WASHINGTON BANCORP
Form 10QSB
February 14, 2001

FORM 10-QSB

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to _______________

Commission file number 0-25076

Washington Bancorp

(Exact name of small business issuer as specified in its charter)

Iowa	42-1446740
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

102 East Main Street, Washington, Iowa 52353

(Address of principal executive offices)(Zip Code)

Registrant's telephone number, including area code: (319)653-7256

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

State the number of shares outstanding of each of the issuers classes of common equity, as of the latest practicable date.

Common Stock, $.01 par value 513,526 shares outstanding as of February 12, 2001

Transitional Small Business Disclosure Format (check one): Yes[ ] No[X]

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Part 1. Financial Information

Item 1. Consolidated Financial Statements

WASHINGTON BANCORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December 31, 2000	June 30, 2000 *
ASSETS	(unaudited)	
Cash and cash equivalents		
Interest-bearing	$ 1,827,749	$ 1,859,278
Noninterest-bearing	1,048,203	990,107
Investment securities:		
Held to maturity	773,523	774,629
Available for sale	20,841,777	21,602,351
Federal funds, sold	925,000	110,000
Loans receivable, net of allowance for loan losses of $626,144 in December 2000 and $647,605 in June 2000	84,684,269	83,988,473
Accrued interest receivable	1,612,575	1,463,838
Federal Home Loan Bank Stock	1,756,200	1,729,600
Foreclosed real estate	149,965	271,302
Premises and equipment, net	919,122	818,228
Goodwill, net	1,138,683	1,185,964
Other assets	235,632	628,668
Total assets	$ 115,912,698	$ 115,422,438

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities		
Deposits		
Noninterest-bearing	$ 4,184,583	$ 4,145,248
Interest -bearing	69,369,223	69,151,849
Total deposits	73,553,806	73,297,097
Borrowed funds	30,205,762	30,193,250
Advances from borrowers for taxes and insurance	203,521	249,683
Accrued expenses and other liabilities	817,835	632,003
Total liabilities	104,780,924	104,372,033
Redeemable common stock held by ESOP	279,615	228,947
Stockholders' Equity		
Common Stock		
Common Stock	6,511	6,511
Additional Paid-in Capital	6,178,280	6,169,796
Retained Earnings	7,585,158	7,333,909
Accumulated other comprehensive loss	(266,362)	(447,899)
Treasury shares	(2,052,098)	(1,658,017)
Deferred compensation	(11,225)	(21,060)
Maximum cash obligation related to ESOP shares	(279,615)	(228,947)
Unearned ESOP shares	(308,490)	(332,835)
Total stockholders' equity	10,852,159	10,821,458
Total liabilities and stockholders' equity	$ 115,912,698	$ 115,422,438

*Condensed from audited financial statements
See Notes to Financial Statements.

Washington Bancorp and Subsidiaries
Unaudited Consolidated Statements of Income

	Three Months Ended December 31, 2000	1999	Six Mon D 2000
Interest and dividend income:			
Loans, including fees:			
First mortgage loans	$ 1,175,109	$ 1,069,910	$ 2,327,200
Consumer and other loans	683,215	578,617	1,373,568
Investment securities:			
Taxable	371,685	356,114	727,139
Nontaxable	17,256	15,880	32,973
Federal Home Loan Bank stock	32,946	17,497	59,621
Total interest income	2,280,211	2,038,018	4,520,501
Interest expense:			
Deposits	890,685	839,824	1,736,209
Borrowed funds	484,128	302,407	995,688
Total interest expense	1,374,813	1,142,231	2,731,897
Net interest income	905,398	895,787	1,788,604

Provision for loan losses	30,000	18,000	64,000
Net interest income after provision for loan losses	875,398	877,787	1,724,604
Noninterest income:			
Service charges and fees	113,136	99,105	226,457
Insurance commissions	12,051	22,457	27,244
Investment commissions	6,551	-	17,306
Other	13,572	19,970	27,048
Total noninterest income	145,310	141,532	298,055
Noninterest expense:			
Compensation and benefits	295,285	254,021	604,596
Occupancy and equipment	79,044	51,905	141,529
FDIC deposit insurance premium	8,653	16,323	19,967
Data processing	29,456	20,228	50,076
Goodwill amortization	23,640	23,640	47,281
Other	155,014	180,751	296,067
Total noninterest expense	591,092	546,868	1,159,516
Income before taxes	429,616	472,451	863,143
Income tax expense	188,106	193,940	359,737
Net income	$ 241,510	$ 278,511	$ 503,406
Earnings per common share			
Basic	$ 0.48	$ 0.50	$ 1.00
Diluted	$ 0.48	$ 0.49	$ 0.98
Dividends per common share	$ -	$ -	$ 0.50
Weighted average common shares for:			
Basic earnings per share	499,714	560,326	504,204
Diluted earnings per share	506,933	568,062	511,506

See Notes to Financial Statements

Washington Bancorp and Subsidiaries
Unaudited Consolidated Statements of
Comprehensive Income

	Three Months Ended December 31, 2000	1999	Six Mont Decemb 2000
Net Income	$ 241,510	$ 278,511	$ 503,406
Other comprehensive income(loss), net of income taxes:			
Unrealized holding gains (losses) arising during the period, net of income taxes	71,221	(119,987)	181,537
Comprehensive income	$ 312,731	$ 158,524	$ 684,943

See Notes to Financial Statements

Washington Bancorp and Subsidiaries
Unaudited Consolidated Statements of Cash Flows
Six Months Ended December 31, 2000 and 1999

	2000	1999
Cash Flows from Operating Activities		
Net income	$ 503,406	$ 501,276
Adjustments to reconcile net income to net cash		
Provided by operating activities:		
Amortization of premiums and discounts on debt securities	9,282	13,435
Amortization of goodwill	47,281	47,281
Provision for loan losses	64,000	39,500
(Gain)loss on sale of foreclosed real estate	21,218	(7,606)
Depreciation	51,238	44,808
Compensation under stock awards	9,835	16,312
ESOP contribution expense	32,829	31,738
(Increase) in accrued interest receivable	(148,737)	(127,602)
Decrease in other assets	276,971	16,253
Increase accrued expenses and other liabilities	185,832	14,884
Net cash provided by operating activities	1,053,155	590,279
Cash Flows from Investing Activities		
Held-to-maturity securities:		
Purchases	-	(160,000)
Available-for-sale securities:		
Maturities and calls	1,050,000	850,000
Purchases	-	(1,900,000)
Federal funds sold, net	(815,000)	(375,000)
Purchase of Federal Home Loan Bank stock	(26,600)	(310,000)
Loans made to customers, net	(659,677)	(4,821,456)
Sale of premises and equipment	-	16,410
Purchase of premises and equipment	(152,132)	(38,153)
Net cash (used in) investing activities	(603,409)	(6,738,199)
Cash Flows from Financing Activities		
Net increase (decrease) in deposits	256,710	(703,026)
Proceeds from Federal Home Loan Bank advances	248,350,000	108,950,000
Principal payments on Federal Home Loan Bank advances	(248,337,488)	(101,479,570)
Net (decrease) in advances from borrowers for taxes and insurance	(46,162)	(18,418)
Acquisition of common stock for the treasury	(394,081)	(40,875)
Dividends paid	(252,158)	(67,197)
Net cash provided by (used in)financing activities	(423,179)	6,640,914
Net increase in cash and cash equivalents	26,567	492,994
Cash and cash equivalents:		
Beginning	2,849,385	2,557,430

Ending	$ 2,875,952	$ 3,050,424

Washington Bancorp and Subsidiaries

Unaudited Consolidated Statements of Cash Flows Six Months Ended December 31, 2000 and 1999	2000	1999
Supplemental Disclosures of Cash Flow Information		
Cash payments for:		
Interest paid to depositors	$ 1,190,749	$ 1,287,597
Interest paid on other obligations	$ 988,875	$ 534,131
Income taxes, net of refunds	$ 364,800	$ 286,800
Supplemental Schedule of Noncash Investing and Financing Activities		
Transfers from loans to foreclosed real estate	$ 271,681	$ 59,415
Contract sales of foreclosed real estate	$ 371,800	$ 75,250

See Notes to Financial Statements.

Washington Bancorp and Subsidiaries
Notes to Financial Statements

Principles of consolidation. The accompanying consolidated financial statements include the accounts of Washington Bancorp, Washington Federal Savings Bank("Washington Federal"), WFSB's wholly-owned subsidiary Washington Financial Services, Inc., which is a discount brokerage firm, and Rubio Savings Bank of Brighton, Iowa ("Rubio Savings Bank"). All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of presentation. Interim Financial Information (unaudited): The financial statements and notes related thereto for the six month period ended December 31, 2000, are unaudited, but in the opinion of management include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial position and results of operations. The operating results for the interim periods are not indicative of the operating results to be expected for a full year or for other interim periods. Not all disclosures required by generally accepted accounting principles necessary for a complete presentation have been included. It is recommended that these consolidated condensed financial statements be read in conjunction with the Annual Report on Form 10-KSB for the year ended June 30, 2000 and all related amendments and exhibits (including all financial statements and notes therein), filed by the Company with the Securities and Exchange Commission.

Goodwill. Goodwill resulting from the Company's acquisition of Rubio Savings Bank is being amortized by the straight-line method over 15 years. Goodwill is periodically reviewed for impairment based upon an assessment of future operations to ensure that it is appropriately valued.

Foreclosed real estate. Real estate properties acquired through loan foreclosure are initially recorded at the lower of cost or fair value less estimated selling expenses at the date of foreclosure. Costs relating to development and improvement of property are capitalized, whereas costs relating to holding property are expensed.

Redeemable common stock held by ESOP. The Company's maximum cash obligation related to these shares is classified outside stockholders' equity because the shares are not readily traded and could be put to the Company for cash. The maximum cash obligation represents the approximate market value of the allocated ESOP shares at the end of the reporting period.

Regulatory capital requirements. Pursuant to the Financial Information Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), savings institutions must meet three separate minimum capital-to-asset requirements. The following table summarizes, as of December 31, 2000 the capital requirements of Washington Federal under FIRREA and its actual capital ratios. As of December 31, 2000 Washington Federal exceeded all current regulatory capital requirement standards.

	At December 31, 2000	
	Amount	Percent
	(Dollars in thousands)	
Tangible Capital:		
Capital Level	$ 7,637	8.26%
Requirement	1,387	1.50%
Excess	$ 6,250	6.76%
Core Capital:		
Capital Level	$ 7,637	8.26%
Requirement	3,699	4.00%
Excess	$ 3,938	4.26%
Risk-Based Capital:		
Capital Level	$ 8,070	12.67%
Requirement	5,097	8.00%
Excess	$ 2,973	4.67%

The following table summarizes the capital requirements of Rubio Savings Bank of Brighton. As of December 31, 2000 Rubio exceeded all current regulatory capital requirement standards.

	At December 31, 2000	
	Amount	Percent
	(Dollars in thousands)	
Tier 1 or Leverage Capital:		
Capital Level	$ 2,513	11.04%
Requirement	683	3.00%

Excess	$ 1,830	8.04%
Tier 1 Risk-based Capital:		
Capital Level	$ 2,513	16.26%
Requirement	618	4.00%
Excess	$ 1,895	12.26%
Risk-Based Capital:		
Capital Level	$ 2,684	17.37%
Requirement	1,236	8.00%
Excess	$ 1,448	9.37%

Item 2. Management's Discussion and Analysis

Forward-Looking Statements

When used in this Form 10-QSB or future filings by the Company with the Securities and Exchange Commission, in the Company's press releases or other public or shareholder communications, or in oral statements made with the approval of an authorized executive officer, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "believe" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made, and to advise readers that various factors, including regional and national economic conditions , changes in levels of market interest rates, credit risks of lending activities, and competitive and regulatory factors, could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from those anticipated or projected.

The Company does not undertake, and specifically disclaims any obligations, to revise any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

General

Washington Bancorp is an Iowa corporation which was organized in October 1995 by Washington Federal Savings Bank for the purpose of becoming a savings and loan holding company. Washington Federal is a federally chartered savings bank headquartered in Washington, Iowa. Originally chartered in 1934, Washington Federal converted to a federal savings bank in 1994. Its deposits are insured up to the applicable limits by the Federal Deposit Insurance Corporation ("FDIC").

In March 1996, Washington Federal converted to the stock form of organization through the sale and issuance of its common stock to the Company. On June 24, 1997, Washington entered into a merger agreement to acquire Rubio Savings Bank of Brighton, Iowa. Rubio Savings Bank is held as a separate subsidiary of Washington Bancorp. In January 1998, Washington Bancorp became a bank holding company upon the completion of its acquisition of Rubio Savings Bank. In December 1998, Washington Federal opened a branch office, Wellman Federal Savings, in Wellman, Iowa. In September 2000, Washington Federal opened a branch office, Richland Federal Savings, in Richland, Iowa. The principal assets of Washington Bancorp are Washington Federal and Rubio Savings Bank (collectively, the "Banks"). Washington Bancorp presently has no separate operations and its business consists primarily of the business of the Banks. All references to Washington Bancorp, unless otherwise indicated at or before March 11, 1996, refer to Washington Federal.

Washington Bancorp is investigating the possibility of de-registering with the SEC in an effort to reduce expenses. De-registering will result in de-listing with Nasdaq. In order to de-register, Washington Bancorp must first have fewer than 300 record holders. Washington Bancorp's shares trade infrequently and are widely held in the local area of Washington, Iowa. Therefore the negative impact for the liquidity of the shares is expected to be minimal.

Washington Federal attracts deposits from the general public in its local market area and uses such deposits primarily to invest in one- to four-family residential loans secured by owner occupied properties and non-residential properties, as well as construction loans on such properties. Washington Federal also invests in federal agency bonds, corporate bonds, agricultural loans, commercial loans, consumer loans, and automobile loans.

Rubio attracts deposits from the general public in its local market area and the businesses in the Brighton area. The deposits are primarily invested in federal agency bonds, agricultural operating loans, commercial loans, one- to- four family residential real estate loans, and farm real estate loans. Rubio also makes commercial real estate loans, automobile loans and consumer loans.

The executive office of the Company is located at 102 East Main Street, Washington, Iowa 52353, telephone (319)653-7256.

Financial Condition

Total assets. Total consolidated assets increased $490,000 from $115.4 million at June 30, 2000 to $115.9 million at December 31, 2000. The increase was primarily due to an $815,000 increase in federal funds sold, a $696,000 increase in loans receivable, net, a $149,000 increase in accrued interest receivable, and a $101,000 increase in premises and equipment, partially offset by a $761,000 decrease in available- for- sale investment securities, a $393,000 decrease in other assets, and a $121,000 decrease in foreclosed real estate. Loans receivable. Loans receivable, net increased $696,000 from $84.0 million at June 30, 2000 to $84.7 million at December 31, 2000. This increase is primarily due to increased loan demand in the Company's market area. The Company's non-performing assets were $801,000 or 0.69 % of total assets at December 31, 2000 as compared to $648,000 or 0.57% of total assets at June 30, 2000. Non-performing assets have increased primarily due the 90 days past due status on a nonresidential real estate loan and a government guaranteed commercial loan. The Company is in the process of liquidating the assets and no losses are expected.

Investment securities. Available- for- sale investment securities decreased $761,000 from $21.6 million at June 30, 2000 to $20.8 million at December 31, 2000 primarily due to the call of a federal agency bond of $750,000, the maturity of a US Treasury Note of $300,000, and the net amortization of premiums paid for the securities of $7,000 partially offset by an increase in the market value of the portfolio of $298,000. The portfolio of available- for- sale securities is comprised primarily of investment securities carrying fixed interest rates. The aggregate fair value of these securities was less on December 31, 2000 than their carrying value.

Deposits. Deposits increased $257,000 from $73.3 million at June 30, 2000 to $73.6 million at December 31, 2000. Transaction and savings deposits decreased as a percentage of total deposits from $26.6 million or 36.3% at June 30, 2000 to $26.2 million or 35.6% at December 31, 2000. Certificates of deposit increased as a percentage of total deposits from $46.7 million or 63.7% at June 30, 2000 to $47.4 million or 64.4% at December 31, 2000.

Total stockholders' equity. Total stockholders' equity increased $31,000 from $10.8 million at June 30, 2000 to $10.9 million at December 31, 2000. The increase is primarily due to net income of $503,000, the change in net unrealized loss in the available for sale securities of $182,000, the allocation of ESOP shares of $33,000, and the amortization of deferred compensation of $10,000 partially offset by $394,000 in payments for the repurchase of 29,108 shares of the Company's common stock, the dividends paid to shareholders of $252,000, and the change in the maximum cash obligation on allocated ESOP shares of $51,000.

Results of Operations - Three Months Ended December 31, 2000 As Compared To The Three Months Ended December 31, 1999

Performance summary. Net earnings decreased $37,000 to $242,000 for the three months ended December 31, 2000 from $279,000 for the three months ended December 31, 1999. The decrease is primarily due to an increase in interest expense of $233,000, an increase in noninterest expense of $44,000, and an increase in provision for loan loss of $12,000 partially offset by an increase in interest income of $242,000, a decrease in income tax expense of $6,000, and an increase in noninterest income of $4,000. For the three months ended December 31, 2000 the annualized return on average assets was 0.83% compared to 1.02% for the three months ended December 31, 1999, while the annualized return on average equity was 9.00% for the three months ended December 31, 2000 compared to 10.28% for the three months ended December 31, 1999.

Net interest income. Net interest income increased $9,000 to $905,000 for the three months ended December 31, 2000 from $896,000 for the three months ended December 31, 1999. The increase is primarily due to the increase of $242,000 in interest income to $2.3 million for the three months ended December 31, 2000 from $2.0 million for the three months ended December 31, 1999 offset by an increase in interest expense of $233,000 to $1.4 million for the three months ended December 31, 2000 from $1.1 million for the three months ended December 31, 1999.

For the three months ended December 31, 2000 the average yield on interest-earning assets was 8.18% compared to 7.85% for the three months ended December 31, 1999. The average cost of interest-bearing liabilities was 5.46% for the three months ended December 31, 2000 compared to 4.84% for the three months ended December 31, 1999. The average balance of interest earning assets increased $8.4 million to $111.4 million for the three months ended December 31, 2000 from $103.0 million for the three months ended December 31, 1999. During this same period, the average balance of interest-bearing liabilities increased $7.1 million to $100.8 million for the three months ended December 31, 2000 from $93.7 million for the three months ended December 31, 1999.

Due to an increase in rates paid on the interest-bearing liabilities to remain competitive locally, the average interest rate spread was 2.72% for the three months ended December 31, 2000 compared to 3.01% for the three months ended December 31, 1999. The average net interest margin was 3.24% for the three months ended December 31, 2000 compared to 3.45% for the three months ended December 31, 1999.

Provision for loan loss. Provision for loan loss increased $12,000 to $30,000 for the three months ended December 31, 2000 from $18,000 for the three months ended December 31, 1999. The primary reason for the increase in the provision was the increased size of the loan portfolio, particularly in nonresidential real estate, commercial, and agriculture loans which are considered to carry a higher risk of default than residential loans. Despite this increase, the Company's loan portfolio remains primarily residential mortgage loans and has experienced a minimal amount of charge-offs in the past three years. The allowance for loan losses was $626,000 or 0.74% of loans receivable, net at December 31, 2000 compared to $496,000 or 0.64% of loans receivable, net at December 31, 1999. The allowance for loan loss as a percentage of non-performing assets was 78.17% at December 31, 2000, compared to 118.07% at December 31, 1999.

Noninterest income. Noninterest income increased $4,000 to $145,000 for the three months ended December 31, 2000 from $141,000 for the three months ended December 31, 1999. The increase is primarily due an increase in service charges and fees of $14,000 and an increase in investment commissions of $6,000 partially offset by a decrease in insurance commissions of $10,000, and a decrease in other noninterest income of $6,000.

Service charges and fees increased $14,000 to $113,000 for the three months ended December 31, 2000 from $99,000 for the three months ended December 31, 1999 primarily due to an $8,000 increase in overdraft fee income, a $2,000 in loan fees and charges, a $2,000 increase in checking account service charges and stop payments, and a $2,000 increase in credit card fees. The investment center generated $7,000 for the three months ended December 31, 2000. Insurance commissions decreased $10,000 to $12,000 for the three months ended December 31, 2000 from $22,000 for the three months ended December 31, 1999 primarily due to an decrease in the volume of credit life and disability sales. Other noninterest income decreased $6,000 to $14,000 for the three months ended December 31, 2000 from $20,000 for the three months ended December 31, 1999 primarily due to a decrease in gains realized in the sale of foreclosed property and an decrease in the penalty for early withdrawal of a certificate of deposit.

Noninterest expense. Noninterest expense increased $44,000 to $591,000 for the three months ended December 31, 2000 from $547,000 for the three months ended December 31, 1999. The increase is primarily due to a $41,000 increase in compensation and benefits, a $27,000 increase in occupancy and equipment, and a $9,000 increase in data processing, partially offset by a $25,000 decrease in other noninterest expense and an $8,000 decrease in FDIC insurance premium.

Compensation and benefits increased $41,000 to $295,000 for the three months ended December 31, 2000 from $254,000 for the three months ended December 31, 1999 primarily due to the increase in salaries and in the cost of retirement benefits due to an increase in staff. Occupancy and equipment increased $27,000 to $79,000 for the three months ended December 31, 2000 from $52,000 for the three months ended December 31, 1999 primarily due to the costs associated with opening the Richland, Iowa branch in September 2000. Data processing increased $9,000 to $29,000 for the three months ended December 31, 2000 from $20,000 for the three months ended December 31, 1999 primarily due to non-repetitive training costs.

Other noninterest expense decreased $26,000 to $155,000 for the three months ended December 31, 2000 from $181,000 for the three months ended December 31, 1999 primarily due to a decrease in the cost of collections on bad debt and real estate foreclosure expenses, a decrease in the cost associated with preparing for Y2K and a decrease in postage and delivery charges. FDIC insurance premiums decreased $8,000 to $9,000 for the three months ended December 31, 2000 from $16,000 for the three months ended December 31, 1999 primarily due to the decrease in Washington Federal's regulatory premium rate.

Results of Operations - Six Months Ended December 31, 2000 As Compared To The

Six Months Ended December 31, 1999

Performance summary. Net income increased $2,000 to $503,000 for the six months ended December 31, 2000 from $501,000 for the six months ended December 31, 1999. The increase is primarily due to an increase in interest income of $545,000, an increase in noninterest income of $53,000, partially offset by an increase in interest expense of $503,000, an increase in noninterest expense of $36,000, an increase in income tax expense of $33,000 and an increase in provision for loan losses of $24,000. For the six months ended December 31, 2000, the annualized return on average assets was 0.86% as compared to 0.94% for the six months ended December 31, 1999. The annualized return on average equity was 9.23% for the six months ended December 31, 2000, as compared to 9.32% for the six months ended December 31, 1999.

Net interest income. Net interest income increased $42,000 to $2.7 million for the six months ended December 31, 2000 from $2.2 million for the six months ended December 31, 1999. The increase is primarily due to the increase of $545,000 in interest income to $4.5 million for the six months ended December 31, 2000 from $4.0 million for the six months ended December 31, 1999, which was partially offset by an increase in interest expense of $504,000 to $2.7 million of the six months ended December 31, 2000 from $2.2 million for the six months ended December 31, 1999.

For the six months ended December 31, 2000, the average yield on interest-earning assets was 8.16% compared to 7.92% for the six months ended December 31, 1999. The average cost of interest-bearing liabilities was 5.43% for the six months ended December 31, 2000 compared to 4.90% for the six months ended December 31, 1999. The average balance of interest-earning assets increased $10.2 million to $110.8 million for the six months ended December 31, 2000 from $100.6 million for the six months ended December 31, 1999. During this same period, the average balance of interest-bearing liabilities increased $9.3 million to $100.6 million for the six months ended December 31, 2000 from $91.3 million for the six months ended December 31, 1999.

The average interest rate spread was 2.73% for the six months ended December 31, 2000 compared to 3.02% for the six months ended December 31, 1999. The average net interest margin was 3.23% for the six months ended December 31, 2000 compared to 3.48% for the six months ended December 31, 1999.

Provision for loan loss. Provision for loan loss increased $24,000 to $64,000 for the three months ended December 31, 2000 from $40,000 for the three months ended December 31, 1999. The primary reason for the increase in the provision was the increased size of the loan portfolio, particularly in nonresidential real estate, commercial, and agriculture loans which are considered to carry a higher risk of default than residential loans. Despite this increase, the Company's loan portfolio remains primarily residential mortgage loans and has experienced a minimal amount of charge-offs in the past three years. The allowance for loan losses was $626,000 or 0.74% of loans receivable, net at December 31, 2000 compared to $496,000 or 0.64% of loans receivable, net at December 31, 1999. The allowance for loan loss as a percentage of non-performing assets was 78.17% at December 31, 2000, compared to 118.07% at December 31, 1999.

Noninterest income. Noninterest income increased $53,000 to $298,000 for the six months ended December 31, 2000 from $245,000 for the six months ended December 31, 1999. The increase is primarily due to an increase in bank service charges and fees of $38,000, an increase in investment commission income of $17,000, and an increase in other noninterest income of $8,000 partially offset by a decrease in insurance commissions of $10,000. Bank service charges and fees increased $38,000 to $226,000 for the six months ended December 31, 2000 from $189,000 for the six months ended December 31, 1999 primarily due to an increase in overdraft fee income, loan fee income, and continued efforts to restructure deposit account fee schedules. Investment commission income was $17,000. Other fee income increased $8,000 to $27,000 for the six months ended December 31, 2000 from $19,000 for the six months ended December 31, 1999 primarily due to an increase in rental income on real estate property. Insurance commissions decreased $10,000 to $27,000 for the six months ended December 31, 2000 from $37,000 for the six months ended December 31, 1999 primarily due to the fluctuations in the volume of sales of credit life and disability products.

Noninterest expense. Noninterest expense increased $36,000 to $1.2 million for the six months ended December 31, 2000 from $1.1 million for the six months ended December 31, 1999. The increase is primarily due to a $29,000 increase in occupancy and equipment, a $20,000 increase in compensation and benefits and a $2,000 increase in data processing partially offset by an $11,000 decrease in FDIC insurance premium and a $5,000 decrease in other noninterest expense.

Occupancy and equipment expense increased $29,000 to $142,000 for the six months ended December 31, 2000 from $112,000 for the six months ended December 31, 1999 primarily due to the cost of opening the Richland, Iowa branch in September 2000. Compensation and benefits increased $20,000 to $604,000 for the six months ended December 31, 2000 from $584,000 for the six months ended December 31, 1999 primarily due to the increase in salaries and in the cost of retirement benefits due to an increase in staff.

FDIC insurance premiums decreased $11,000 to $20,000 for the six months ended December 31, 2000 from $31,000 for the six months ended December 31, 1999 primarily due to the decrease in Washington Federal's regulatory premium rate. Other noninterest expense decreased $5,000 to $296,000 for the six months ended December 31, 2000 from $301,000 for the six months ended December 31, 1999 primarily due to a decrease in the cost of collections on bad debt and a decrease in the cost of real estate foreclosures.

Liquidity and capital resources. The Banks' principal sources of funds are deposits, amortization and prepayment of loan principal, borrowings, and the sale and maturity of investment securities. While scheduled loan repayments and maturing investments are relatively predictable, deposit flows and early loan repayments are more influenced by interest rates, general economic conditions, and competition. The Banks generally manage the pricing of the deposits to maintain a steady deposit balance, but has from time to time decided not to pay deposit rates that are as high as those of the competition, and when necessary, to supplement deposits with alternative sources of funds.

Federal regulations historically have required Washington Federal to maintain minimum levels of liquid assets. The required percentage has varied from time to time based upon economic conditions and savings flows and is currently 4% of net withdrawable savings deposits and borrowings payable upon demand or in one year or less during the proceeding calendar month. Liquid assets for the purpose of this ratio include cash, certain time deposits, U.S. Government, government agency, and corporate securities and other obligations generally having remaining maturities of less than five years. Washington Federal has historically maintained its liquidity ratio at levels in excess of those required. At December 31, 2000, the Washington Federal's liquidity ratio was 15.24%.

Liquidity management is both a daily and long-term responsibility of management. The Banks adjust their investments in liquid assets based upon management's assessment of (i) expected loan demand, (ii) expected deposit flows, (iii) yields available on interest-bearing deposits, and (iv) the objective of its asset/liability management program. Excess liquidity is invested generally in interest-bearing overnight deposits and other short-term government and agency obligations. If the Banks require funds beyond their ability to generate them internally, they have additional borrowing capacity with the FHLB of Des Moines and collateral eligible for reverse repurchase agreements.

The Banks anticipate that they will have sufficient funds available to meet current loan commitments. At December 31, 2000, Washington Federal had outstanding commitments to extend credit which amounted to $3.4 million and Rubio Savings Bank had outstanding commitments to extend credit which amounted to $1.4 million.

Part II - Other Information

Item 1. Legal Proceedings.

None

Item 2. Changes in Securities and use of proceeds.

None

Item 3. Defaults Upon Senior Securities.

None

Item 4. Submission of Matters to a Vote of Security Holders.

At the annual meeting on October 17, 2000 the stockholders of Washington Bancorp re-elected three directors and ratified the appointment of McGladrey and Pullen, LLP as the auditor for the fiscal year ending June 30, 2001. Total voting by proxy was 451,252 of the 540,034 shares outstanding.

Director Stan Carlson received 449,002 "for" votes and 2,250 "withhold" votes. Director Myron L. Graber received 430,422 "for" votes and 20,830 "withhold" votes. Director Rick R. Hofer received 443,252 "for" votes and 8,000 "withhold" votes. McGladrey and Pullen, LLP received 450,726 "for" votes, 100 "against" votes and 426 "abstain" votes.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits (listed by numbers corresponding to the Exhibit Table of Item 601 on Regulation S-B)

11 Computation of Earnings Per Common Share

(b) Reports on Form 8-K

No reports in Form 8-K have been filed during the quarter for which this report was filed.

Signatures

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Washington Bancorp

(Registrant)

Date	February 12, 2000	/s/ Stan Carlson
		Stan Carlson, President and Chief Executive Officer
Date	February 12, 2000	/s/ Leisha A. Linge
		Leisha A. Linge, Executive Vice President