

Washington Financial News



Inside

Think Positive (Pay)!

Washington Financial is pleased to introduce Positive Pay – an automated service that compares the details of incoming checks written against your business checking account to an electronic check register file that you provide.

Cut Out the Middle Man

Could your network be open to an unwelcome visitor when you're online?

Advance Directives

Although the thought may not be pleasant, you may someday face a sudden health crisis that leaves you unable to make your own medical decisions.

A Message from the CEO



Brian J. Smith
President and CEO

Washington Financial is committed to providing you with the best products and services available in the financial services industry. Accordingly, I am happy to report the roll out of a number of new offerings for 2015.

In January we began offering three new reward checking account types through Kasasa, a national brand of free checking and savings accounts with rewards in the form of high rates, cash back, and digital downloads. A key feature of all three Kasasa account types is the full refund of all ATM fees nationwide. In addition to the new Kasasa accounts we will be offering a new, state-of-the-art, personal financial management tool later this spring.

Washington Financial remains committed to mitigating card fraud on behalf of our customers. Therefore, later this year we will begin offering EMV (European MasterCard and Visa) debit cards for all new checking accounts and for all current cards as they are reissued. These cards contain a microchip with encrypted data that requires a PIN, thereby providing an additional layer of protection when swiped at a merchant location. This will allow customers to enjoy the highest levels of security when using their debit cards. Also, unlike many of our competitors, we take a proactive approach when our cardholders are impacted by a merchant data breach, informing customers immediately upon notice, and automatically issuing new cards to all those affected. Finally, we will be offering instant issuance for debit cards in select locations so that customers can receive a new debit card immediately upon account opening or in the event of a card compromise. As a supplement to the basic card design, customers will also be able to choose from a variety of stock images or personalize their cards with a custom photo.

In addition to our new consumer banking offerings, Washington Financial continues to provide sophisticated and innovative solutions for our business clients including a complete set of cash management services, small business and commercial loans, checking, and investment management options. New this year, we are adding Positive Pay and ACH (Automated Clearing House) Debit block services to combat check fraud and detect unauthorized ACH activity. These new systems are designed to automatically alert business clients of any unauthorized transactions.

Although technology advancements are continually changing the banking industry, our customer-centric approach to community and relationship banking remains constant. While we believe that state-of-the-art technologies are critical, we also believe that our customers still want to have a personal, face-to-face connection with us. We take great pride in providing a welcoming experience in our offices, and are currently in the process of expanding and renovating our Hickory branch location.

We appreciate the opportunity to continue to serve your financial needs and look forward to 2015.

Brian J. Smith
Brian J. Smith, *President and CEO*

In your own words

Washington Financial continues to receive exceptionally high scores from our customer loyalty surveys. We review each response and personally address any questions or concerns for those who submit contact information. Thank you for sharing your experiences with us. Here are some of the responses we've received!

"They truly help with keeping track of my finances as well as my spending at any time. They are happy to help me in any way they can. That's what I love about my Washington Financial Bank. I have been a customer here for over 18 years and I always feel at home with them."

"Excellent customer service, very personable staff."

"Several representatives have gone above and beyond helping me with research and advice. I like that most faces stay familiar and people aren't transferred to other branches, and that I can pretty much walk up to their desks and ask for assistance."

"My husband and I have dealt with Washington Financial for 35 years and have always received excellent service. The staff have always treated us with upmost respect and walked us through many financial situations and needs."

"It is a home town bank that I trust. I have done business there for several years now. Friendly staff."

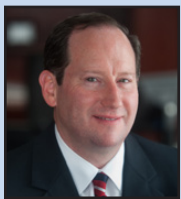
"Some of your managers know me and my family. When I go to the bank in person, it is like visiting a friend."

"I had my checking card information stolen, the bank took immediate action to make sure our cards were secure and reissued a new one within five days."

"I particularly appreciate your online banking service. Very convenient and allows me instant access to account information."

"I was part of a credit card breach and the phone call along with service was fantastic. The employee was very thorough with explaining everything to me."

Think Positive (Pay)!



Bill King
Senior Vice President
Business Banking

According to the Association for Financial Professionals®, 60% of all organizations were the victims of actual or attempted payment fraud in 2013. Of these organizations, 82% experienced check fraud, as opposed to fraud of other payment methods like credit/debit cards, ACH debits or wire transfers. In other words, during 2013 fraudulent checks were being presented for payment at banks all across the country on a daily basis, and unless detected, these checks were paid, resulting in theft from checking accounts just like yours.

Washington Financial is pleased to introduce Positive Pay – an automated service that compares the details of incoming checks written against your business checking account to an electronic check register file that you provide. By ensuring that such details as check number and amount on checks that are presented for payment, match the details contained in the check register file, fraudulent checks can be immediately identified and suspended from payment. 81% of organizations that choose to guard against check fraud do so through Positive Pay.*

With Business Express, Washington Financial's online banking service, signing up and using Positive Pay is easy. Simply upload your check register file to Business Express and Washington Financial will do the rest. And, since checks are not the only form of payment in use today, Washington Financial is also pleased to introduce ACH Debit Block, a service that guards against fraudulent attempts to debit funds from your checking account through the Automated Clearing House, or ACH. The process for using ACH Debit Block is similar to Positive Pay – simply establish rules in Business Express to allow only trusted vendors to debit your account and let Washington Financial screen for fraudulent withdraws.

To talk with a Business Banking specialist about fraud protection through Positive Pay or ACH Debit Block, please call (724) 206-1108.

*Source: Association for Financial Professionals®.

Cut Out the Middle Man

Could your network be open to an unwelcome visitor when you're online?

The Internet is a marvel, but it's also vulnerable to threats. One of the well known tactics that could affect your surfing security is a "man-in-the-middle" attack.

The name defines it: Someone is hacking into your network, inserting his computer between yours and the server you want to reach to connect to a website. The man in the middle now sees whatever information you are communicating with that website.

If you're using your home computer, for example, the interloper could see your passwords, unencrypted credit card numbers or any financial data you transmit to your bank. If you're on a networked computer from work, the man in the middle potentially could access shared files, your corporate mail server or other databases.

This exploit is a risk for secure sockets layer (SSL), a protocol that's in place when you interact with a website that sends and receives sensitive data. If a little yellow padlock icon shows up in your tool bar, or if the website's URL begins with "https", you are conducting a transaction over an SSL. (Do you shop online? You most likely use SSL.)

When someone launches a man-in-the-middle attack, he could piggyback onto a request you make to your bank, for example, invisibly making another request. Your transaction might go through just fine, but the middleman's might too, directing your money to someone else. He could also create a login screen that looks legitimate and asks you to input your password so he can record that before sending you to the actual site you are trying to reach.

Security experts believe this type of attack has been uncommon so far, when it comes to capturing information from SSL sessions. "The attack is hard to use and the attacker will need to have detailed knowledge of the application he is attacking," says Frank Breedijk, a certified information systems security professional at Netherlands-based Shuberg Philis. But as it has been discussed openly in security forums and is widely known, more hackers will continue to try to use it.

How can you protect yourself against a man-in-the-middle attack?

1. Be wary of using a peer-to-peer or ad hoc connection or one advertised as "Free Public Wi-Fi" in a place like an airport, coffee shop or library. It's simple for a hacker to set up his own laptop with a "free wi-fi" name and sit in the room waiting for the unsuspecting other patrons to log in. A legitimate store network should have the correct wireless server name posted behind the counter (where the sign can't be tampered with).
2. Upgrade to the most recent version of your Web browser.
3. Look for "green glow" in the URL line - the site name repeated on a green background just before the page URL - which indicates higher security in most situations.
4. As always, never answer unsolicited e-mails that request sensitive information.
5. Ask your IT staff how to optimize the settings on your PC for security.

Staying connected to our community



At Washington Financial, our community roots run deep. Each year, we reinvest a portion of our profits back into the community through our Charitable Foundation. Plus, many of our employees donate their time and talents to further community organizations.

Stay up-to-date on local events and our community initiatives. "Like" the new Washington Financial Charitable Foundation page on Facebook.

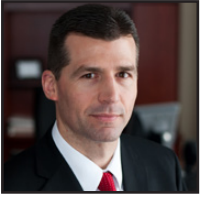


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Advance Directives:

Planning Ahead for Your Own Care



Robert B. Vettorel
LPL Registered Representative
Senior Vice President
Washington Financial
Wealth Management Division

Although the thought may not be pleasant, you may someday face a sudden health crisis that leaves you unable to make your own medical decisions. Fortunately, there is a legal means, known as an advance directive, to address this potential concern.

An advance directive is a written statement that you complete prior to a serious illness. Generally speaking, this document names someone to act on your behalf or outlines how you want medical decisions to be made when you are no longer able to make decisions for yourself. Some types of advance directives may do more for you than others, so it is important to know the differences.

● Why a Health Care Proxy?

The two most common forms of advance directive are a living will and a durable power of attorney for health care, commonly referred to as a health care proxy. A living will explains in writing the care you wish to receive or avoid in the event you are incapacitated. For instance, it can express your wishes for controlling pain, receiving nutrition, or making life-support decisions.

But unlike a living will, a health care proxy allows you to legally designate someone, a proxy, to make medical decisions for you. In some states you may even be able to combine a health care proxy and living will into a single document.

Hospitals and nursing homes are required to ask about the existence of an advance directive when you are admitted. In most states, a health care proxy does not take effect until you can no longer make medical decisions for

yourself; until then, only you can legally consent to any treatment. In addition, you can always change or cancel the document as long as you are mentally alert. If you decide to make changes to these documents, be sure to do so in writing.

● Know the Potential Drawbacks

Though it is a legal document, a health care proxy cannot handle every medical situation. For instance, the advance directive may not be followed by emergency medical services (EMS). If EMS is summoned to treat you, they are usually required to resuscitate and stabilize you until you reach the hospital, regardless of an existing advance directive.

A lawyer can provide you with additional information about advance directives. Though you cannot anticipate an unexpected health care crisis, you can prepare ahead of time to ensure that you are cared for in a manner that coincides with your intentions.

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¹Investing in stocks involves risk, including loss of principal.

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Not a bank deposit	Not FDIC Insured	Not insured by any federal government agency	No bank guarantee	May lose value
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Family Feud



John Clayton
Sales and Service
Manager

At one time or another, I'm sure we've all seen the popular TV show, Family Feud, wherein contestants attempt to guess the most common answers to survey challenges given to one hundred random people. It is amazing how often the majority of people in the surveys and the contestants come up with the same thoughts on whatever the subject

may be!

So today, let's play a little Family Feud game of our own! In this hypothetical game, we'll survey not 100, but 1,000 people on the following challenge: Name something annoying. Our survey yielded a number of common answers:

• House-flies/gnats	7
• Dentists' high-speed drills with the ice-water spray	11
• Orange cones during road construction season	14
• Taxes	17
• Monthly service charges on bank checking accounts	91
• Minimum balance requirements to avoid checking fees	211
• Hassle in claiming rewards on bank rewards programs	268
• ATM fees	381
	1,000

So, as can be seen in our non-scientific survey, bank fees generally are even more hated than taxes, orange cones, dentist drills, or house-flies/gnats by an overwhelming majority of those surveyed. Sounds like a message to the bank to me!

Well, there's good news! The message has been received, acknowledged and acted upon. Washington Financial has introduced KASASA, a national deposit program that addresses the biggest concerns of our customers.

This branded suite of services comes with significant rewards in the form of higher interest rates, cash back, and digital downloads. One of the most popular

rewards is receiving a full refund on all ATM fees nationwide.

To redeem your rewards, you don't have to do anything except meet three simple qualifications: at least 12 debit card purchases, receive e-statements, and access online banking at least one time per cycle. The rewards are automatic and Washington Financial will do all the work. There are no penalties if qualifications are not met.

One final thought....survey says: "Better get in touch with Washington Financial SOON to begin enjoying the benefits of KASASA and ending a bunch of annoying issues in your life!"

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