



NEWS RELEASE

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THE WASHINGTON SAVINGS BANK, F.S.B. REPORTS THE FOURTH QUARTER AND TWELVE MONTH RESULTS

BOWIE, MD – August 25, 2005 - **THE WASHINGTON SAVINGS BANK, F.S.B.** (Amex symbol: "**WSB**"), A federally-chartered, federally-insured savings bank, with principal executive offices in Bowie, Maryland, today announced results for both its fourth quarter and year ended July 31, 2005.

WSB reported net earnings of \$1,902,000, or \$0.26 per basic share and \$0.23 per diluted share, and \$8,001,000, or \$1.09 per basic share and \$0.98 per diluted share, for the three and twelve month periods ended July 31, 2005, respectively.

The net earnings for the three and twelve month periods ended July 31, 2005, represent a decrease of \$415,000 or 17.9% and \$886,000, or 10.0% compared to the same corresponding periods last fiscal year. Net earnings for the current fiscal periods included an after tax gain on the sale of mortgage-backed and investment securities of approximately \$242,000, or \$0.03 per diluted share, compared to no gains for the same period last fiscal year. The decrease in net earnings is primarily the result of a \$5.4 million charge in the provision for loan losses. The provision for loan losses increased \$395,000, or 38.2%, and \$4.0 million, or 287.8%, for the respective three and twelve month periods compared to the corresponding periods of the prior fiscal year. The allowance for loan losses increased to \$7,326,000 for the fiscal year ended July 31, 2005 from \$3,503,000 for the fiscal year ended July 31, 2004. The increased provision was made due to unfavorable trends within the loan portfolio including an increase in internally criticized loans, increased delinquency levels, and net charge-offs, particularly in the construction loan portfolio.

Net interest income for the twelve month period increased \$5.5 million, or 27%, which partially offset the 29% increase in non-interest expense, compared to the same period last year. The increase in net interest income is the result of higher average balances of high-yielding loans, including our construction loan portfolio. The increase in non-interest expenses is the result of an increase in salaries and benefits, and professional services. The increase in salaries and benefits is associated with loan production commissions and staffing increases for loan operations support. The increase in professional services is the result of additional expenses associated with preparation for the required Sarbanes-Oxley Act Section 404 certifications, FDICIA controls and reporting, as well as compliance under the Supervisory Agreement between WSB and the OTS.

During the fourth quarter, WSB continued to reduce its concentration in residential construction lending, primarily through a reduction of non-owner occupied residential construction. WSB is continuing a thorough review of its business and operations. Among the changes management has implemented are changes in WSB's lending practices and lending operations. Much of this review and anticipated changes resulted from regulatory criticism of WSB's compliance with the previously announced 2004 supervisory agreement between WSB and the Office of Thrift Supervision. Also during this quarter, WSB enhanced staffing in areas of compliance, internal audit, loan underwriting, and loan servicing to assist management with regulatory compliance, primarily the actions required under the 2004 Supervisory Agreement and June 2005 Compliance Resolution and additional regulatory actions taken by the OTS at that time as previously announced. In addition, management has contracted with outsourced providers as to loan review, compliance management and training, and internal audit to further address the above mentioned regulatory compliance and regulatory actions.

Phillip C. Bowman, CEO, noted "WSB's July 31, 2005 total assets increased slightly by 1.4% to \$528,713,000 over last year's July 31st balance. Book value per share increased 13% to \$7.51 over last year's July 31st level of \$6.64. While our earnings for the comparative quarter and twelve month periods are below the comparable periods from last fiscal year, the results are strong."

FINANCIAL HIGHLIGHTS

(Unaudited)

Three Months Ended July 31,

				%
	<u>2005</u>	<u>2004</u>		<u>Change</u>
Interest Income	\$ 10,023,000	\$ 9,327,000		7 %
Interest Expense	\$ 4,005,000	\$ 3,353,000		19 %
Net Interest Income	\$ 6,018,000	\$ 5,974,000		1 %
Non-Interest Income	\$ 2,164,000	\$ 1,677,000		29 %
Non-Interest Expenses	\$ 3,625,000	\$ 2,859,000		27 %
Provision for Loan Losses	\$ 1,430,000	\$ 1,035,000		38 %
Net Earnings	\$ 1,902,000	\$ 2,317,000		(18) %
Basic Earnings Per Share	\$ 0.26	\$ 0.32		(19) %
Diluted Earnings Per Share	\$ 0.23	\$ 0.28		(18) %
Average Shares Outstanding	7,386,858	7,327,146		1 %
Average Diluted Shares Outstanding	8,110,912	8,132,582		0 %

Twelve Months Ended July 31,

				%
	<u>2005</u>	<u>2004</u>		<u>Change</u>
Interest Income	\$ 41,494,000	\$ 32,411,000		28 %
Interest Expense	\$ 15,715,000	\$ 12,049,000		30 %
Net Interest Income	\$ 25,779,000	\$ 20,362,000		27 %
Non-Interest Income	\$ 6,984,000	\$ 6,423,000		9 %
Non-Interest Expenses	\$ 14,323,000	\$ 11,054,000		30 %
Provision for Loan Losses	\$ 5,410,000	\$ 1,395,000		288 %
Net Earnings	\$ 8,001,000	\$ 8,888,000		(10) %
Basic Earnings Per Share	\$ 1.09	\$ 1.25		(13) %
Diluted Earnings Per Share	\$ 0.98	\$ 1.11		(12) %
Average Shares Outstanding	7,369,218	7,131,363		3 %
Average Diluted Shares Outstanding	8,195,586	8,040,246		2 %

As of July 31, and twelve months then ended

				%
	<u>2005</u>	<u>2004</u>		<u>Change</u>
Total Assets	\$ 528,713,000	\$ 521,480,000		1 %
Deposits and Borrowings	\$ 469,179,000	\$ 468,185,000		0 %
Total Stockholders' Equity	\$ 55,587,000	\$ 48,808,000		14 %
Book Value Per Share	\$ 7.51	\$ 6.64		13 %
Return on Average Assets	1.48	2.02	%	(27) %
Return on Average Equity	15.30	20.23	%	(24) %
Efficiency Ratio	43.7	41.3		

This release contains forward-looking statements within the meaning of and pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. A forward-looking statement encompasses any estimate, prediction, opinion or statement of belief contained in this release and the underlying management assumptions. Forward-looking statements are based on current expectations and assessments of potential developments affecting market conditions, interest rates and other economic conditions, and results may ultimately vary from the statements made in this release. In addition to expectations, assessments, and risks described by the Bank in its annual and quarterly reports filed with the OTS, the Bank's future results and prospects may be dependent upon a number of factors that could cause the Bank's performance to compare unfavorably to prior periods. Among these factors are: (a) the Bank's plans to reduce its concentration in residential construction lending; (b) ongoing review of the Bank's business and operations; (c) implementation of changes in lending practices and lending operations; (d) the Bank's compliance with the 2004 supervisory agreement with the Office of Thrift Supervision and any regulatory actions taken in response thereto; (e) the Board's review of the Bank's capital management plan; (f) changes in accounting principles; (g) government legislation and regulation; (h) changes in interest rates; (i) changes in the economy; (j) credit or other risks of lending activity; (k) the impact of any legal or regulatory proceedings; and (l) other expectations, assessments and risks that are specifically mentioned in this report, in our Annual Report on Form 10-K for the year ended July 31, 2004 ("2004 Form 10-K") and in such other reports filed with the OTS.