630	10.41
	93,570	7,037	(38)	100,569	7.89
Held-to-maturity securities					
Tax-exempt municipal bonds due					
5 to 10 years	3,993	521	—	4,514	8.92
Over 10 years	12,855	1,205	(9)	14,051	8.95
	16,848	1,726	(9)	18,565	8.94
	$110,418	$8,763	$(47)	$119,134	8.05%

September 30,	2001 (In thousands)				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Available-for-sale securities					
U.S. government and agency securities due					
Within 1 year	$ 79,881	$ 847	$ —	$ 80,728	8.86%
1 to 5 years	15,073	1,460	—	16,533	6.98
5 to 10 years	10,000	—	(145)	9,855	9.88
Over 10 years	9,280	3,838	—	13,118	10.41
	114,234	6,145	(145)	120,234	8.83
Held-to-maturity securities					
Tax-exempt municipal bonds due					
1 to 5 years	7,650	166	—	7,816	9.79
5 to 10 years	4,010	347	—	4,357	8.29
Over 10 years	13,830	1,331	(4)	15,157	9.19
	25,490	1,844	(4)	27,330	9.23
	$139,724	$7,989	$(149)	$147,564	8.90%

Yields shown in the table above represent tax-equivalent yields.

A $10.0 million available-for-sale security was sold in the first quarter of fiscal 2002, resulting in a gain of $650,000. There were no sales of investment securities during 2001. Investment securities with a book value of $29.3 million and a fair value of $35.2 million at September 30, 2002 were pledged to secure public deposits.

NOTE C MORTGAGE-BACKED SECURITIES

September 30,	2002 (In thousands)				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Available-for-sale securities					
GNMA pass-through certificates	$ 3,804	$ 13	$ (43)	$ 3,774	5.58%
FNMA pass-through certificates	8,089	645	—	8,734	7.78
FHLMC pass-through certificates	716,499	49,440	—	765,939	6.74
FHLMC	4,181	96	(27)	4,250	5.38
FNMA	3,456	35	(16)	3,475	5.98
Private issues	3,984	26	—	4,010	7.31
Forward contracts	—	36,212	(8,187)	28,025	—
	740,013	86,467	(8,273)	818,207	6.73
Held-to-maturity securities					
GNMA pass-through certificates	43	4	—	47	9.50
FNMA pass-through certificates	2,917	212	—	3,129	8.18
FHLMC pass-through certificates	149,117	8,732	—	157,849	7.02
	152,077	8,948	—	161,025	7.04
	$892,090	$95,415	$(8,273)	$979,232	6.78%

September 30,	2001				
	(In thousands)				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Available-for-sale securities					
GNMA pass-through certificates	$ 5,596	$ 17	$ (63)	$ 5,550	7.42%
FNMA pass-through certificates	14,562	830	—	15,392	7.75
FHLMC pass-through certificates	843,206	36,928	—	880,134	6.88
FHLMC	6,662	60	(11)	6,711	8.21
FNMA	6,019	133	(23)	6,129	7.08
Private issues	12,217	128	(1)	12,344	7.17
Forward contracts	—	33,402	—	33,402	—
	888,262	71,498	(98)	959,662	6.91
Held-to-maturity securities					
GNMA pass-through certificates	74	6	—	80	9.50
FNMA pass-through certificates	5,073	299	—	5,372	8.07
FHLMC pass-through certificates	217,395	9,762	(2)	227,155	7.15
	222,542	10,067	(2)	232,607	7.17
	$1,110,804	$81,565	$(100)	$1,192,269	6.96%

There were no sales of mortgage-backed securities during 2002. Proceeds from sales of mortgage-backed securities in the available-for-sale portfolio during 2001 and 2000 were $50.3 million and $12.4 million, respectively. The Company realized gains of $3.2 million and $4.1 million during 2001 and 2000, respectively. The Company had no losses on sales during 2001 or 2000.

Mortgage-backed securities with a book value of $174.9 million and a fair value of $182.3 million at September 30, 2002 were pledged as collateral for secured reverse repurchase agreements (see Note K) and secured repurchase agreements with customers (see Note I). Substantially all mortgage-backed securities have contractual due dates which exceed ten years.

The Company accepts a high level of interest rate risk as a result of its policy to originate fixed-rate single family home loans which are longer-term than the short-term characteristics of its liabilities of customer accounts and borrowed money. The Company enters into forward contracts to purchase and sell mortgage-backed securities as part of its interest rate risk management program. These forward contracts are derivative instruments as defined by SFAS 133 “Accounting for Derivative Instrument and Hedging Activities,” as amended. The forward contracts allow the Company to hedge the risk of varying mortgage-backed securities prices in the future as the result of changes in interest rates. The Company has determined anticipated purchase dates for each forward commitment to purchase ranging from November 2002 through August 2004. The Company has determined anticipated sale dates for each forward commitment to sell ranging from June 2003 through September 2004. The net fair value of these contracts is included with the available for sale securities. The related mortgage-backed securities are designated as available-for-sale securities upon exercise of the commitments to purchase.

Cost and fair value of the mortgage-backed securities underlying the forward contracts were as follows:

September 30,	**2002**			2001		
	(In thousands)					
	Cost	Fair Value	Unrealized Gain (loss)	Cost	Fair Value	Unrealized Gain (loss)
Commitments to purchase	**$247,275**	**$283,487**	**$36,212**	$357,291	$390,693	$33,402
Commitments to sell	**223,064**	**231,251**	**(8,187)**	—	—	—

NOTE D LOANS RECEIVABLE AND SECURITIZED ASSETS SUBJECT TO REPURCHASE

September 30,	2002	2001
	(In thousands)	
Conventional real estate		
Permanent single-family residential	**$4,145,122**	$4,513,442
Multi-family	**441,648**	392,272
Land	**179,936**	193,424
Construction	**574,866**	591,245
	5,341,572	5,690,383
Less		
Allowance for possible losses	**23,912**	19,683
Discount on loans	**2,667**	3,574
Loans in process	**235,733**	249,056
Deferred loan origination fees	**31,296**	29,965
	293,608	302,278
	$5,047,964	$5,388,105

The Company originates adjustable and fixed interest rate loans, which at September 30, 2002 consisted of the following:

Fixed-Rate (In thousands)

Term to Maturity	Book Value
Within 1 year	**$ 21,218**
1 to 3 years	**34,241**
3 to 5 years	**72,346**
5 to 10 years	**479,040**
10 to 20 years	**444,307**
Over 20 years	**3,737,303**
	$4,788,455

Adjustable-Rate (In thousands)

Term to Rate Adjustment	Book Value
Less than 1 year	**$525,711**
1 to 3 years	**21,501**
3 to 5 years	**5,845**
5 to 10 years	**60**
10 to 20 years	—
Over 20 years	—
	$553,117

At September 30, 2002 and 2001, approximately $36,637,000 and $60,641,000 of fixed-rate loan origination commitments were outstanding, respectively. Loans serviced for others at September 30, 2002 and 2001 were approximately $16,996,000 and $26,068,000, respectively.

Permanent single-family residential loans receivable included adjustable-rate loans of $11,448,000 and $24,255,000 at September 30, 2002 and 2001, respectively. These loans have interest rate adjustment limitations and are generally indexed to the 1-year Treasury Bill rate or the monthly weighted average cost of funds for Eleventh District savings institutions as published by the FHLB.

Loans by geographic concentration were as follows:

September 30, 2002	Washington	Idaho	Oregon	Utah	Arizona	Other	Total
				(In thousands)			
Conventional real estate							
Permanent single-family residential	**$1,878,058**	**$558,964**	**$744,600**	**$545,893**	**$354,062**	**$63,545**	**$4,145,122**
Multi-family	**149,666**	**26,683**	**123,344**	**29,426**	**97,834**	**14,695**	**441,648**
Land	**93,856**	**28,005**	**11,286**	**20,981**	**25,422**	**386**	**179,936**
Construction	**266,359**	**79,651**	**99,548**	**61,498**	**60,886**	**6,924**	**574,866**
	$2,387,939	**$693,303**	**$978,778**	**$657,798**	**$538,204**	**$85,550**	**$5,341,572**

At September 30, 2002, the Company's recorded investment in impaired loans was $10.5 million with no related allocated reserves. At September 30, 2001 the Company's recorded investment in impaired loans was $7.9 million with allocated reserves of $.1 million. The average balance of impaired loans during 2002, 2001 and 2000 was $12.7 million, $13.1 million and $10.2 million and interest income from impaired loans was $922,000, $949,000 and $765,000, respectively.

NOTE E ALLOWANCE FOR LOSSES ON LOANS AND SECURITIZED ASSETS SUBJECT TO REPURCHASE

Year ended September 30,	**2002**	2001	2000
		(In thousands)	
Balance at beginning of year	**$19,683**	$20,831	$21,900
Provision for loan losses	**7,000**	1,850	—
Charge-offs	**(3,401)**	(3,845)	(1,377)
Recoveries	**630**	847	308
Balance at end of year	**$23,912**	$19,683	$20,831

NOTE F INTEREST RECEIVABLE

September 30,	**2002**	2001
	(In thousands)	
Loans receivable and securitized assets subject to repurchase	**$33,067**	$40,584
Allowance for uncollected interest on loans receivable	**(956)**	(1,323)
Mortgage-backed securities	**5,158**	5,940
Investment securities	**2,234**	3,079
	$39,503	$48,280

NOTE G PREMISES AND EQUIPMENT

September 30,	Estimated Useful Life	**2002**	2001
		(In thousands)	
Land	—	**$ 13,643**	$ 13,400
Buildings	25 - 40	**52,975**	49,965
Leasehold improvements	7 - 15	**5,302**	5,043
Furniture, fixtures and equipment	2 - 10	**15,052**	15,022
		86,972	83,430
Less accumulated depreciation		**(31,853)**	(29,188)
		$ 55,119	$ 54,242

The Company has non-cancelable operating leases for branch offices. Rental expense, including amounts paid under month-to-month cancelable leases, amounted to $1,895,000, $1,606,000 and $1,510,000 in 2002, 2001 and 2000, respectively. Future minimum net rental commitments for all non-cancelable leases, including maintenance and associated costs, are immaterial.

NOTE H REAL ESTATE HELD FOR SALE

September 30,	**2002**	2001
	(In thousands)	
Acquired for development	**$ 7,072**	$ 8,114
Acquired in settlement of loans	**10,515**	8,664
	$17,587	$16,778

NOTE I CUSTOMER ACCOUNTS

September 30,	**2002**	2001
	(In thousands)	
Checking accounts, 2.01% and under	**$ 191,542**	$ 152,143
Passbook and statement accounts, 2.08%	**157,759**	135,522
Insured money market accounts, 1.25% to 2.25%	**972,993**	805,759
Certificate accounts		
Less than 3.00%	**1,619,867**	4,109
3.00% to 3.99%	**935,687**	236,834
4.00% to 4.99%	**373,230**	1,981,925
5.00% to 5.99%	**189,712**	799,242
6.00% and over	**11,460**	135,579
Total certificates	**3,129,956**	3,157,689
Repurchase agreements with customers	**69,672**	65,579
	$4,521,922	$4,316,692

Certificate maturities were as follows:

September 30,	**2002**	2001
	(In thousands)	
Within 1 year	**$2,590,373**	$2,814,662
1 to 2 years	**156,413**	211,362
2 to 3 years	**62,260**	32,163
Over 3 years	**320,910**	99,502
	$3,129,956	$3,157,689

Customer accounts over $100,000 totaled $1,040,000,000 as of September 30, 2002 and $1,026,000,000 as of September 30, 2001.

Interest expense on customer accounts consisted of the following:

Year ended September 30,	**2002**	2001	2000
		(In thousands)	
Checking accounts	**$ 2,310**	$ 2,426	$ 2,372
Passbook and statement accounts	**3,201**	4,066	4,468
Insured money market accounts	**22,231**	24,514	22,793
Certificate accounts	**122,705**	160,018	138,614
	150,447	191,024	168,247
Repurchase agreements with customers	**2,259**	4,138	5,052
	152,706	195,162	173,299
Less early withdrawal penalties	**(418)**	(452)	(564)
	$152,288	$194,710	$172,735
Weighted average interest rate at end of year	**2.96%**	4.31%	5.57%
Weighted daily average interest rate during the year	**3.41**	5.28	5.07

NOTE J FHLB ADVANCES

Maturity dates of FHLB advances were as follows:

September 30,	**2002**	2001
	(In thousands)	
FHLB advances due		
Within 1 year	**$ 600,000**	$ 287,500
2 to 3 years	**650,000**	650,000
3 to 4 years	**300,000**	700,000
More than 5 years	**100,000**	—
	$1,650,000	$1,637,500

Included in the table above are FHLB advances with the following callable dates:

Year Callable	Amount	Average Interest Rate
2003	$400,000,000	5.58%
2005	400,000,000	4.98
2006	200,000,000	5.04
2007	100,000,000	3.45

Financial data pertaining to the weighted average cost and the amount of FHLB advances were as follows:

September 30,	**2002**	2001	2000
		(In thousands)	
Weighted average interest rate at end of year	**5.13**%	5.12%	6.06%
Weighted daily average interest rate during the year	**5.28**	5.44	5.82
Daily average of FHLB advances	**$1,558,384**	$1,336,025	$ 802,818
Maximum amount of FHLB advances at any month end	**1,654,000**	2,107,000	1,209,000
Interest expense during the year	**82,357**	72,654	46,738

FHLB advances are collateralized as provided for in the Advances, Pledge and Security Agreement by all FHLB stock owned by the Association, deposits with the FHLB and certain mortgages or deeds of trust securing such properties as provided in the agreements with the FHLB. As a member of the FHLB of Seattle, the Association currently has a credit line of 35% of the total assets of the Association, subject to collateralization requirements.

NOTE K OTHER BORROWINGS

September 30,	**2002**	2001
	(In thousands)	
Securities sold under agreements to repurchase		
Callable once in 2007, matures in 2012	**$100,000**	$ —
Other borrowings		
Federal funds purchased, weighted average rate of 3.25% in 2001, due on demand	—	30,000
	$100,000	$30,000

The Company enters into sales of securities under agreements to repurchase (reverse repurchase agreements). Fixed-coupon reverse repurchase agreements are treated as financings, and the obligations to repurchase securities sold are reflected as a liability in the consolidated statements of financial condition. During the two years ended September 30, 2002 all of the Company's transactions were fixed-coupon reverse repurchase agreements. The dollar amount of securities underlying the agreements remain in the asset accounts. The securities pledged are registered in the Company's name and principal and interest payments are received by the Company; however, the securities are held by the designated trustee of the broker. Upon maturity of the agreements the identical securities pledged as collateral will be returned to the Company.

Financial data pertaining to the weighted average cost and the amount of securities sold under agreements to repurchase were as follows:

September 30,	**2002**	2001	2000
		(In thousands)	
Weighted average interest rate at end of year	**3.36%**	—%	6.52%
Weighted daily average interest rate during the year	**3.36**	5.75	6.12
Daily average of securities sold under agreements to repurchase	**$ 4,110**	$ 785,563	$ 960,963
Maximum securities sold under agreements to repurchase at any month end	**100,000**	1,074,509	1,089,127
Interest expense during the year	**140**	45,149	58,815

NOTE L INCOME TAXES

The consolidated statements of financial condition at September 30, 2002 and 2001 include deferred taxes of $80,185,000 and $79,208,000, respectively, that have been provided for the temporary differences between the tax basis and the financial statement carrying amounts of assets and liabilities. The major sources of these temporary differences and their deferred tax effects were as follows:

September 30,	**2002**	2001
	(In thousands)	
Deferred tax assets		
Real estate valuation reserves	**$ 440**	$ 440
Deferred compensation	**230**	250
Discounts	**8**	17
Total deferred tax assets	**678**	707
Deferred tax liabilities		
FHLB stock dividends	**30,538**	27,473
Loan loss reserves	**742**	6,700
Valuation adjustment on available-for-sale securities	**30,000**	28,000
Depreciation	**2,085**	2,600
Loan origination costs	**9,214**	11,559
Securitized asset subject to repurchase valuation adjustment	**2,653**	4,152
Other, net	**5,631**	(569)
Total deferred tax liabilities	**80,863**	79,915
Net deferred tax liability	**$80,185**	$79,208

A reconciliation of the statutory federal income tax rate to the effective income tax rate follows:

Year ended September 30,	**2002**	2001	2000
Statutory income tax rate	**35%**	35%	35%
Dividend received deduction	**(1)**	(1)	(1)
State income tax	**1**	1	1
Effective income tax rate	**35%**	35%	35%

The Small Business Job Protection Act of 1996 (the Act) required qualified thrift institutions, such as the Association, to recapture the portion of their tax bad debt reserves that exceeded the September 30, 1988 balance. Such recaptured amounts are to be taken into taxable income ratably over a six-year period beginning in 1999. Accordingly, the Association is required to pay approximately $23,469,000 in additional federal income taxes, all of which has been previously provided, through fiscal 2004.

A deferred tax liability has not been required to be recognized for the tax bad debt base year reserves of the Association. The base year reserves are the balance of reserves as of September 30, 1988 reduced proportionately for reductions in the Association's loan portfolio since that date. At September 30, 2002 the amount of those reserves was approximately $4,835,000. The amount of unrecognized deferred tax liability at September 30, 2002 was approximately $1,862,000.

The Company has been examined by the Internal Revenue Service through the year ended September 30, 1990. There were no material changes made to the Company's taxable income, as originally reported, as a result of this examination.

NOTE M PROFIT SHARING RETIREMENT AND EMPLOYEE STOCK OWNERSHIP PLAN

The Company maintains a Profit Sharing Retirement and Employee Stock Ownership Plan (Plan) for the benefit of its employees. Contributions are made semi-annually as approved by the Board of Directors. Such amounts are not in excess of amounts permitted by the Employee Retirement Income Security Act of 1974.

Employees may contribute up to 7% of their base salaries to the Plan or 13% of their base salaries on a tax-deferred basis through the 401(k) provisions of the Plan with a combined maximum of 13%. Under provisions of the Plan, employees are eligible to participate on the date of hire and become fully vested in the Company's contributions following seven years of service. During August 1995 the Company received a favorable determination from the Internal Revenue Service to include an Employee Stock Ownership feature as part of the Plan. This feature allows employees to direct a portion of their vested account balance toward the purchase of Company stock. Company contributions to the Plan amounted to $2,039,000, $1,781,000 and $1,724,000 for the years ended September 30, 2002, 2001 and 2000, respectively.

NOTE N STOCK OPTION PLANS

The Company has three employee stock option plans which provide a combination of stock options and stock grants. Stockholders authorized 2,042,569 shares, 3,365,966 shares and 3,080,000 shares of common stock, as adjusted for stock splits and stock dividends, to be reserved pursuant to the 1987 Stock Option and Stock Appreciation Rights Plan (the 1987 Plan), the 1994 Stock Option and Stock Appreciation Rights Plan (the 1994 Plan) and the 2001 Long-Term Incentive Plan (the 2001 Plan), respectively. The three plans are substantially similar. Of the 8,488,535 total shares authorized by stockholders under the three plans, 4,277,800 shares remain available for issuance. All equity compensation plans have been approved by stockholders.

Options granted under each plan vest at varying percentages commencing as early as one year after the date of grant with expiration dates ten years after the date of grant.

	Average Price[1]	Number[1]	Weighted Average Fair Value of Option Shares Granted
Outstanding, October 1, 1999	$ 14.15	1,871,769	
Granted in 2000	15.57	876,115	$4.22
Exercised in 2000	10.67	(114,208)	
Forfeited in 2000	15.87	(212,270)	
Outstanding, September 30, 2000	14.67	2,421,406	
Granted in 2001	16.87	92,015	4.45
Exercised in 2001	11.62	(526,066)	
Forfeited in 2001	15.24	(125,772)	
Outstanding, September 30, 2001	15.60	1,861,583	
Granted in 2002	**20.14**	**766,050**	**3.76**
Exercised in 2002	**12.96**	**(289,032)**	
Forfeited in 2002	**17.62**	**(150,191)**	
Outstanding, September 30, 2002	**$17.40**	**2,188,410**	

[1]Average price and number of stock options granted, exercised and forfeited have been adjusted for 10% stock dividends in the second quarter of both 2002 and 2001.

Financial data pertaining to outstanding stock options were as follows:

September 30, 2002					
Ranges of Exercise Prices	Number of Option Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price of Option Shares	Number of Exercisable Option Shares	Weighted Average Exercisable Price of Exercisable Option Shares
$ 9.80 - 14.15	**286,559**	**2.5 years**	**$11.75**	**230,013**	**$11.55**
14.35 - 17.66	**808,533**	**7.0**	**15.75**	**95,644**	**15.60**
18.04 - 22.55	**1,093,318**	**7.7**	**20.10**	**166,149**	**20.12**
	2,188,410	**6.8 years**	**$17.40**	**491,806**	**$15.23**

In October 1995, the Financial Accounting Standards Board (FASB) issued SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123 requires expanded disclosures of stock-based compensation arrangements with employees and encourages application of the fair value recognition provisions in the statement.

Companies may continue following rules to recognize and measure compensation as outlined in Accounting Principles Board (APB) Opinion No. 25, but are now required to disclose the pro forma amounts of net income and earnings per share that would have been reported had the Company elected to follow the fair value recognition provisions of SFAS No. 123. The Company adopted the disclosure requirements of SFAS No. 123, but continues to measure its employee stock-based compensation arrangements under the provisions of APB No. 25. Had compensation costs for the Company's compensation plans been determined under SFAS No. 123, the Company's net income attributable to common stock would have been reduced by $1,149,000, $738,000 and $685,000 for 2002, 2001 and 2000, respectively. Net income per share would have decreased by $.02 per share in 2002, and $.01 per share in both 2001 and 2000.

The fair value of options granted under the Company's stock option plan is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions: annual dividend yield of 4.00% for 2002 and 2001, and 5.00% for 2000; expected volatility of 27% for 2002, 34% for 2001 and 29% for 2000; risk-free interest rate of 3.52% for 2002, 3.80% for 2001 and 5.80% for 2000; an expected life of five years for all three years.

NOTE O STOCKHOLDERS' EQUITY

In the second quarter of fiscal 2002 and 2001, the Company declared an eleven-for-ten stock split in the form of a 10% stock dividend in addition to the regular quarterly cash dividends on its shares of common stock.

The Association is subject to various regulatory capital requirements administered by the Office of Thrift Supervision (OTS). Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary action by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Association must meet specific capital guidelines that involve quantitative measures of the Association's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Association's capital amounts and classification are also subject to qualitative judgments by the regulators about capital components, risk-weightings and other factors.

As of September 30, 2002 and 2001 the OTS categorized the Association as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Association must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following table. There are no conditions or events since that notification that Management believes have changed the Association's categorization.

	Actual		Capital Adequacy Guidelines		Categorized as Well Capitalized Under Prompt Corrective Action Provisions	
	Capital	Ratio	Capital	Ratio	Capital	Ratio
September 30, 2002	(Dollars in thousands)					
Total capital to risk-weighted assets	**$875,847**	**22.62%**	**$309,807**	**8.00%**	**$387,259**	**10.00%**
Tier I capital to risk-weighted assets	**860,179**	**22.21**	**NA**	**NA**	**232,355**	**6.00**
Core capital to adjusted tangible assets	**860,179**	**11.85**	**NA**	**NA**	**363,095**	**5.00**
Core capital to total assets	**860,179**	**11.85**	**217,857**	**3.00**	**NA**	**NA**
Tangible capital to tangible assets	**860,179**	**11.85**	**108,928**	**1.50**	**NA**	**NA**
September 30, 2001						
Total capital to risk-weighted assets	$791,837	20.12%	$314,772	8.00%	$393,465	10.00%
Tier I capital to risk-weighted assets	781,657	19.87	NA	NA	236,079	6.00
Core capital to adjusted tangible assets	781,657	11.32	NA	NA	345,324	5.00
Core capital to total assets	781,657	11.32	207,194	3.00	NA	NA
Tangible capital to tangible assets	781,657	11.32	103,597	1.50	NA	NA

At periodic intervals, the OTS and the Federal Deposit Insurance Corporation (FDIC) routinely examine the Company's financial statements as part of their oversight of the savings and loan industry. Based on their examinations, these regulators can direct that the Company's financial statements be adjusted in accordance with their findings. The extent to which forthcoming regulatory examinations may result in adjustments to the financial statements cannot be determined, however, no adjustments were proposed as a result of the most recent OTS examination which concluded in July 2002.

Information used to calculate earnings per share is as follows:

September 30,	**2002**	2001	2000
	(Dollars in thousands, except per share data)		
Net income	**$ 143,954**	$ 113,614	$ 105,679
Weighted average shares			
Basic weighted average number of common shares outstanding	**63,504,742**	63,377,272	63,702,696
Dilutive effect of outstanding common stock equivalents	**607,222**	678,653	324,812
Diluted weighted average number of common shares outstanding	**64,111,964**	64,055,925	64,027,508
Net income per share			
Basic	**$ 2.27**	$ 1.79	$ 1.66
Diluted	**2.25**	1.77	1.65

NOTE P FAIR VALUES OF FINANCIAL INSTRUMENTS

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," requires disclosure of fair value information about financial instruments, whether or not recognized on the balance sheet, for which it is practicable to estimate those values. SFAS No. 107 excludes certain financial instruments and all non-financial instruments from its 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, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and therefore, estimates of fair value subsequent to that date may differ significantly from the amounts presented below.

September 30,	**2002**		2001	
	(In thousands)			
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets				
Cash and cash equivalents	**$ 975,153**	**$ 975,153**	$ 30,331	$ 30,331
Available-for-sale securities	**918,776**	**918,776**	1,079,896	1,079,896
Held-to-maturity securities	**168,925**	**179,590**	248,032	259,939
Loans receivable and securitized assets	**5,047,964**	**5,743,480**	5,388,105	5,636,267
FHLB stock	**132,320**	**132,320**	124,361	124,361
Financial liabilities				
Customer accounts	**4,521,922**	**4,538,726**	4,316,692	4,329,833
FHLB advances	**1,650,000**	**1,797,468**	1,637,500	1,660,039
Other borrowings	**100,000**	**100,000**	30,000	30,000

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.

Investment securities – The fair value is based on quoted market prices or dealer estimates.

Loans receivable and securitized assets subject to repurchase – For certain homogeneous categories of loans, such as fixed- and variable-rate residential mortgages, fair value is estimated using quoted market prices for securities backed by similar loans, adjusted for differences in loan characteristics. 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.

Mortgage-backed securities – Estimated fair value for mortgage-backed securities issued by quasi-governmental agencies is based on quoted market prices. The fair value of all other mortgage-backed securities is based on dealer estimates.

FHLB stock – The fair value is based upon the redemption 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 Association for debt with similar remaining maturities.

NOTE Q ACCOUNTING CHANGES

In June 2001, the FASB issued SFAS No.142, "Goodwill and Other Intangible Assets". SFAS No. 142 eliminates the amortization of goodwill relating to past and future acquisitions and instead subjects goodwill to an impairment assessment at least annually. The Company early adopted the provisions of SFAS No. 142 to existing goodwill and other intangible assets for fiscal years beginning October 1, 2001. The adoption of SFAS No. 142 increased earnings by approximately $5.6 million, and diluted earnings per share by $.06, for the year ended September 30, 2002.

NOTE R **FINANCIAL INFORMATION – WASHINGTON FEDERAL, INC.**

The following Washington Federal, Inc. (parent company only) financial information should be read in conjunction with the other notes to the Consolidated Financial Statements.

Statements of Financial Condition

September 30,	**2002**	2001
	(In thousands)	
Assets		
Cash	**$ 2,268**	$ 1,714
Investment in subsidiary	**959,250**	874,050
Dividend receivable	**14,000**	12,125
Total assets	**$ 975,518**	$ 887,889
Liabilities		
Dividend payable	**$ 14,800**	$ 13,880
Stockholders' equity		
Common stock, $1.00 par value: 100,000,000 shares authorized; 76,212,040 and 75,906,790 shares issued; 63,540,820 and 63,647,717 shares outstanding	**$ 76,212**	$ 69,006
Paid-in capital	**968,858**	893,633
Accumulated other comprehensive income, net of tax	**56,000**	51,000
Treasury stock, at cost; 12,671,220 and 12,259,073 shares	**(198,279)**	(189,212)
Retained earnings	**57,927**	49,582
Total stockholders' equity	**960,718**	874,009
Total liabilities and stockholders' equity	**$ 975,518**	$ 887,889

Statements of Operations

Year ended September 30,	**2002**	2001	2000
		(In thousands)	
Income			
Dividends from subsidiary	**$ 64,000**	$ 45,000	$ 97,080
Expense			
Miscellaneous	**380**	354	435
Net income before equity in undistributed net income of subsidiary	**63,620**	44,646	96,645
Equity in undistributed net income of subsidiary	**80,200**	68,843	8,909
Income before income taxes	**143,820**	113,489	105,554
Income tax benefit	**134**	125	125
Net income	**$143,954**	$113,614	$105,679

Statements of Cash Flows

Year ended September 30,	**2002**	2001	2000
		(In thousands)	
Cash Flows From Operating Activities			
Net income	**$143,954**	$113,614	$105,679
Adjustments to reconcile net income to net cash provided by operating activities			
Equity in undistributed net income of subsidiary	**(80,200)**	(68,843)	(8,909)
Decrease (increase) in dividend receivable	**(1,875)**	1,875	(2,000)
Increase in dividend payable	**920**	758	568
Net cash provided by operating activities	**62,799**	47,404	95,338
Cash Flows From Financing Activities			
Decrease in short-term borrowings	**—**	—	(1,000)
Issuance of common stock through stock option plan	**3,744**	6,224	1,209
Proceeds from Employee Stock Ownership Plan	**1,618**	1,108	4,049
Treasury stock purchased	**(10,224)**	—	(48,485)
Dividends	**(57,383)**	(54,102)	(51,310)
Net cash used by financing activities	**(62,245)**	(46,770)	(95,537)
Increase (decrease) in cash	**554**	634	(199)
Cash at beginning of year	**1,714**	1,080	1,279
Cash at end of year	**$ 2,268**	$ 1,714	$ 1,080

NOTE S

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of the unaudited interim results of operations by quarter:

Year ended September 30, 2002	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
	(Dollars in thousands, except per share data)			
Interest income	**$131,912**	**$127,072**	**$124,135**	**$124,198**
Interest expense	**65,357**	**58,274**	**55,875**	**55,435**
Net interest income	**66,555**	**68,798**	**68,260**	**68,763**
Provision for loan losses	**2,000**	**2,000**	**1,500**	**1,500**
Other operating income	**3,002**	**1,553**	**1,803**	**1,848**
Other operating expense	**12,905**	**13,123**	**13,145**	**12,055**
Income before income taxes	**54,652**	**55,228**	**55,418**	**57,056**
Income taxes	**19,267**	**19,469**	**19,535**	**20,129**
Net income	**$ 35,385**	**$ 35,759**	**$ 35,883**	**$ 36,927**
Basic earnings per share	**$ .56**	**$ .56**	**$ .57**	**$ .58**
Diluted earnings per share	**$ .55**	**$ .56**	**$ .56**	**$ .58**
Return of average assets	**2.04%**	**2.05%**	**2.04%**	**2.07%**

Year ended September 30, 2001	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(Dollars in thousands, except per share data)			
Interest income	$133,421	$134,106	$134,601	$134,282
Interest expense	87,419	83,362	77,388	71,951
Net interest income	46,002	50,744	57,213	62,331
Provision for loan losses	—	150	500	1,200
Other operating income	3,138	2,923	2,272	1,804
Other operating expense	11,108	11,739	12,609	13,657
Income before income taxes	38,032	41,778	46,376	49,278
Income taxes	13,478	14,455	16,526	17,391
Net income	$ 24,554	$ 27,323	$ 29,850	$ 31,887
Basic earnings per share	$ .39	$ .43	$ .47	$ .50
Diluted earnings per share	$ .38	$ .42	$ .47	$ .50
Return of average assets	1.45%	1.59%	1.71%	1.83%

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Washington Federal, Inc.
Seattle, Washington

We have audited the accompanying consolidated statements of financial condition of Washington Federal, Inc. and subsidiaries (the Company) as of September 30, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Washington Federal, Inc. and subsidiaries as of September 30, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2002, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
Seattle, Washington
October 18, 2002

GENERAL CORPORATE AND STOCKHOLDERS' INFORMATION

Corporate Headquarters
425 Pike Street
Seattle, Washington 98101
(206) 624-7930

Independent Accountants
Deloitte & Touche LLP
Seattle, Washington

Transfer Agent, Registrar and Dividend Disbursing Agent
Stockholder inquiries regarding transfer requirements, cash or stock dividends, lost certificates, consolidating records, correcting a name or changing an address should be directed to the transfer agent:
ChaseMellon Shareholder Services, L.L.C.
Shareholder Relations Department
85 Challenger Road
Ridgefield Park, NJ 07660
Telephone: 1-800-522-6645
www.melloninvestor.com

Annual Meeting
The annual meeting of stockholders will be held on January 21, 2003, at 2 p.m. at the Sheraton Hotel, 1400 Sixth Avenue, Seattle, Washington.

Form 10-K
This report and all financial releases are available on the Company's web site at:
www.washingtonfederal.com

Stock Information
Washington Federal, Inc. is traded on the NASDAQ Stock Market. The common stock symbol is WFSL. At September 30, 2002, there were approximately 2,533 stockholders of record.

	Stock Prices		
Quarter Ended	High	Low	Dividends
December 31, 2000	$24.23	$16.37	$0.21
March 31, 2001	24.55	20.46	0.21
June 30, 2001	24.77	21.65	0.22
September 30, 2001	25.13	20.97	0.22
December 31, 2001	23.55	20.00	0.22
March 31, 2002	26.14	23.53	0.22
June 30, 2002	27.41	24.03	0.23
September 30, 2002	26.26	21.25	0.23

All prices shown have been adjusted for stock splits.

Largest Market Makers:
McAdams Wright Ragen, Inc.
Archipelago, L.L.C.
Instinet Corporation
Spear, Leeds & Kellogg
Knight Securities L.P.
Friedman Billings Ramsey & Co., Inc.
Salomon Smith Barney, Inc.
Merrill Lynch, Pierce, Fenner & Smith, Inc.
Cantor Fitzgerald & Co.
Lehman Brothers, Inc.
Schwab Capital Markets
Morgan Stanley & Co., Inc.
Keefe, Bruyette & Woods, Inc.
Goldman, Sachs & Co.
Herzog, Heine, Geduld, L.L.C.
Prudential Securities, Inc.
Jefferies & Company, Inc.

DIRECTORS, OFFICERS AND OFFICES

CORPORATE HEADQUARTERS

425 Pike Street
Seattle, WA 98101
(206) 624-7930

BOARD OF DIRECTORS

GUY C. PINKERTON
Chairman

ROY M. WHITEHEAD
Vice Chairman, President and Chief Executive Officer

JOHN F. CLEARMAN
Former Chief Financial Officer,
Milliman USA, Inc.

H. DENNIS HALVORSON
Retired, Former Chief Executive Officer, United Bank

KERMIT O. HANSON
Dean Emeritus
University of Washington Graduate School of Business Administration

W. ALDEN HARRIS
Former Executive Vice President

ANNA C. JOHNSON
Senior Partner
Scan East West Travel

CHARLES R. RICHMOND
Former Executive Vice President

DIRECTORS EMERITI

E.W. MERSEREAU, JR.

RICHARD C. REED

EXECUTIVE MANAGEMENT COMMITTEE

EDWIN C. HEDLUND
Executive Vice President and Secretary

JACK B. JACOBSON
Executive Vice President and Chief Lending Officer

RONALD L. SAPER
Executive Vice President and Chief Financial Officer

ROY M. WHITEHEAD
Vice Chairman, President and Chief Executive Officer

DEPARTMENT OFFICERS

Accounting & Finance

BRENT J. BEARDALL
Vice President Finance & Controller

Appraisal

HEATHER LULL

Credit Administration-Construction and Land

JAMES E. CADY
Senior Vice President

DALE SULLIVAN
Vice President

Corporate Real Estate and Taxes

KEITH D. TAYLOR
Senior Vice President and Treasurer

Data Processing

TERRY O. PERMENTER
Senior Vice President

Deposit Operations

BEN A. WHITMARSH
Senior Vice President

Facilities

MICHAEL D. MERTINS

Internal Audit

BARBARA A. MURPHY
Vice President

Loan Operations

MICHAEL BUSH
Vice President

Loan Servicing

LARRY PLUMB
Vice President

Legal/Special Credits

PAUL TYLER
Vice President and Counsel

Manuals/Training

LINDA NICHOLL
Assistant Vice President

Marketing and Investor Relations

CATHY COOPER
Vice President

Multi-Family Loans

J. TIMOTHY GRANT
Senior Vice President

Permanent Loan Production

JOHN WUNDERLICH
Vice President

Underwriting – Permanent Loans

JANE A. NOGLE
Senior Vice President

SUBSIDIARIES

First Insurance Agency, Inc.
317 S. 2nd Street
Mount Vernon, WA 98273
1-800-562-2555
(360) 336-9630

ANN BRITTAIN
Vice President

Washington Services, Inc.
6125 South Morgan Road
Freeland, WA 98249

DIVISION/REGIONS

SOUTH SOUND WASHINGTON

15 Office Locations

Division Manager

RONDA TOMLINSON
Vice President
9919 Bridgeport Way S.W.
Lakewood, WA 98499

MIDSOUND WASHINGTON

14 Office Locations

Division Manager

E. CRAIG WILSON
Vice President
5809 196th S.W.
Lynnwood, WA 98036

NORTHERN WASHINGTON

10 Office Locations

Division Manager

DOUGLAS A. ROWELL
Senior Vice President
317 S. 2nd Street
Mount Vernon, WA 98273

WESTERN IDAHO

13 Office Locations

Division Manager

ROBERT P. LINK
Senior Vice President
1001 W. Idaho St.
Boise, ID 83702

EASTERN IDAHO

4 Office Locations

Division Manager

LARRY WADSWORTH
Senior Vice President
500 North Capital
Idaho Falls, ID 83402

SOUTHERN OREGON

15 Office Locations

Division Manager

PEGGY HOBIN
Senior Vice President
300 Ellsworth St. SW
Albany, OR 97321

NORTHERN OREGON

10 Office Locations

Division Manager

THOMAS A. FRANKLIN
Senior Vice President
14990 S.W. Bangy Road
Lake Oswego, OR 97035

UTAH

10 Office Locations

Division Manager

RICHARD FISHER
Senior Vice President
505 East 200 South
Salt Lake City, UT 84102

PHOENIX, ARIZONA

12 Office Locations

Division Manager

WENDY YATES
Vice President
2196 E. Camelback Road,
Suite 100
Phoenix, AZ 85016

TUCSON, ARIZONA

8 Office Locations

Division Manager

GEORGIA VELARDE
Vice President
5151 E. Broadway Blvd.,
Suite 105
Tucson, AZ 85711

NEVADA

2 Office Locations

Division Manager

PAMELA K. CALLAHAN
Vice President
9340 Sun City Blvd. #103
Las Vegas, NV 89134

TEXAS

1 Office Location

Division Manager

NORA MONTGOMERY
Vice President
7001 Preston Road,
Suite 110
Dallas, TX 75205

COLORADO

1 Loan Production Office

SCOTT BRKOVICH
384 Inverness Drive
South, Suite 105
Englewood, CO 80112

A complete listing of our branch locations can be found at www.washingtonfederal.com

Washington Federal Savings

425 Pike Street, Seattle, WA 98101

www.washingtonfederal.com