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Comptroller of the Currency  
Administrator of National Banks

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Western District Office  
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Denver, Colorado 80202  
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December 16, 2011

**Conditional Approval #1017  
January 2012**

Mr. Brent Beardall  
Chief Financial Officer  
Washington Federal  
425 Pike Street  
Seattle, Washington 98101-2399

Re: Application by Washington Federal, Seattle, Washington (OTS No. 0880) to purchase certain assets and assume certain liabilities of Western National Bank, Phoenix, Arizona

Dear Mr. Beardall:

The Office of the Comptroller of the Currency (“OCC”) conditionally approves the application of Washington Federal, Seattle, Washington (“Acquirer” or “Bank”) to purchase certain assets of and assume certain liabilities of Western National Bank, Phoenix, Arizona (“Failed Entity”), for the reasons set forth below. As discussed below, the transaction may be consummated immediately upon approval. 12 U.S.C. §1828(c)(6).

Failed Entity, a National Bank with deposits insured by the Federal Deposit Insurance Corporation (“FDIC”), was closed by the OCC on December 16, 2011, and the FDIC was appointed as receiver. At the close of business on September 30, 2011, the Failed Entity had total assets of approximately \$163 million. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Acquirer by which the latter would purchase certain assets and assume certain liabilities of Failed Entity.

### **The Purchase and Assumption**

Acquirer applied to the OCC for approval to purchase certain assets of and assume certain liabilities of Failed Entity under 12 U.S.C. §1828(c) (the “Transaction”). The Acquirer is headquartered in Washington and has branch offices in several states including Arizona. All of the Failed Entity’s offices are located in Arizona. A federal savings association may acquire all or part of a depository institution through a purchase and assumption transaction under 12 U.S.C. § 1828(c). Thus, the Transaction is legally authorized and the OCC approves the Transaction.

Acquirer also requested OCC approval to retain the head office and branches of Failed Entity as branches upon consummation of the Transaction. We acknowledge that while the Bank does not plan to immediately close any of the branch offices acquired as a result of this transaction, the Bank will be given an option by the FDIC to determine whether or not it will acquire the real estate/assume the lease, as appropriate, on these facilities. It is our understanding that the Bank's management intends to utilize this option to evaluate whether or not to close or consolidate some of these facilities with existing Bank facilities in the same market area, with the expectation that the Bank will close/consolidate the Esplande and Promenade branches as soon as possible with branches the Bank operates in close proximity to those two facilities.

### **Bank Merger Act**

The OCC reviewed the proposed purchase and assumption Transaction under the criteria of the Bank Merger Act, 12 U.S.C § 1828(c) and 12 C.F.R. § 163.22. The OCC considered the capital level of the acquirer, financial and managerial resources of the banks, their future prospects, the convenience and needs of the communities to be served, the risk to the stability of the United States banking or financial system, the conformity of the transaction to applicable law, regulation, and supervisory policies, and various factors relating to fairness and disclosure. In addition, the Bank Merger Act and its implementing regulations require the OCC to consider "the effectiveness of any insured depository institution involved in the proposed merger transaction in combating money laundering activities, including overseas branches." 12 U.S.C. § 1828(c)(11). We considered these factors and found them consistent with approval under the statutory provisions.

In addition, the OCC also finds, under the standards set forth in the Bank Merger Act, that it must act on the application immediately. 12 U.S.C. § 1828(c)(3), (4)(C)(i), and (6). Consequently, there is no requirement for publication of notice of the Transaction, for a request by the OCC of a competitive factors report from the Attorney General, or for a post-approval waiting period prior to consummation of the Transaction.

### **Community Reinvestment Act**

The Community Reinvestment Act ("CRA") requires the OCC to take into account the applicants' record of helping to meet the credit needs of the community, including low-and-moderate-income ("LMI") neighborhoods, when evaluating certain applications, including transactions that are subject to the Bank Merger Act. 12 USC § 2903 and 12 C.F.R. § 195. The OCC considers the CRA performance evaluation of each institution involved in the Transaction. A review of the record of these applicants and other information available to the OCC as a result of its regulatory responsibilities revealed no evidence that the applicants' record of helping to meet the credit needs of their communities, including LMI neighborhoods, is less than satisfactory.

This approval is granted based on our understanding that other applicable regulatory approvals, non-objections or waivers with respect to the proposed Transaction will have been received prior to the consummation of the Transaction.

Within five days of consummation of the Transaction, the Bank must provide the Western District Licensing Office a copy of the executed purchase and assumption agreement.

In addition, no later than thirty (30) calendar days after the effective date of the Transaction, the Bank must advise each accountholder whose withdrawable accounts would increase above the applicable insurance threshold as a result of the transaction of the effect of the transaction on their insurance coverage, and provide evidence of such notification to this office.

This approval and the activities and communications by OCC employees in connection with the filing do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. Our approval is based on the bank's representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend or rescind this approval if a material change in the information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

If you have questions regarding this letter, please contact Sr. Licensing Analyst Robert Gaffney at [robert.gaffney@occ.treas.gov](mailto:robert.gaffney@occ.treas.gov) or at (720) 475-7650.

Sincerely,

*Ellen Tanner Shepherd*

Ellen Tanner Shepherd  
Director for District Licensing