



NEWS RELEASE

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

BOWIE, MD – August 28, 2006 - THE WASHINGTON SAVINGS BANK, F.S.B. (Amex symbol: "WSB"), a federally chartered, FDIC-insured savings bank with principal executive offices in Bowie, Maryland, today announced both the termination of the prior supervisory actions with the Office of Thrift Supervision (OTS) and results for both its fourth quarter and year ended July 31, 2006.

The OTS has terminated both the March 22, 2004 Supervisory Agreement between the Bank and the OTS, and the subsequent June 13, 2005 Board Resolution passed at the request of the OTS. Phillip Bowman, CEO, stated "We are pleased with the recognition by the OTS of the Bank's actions to remedy the issues identified in the Supervisory Agreement. The resolution of the Supervisory Agreement and non-objection to the termination of the Board Resolution, which is due in large part to the dedication and hard work by the Board, management and staff, was a significant step in our strategic plan for the Bank. We continue to work on transforming the Bank; both in reducing concentrations and risk within the loan portfolio, and in expanding loan and deposit products and services to be competitive within the industry which we believe are in the best interest of our customers and shareholders."

WSB reported fourth quarter net earnings of \$1,204,000 or \$0.16 per basic share and \$0.15 per diluted share for the quarter ending July 31, 2006, a 37% decrease from net earnings of \$1,902,000, or \$0.26 per basic share and \$0.23 per diluted share for the comparable quarter of the prior year. For the fiscal year ended 2006, WSB reported net earnings of \$5,062,000 or \$0.68 per basic share and \$0.62 per diluted share, a 37% decrease from net earnings of \$8,001,000 or \$1.09 per basic share and \$0.98 per diluted share for the comparable prior fiscal year.

The decrease in quarterly and fiscal year earnings is consistent with management's previously announced plan to reduce the Bank's concentration in higher-yielding, yet higher risk, construction loans, and the implications of the plan as to future earnings. Significant curtailment in the construction loan portfolio has been experienced during the quarter and twelve month periods, resulting in a significant reduction in interest income and loan related fees for the comparative periods. As interest rates continue to rise, mortgage loan originations both nationally and for the Bank, have declined. WSB has benefited the past several years from the historically low interest rate environment which had resulted in higher levels of mortgage originations and related earnings from loan fees and gains on loan sales. WSB continues to restructure its mortgage operations and product offering to reflect changes within the market and the Bank's plan to reduce loan concentrations and risk with a diversification of the portfolio.

Consistent with the Bank's reduction in higher risk lending activities, no addition to the allowance for loan losses through provisioning was required during the fourth quarter of fiscal year 2006. In addition, management continues to see favorable developments in many of its previously internally criticized loans in which many such loans have been refinanced out of the bank or have seen credit enhancements secured from borrowers to better position the bank as to the collateral value securing outstanding loans. While significant progress has been made addressing management's assessment as to the inherent risk within the portfolio, management believes that current real estate market conditions and trends, especially related to custom high-end residential properties merits the existing allowance level.

Management has reinvested excess liquidity as a result of the portfolio runoff primarily in short term investment securities so as to provide liquidity for future loan growth as we continue the restructuring of the existing loan portfolio and transition into a more diversified loan portfolio. The reinvesting of high yielding loan funds into the investment portfolio will result in lower interest income until loan production again outpaces loan runoff and funds invested in our securities portfolio are redirected to loan production.

The reduction in loan production has resulted in a 33% decrease in net interest income and a 55% decrease in non-interest income, compared to last fiscal year. The decrease in non-interest income is the result of a decrease in the amount of loan related fees, primarily in gain on loan sales and document preparation fees. Non-interest expenses, exclusive of bad debt provisioning, remained stable for the twelve months ending July 31, 2006, primarily as a result of a decrease in salaries and benefits offsetting professional services associated with compliance under the Supervisory Agreement between WSB and the OTS, consultant costs associated with the implementation of the internet banking product and the mortgage origination software, the restructuring of the mortgage banking operations, and a write-down of foreclosed property.

WSB's July 31, 2006 total assets decreased by 16% to \$444,074,000 compared to last year's fiscal year ending balance. Book value per share increased 7% to \$8.07 compared to last year's July 31st level of \$7.51.

Management, as a result of a review of products and services offered to retail customers has committed to an expansion of its product and services which will include internet banking, bill paying, and online loan applications, which was available during the first half of the 2006 calendar year. Management also intends to seek more diversity in its loan portfolio and has begun the implementation of software that will streamline the credit process from application to closing utilizing the current loan accounting software. These changes are the result of the ongoing review of the bank's business plan.

FINANCIAL HIGHLIGHTS

(Unaudited)

| | <u>Three Months Ended July 31,</u> | | | <u>% Change</u> |
|------------------------------------|---|----|--------------------|------------------------|
| | <u>2006</u> | | <u>2005</u> | |
| Interest Income | \$ 7,659,000 | \$ | 10,023,000 | (24) % |
| Interest Expense | \$ 3,600,000 | \$ | 4,005,000 | (10) % |
| Net Interest Income | \$ 4,059,000 | \$ | 6,018,000 | (33) % |
| Non-Interest Income | \$ 972,000 | \$ | 2,164,000 | (55) % |
| Non-Interest Expenses | \$ 3,176,000 | \$ | 3,625,000 | (12) % |
| Provision for Loan Losses | \$ - | \$ | 1,430,000 | (100) % |
| Net Earnings | \$ 1,204,000 | \$ | 1,902,000 | (37) % |
| Basic Earnings Per Share | \$ 0.16 | \$ | 0.26 | (39) % |
| Diluted Earnings Per Share | \$ 0.15 | \$ | 0.23 | (35) % |
| Average Shares Outstanding | 7,424,752 | | 7,386,858 | 1 % |
| Average Diluted Shares Outstanding | 8,105,654 | | 8,110,912 | - % |

| | <u>Twelve Months Ended July 31,</u> | | | <u>% Change</u> |
|------------------------------------|--|----|--------------------|------------------------|
| | <u>2006</u> | | <u>2005</u> | |
| Interest Income | \$ 33,659,000 | \$ | 41,494,000 | (19) % |
| Interest Expense | \$ 15,364,000 | \$ | 15,715,000 | (2) % |
| Net Interest Income | \$ 18,296,000 | \$ | 25,779,000 | (29) % |
| Non-Interest Income | \$ 3,751,000 | \$ | 6,984,000 | (46) % |
| Non-Interest Expenses | \$ 13,888,000 | \$ | 14,323,000 | (3) % |
| Provision for Loan Losses | \$ 200,000 | \$ | 5,410,000 | (96) % |
| Net Earnings | \$ 5,062,000 | \$ | 8,001,000 | (37) % |
| Basic Earnings Per Share | \$ 0.68 | \$ | 1.09 | (38) % |
| Diluted Earnings Per Share | \$ 0.62 | \$ | 0.98 | (37) % |
| Average Shares Outstanding | 7,412,405 | | 7,369,218 | 1 % |
| Average Diluted Shares Outstanding | 8,106,224 | | 8,195,586 | 1 % |

| | <u>As of July 31,</u> | | | <u>% Change</u> |
|----------------------------|------------------------------|----|--------------------|------------------------|
| | <u>2006</u> | | <u>2005</u> | |
| Total Assets | \$ 444,074,000 | \$ | 528,713,000 | (16) % |
| Deposits and Borrowings | \$ 381,734,000 | \$ | 469,179,000 | (19) % |
| Total Stockholders' Equity | \$ 59,897,000 | \$ | 55,587,000 | 8 % |
| Book Value Per Share | \$ 8.07 | \$ | 7.51 | 7 % |
| Return on Average Assets | 1.03 | % | 1.48 % | (30) % |
| Return on Average Equity | 8.82 | % | 15.3 % | (42) % |
| Efficiency Ratio | 63.0 | | 43.7 | 44 |

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 Report on Form 10-K for the year ended July 31, 2005 and in such other reports filed with the OTS, the Bank's future results and prospects may be dependent upon a number of other factors that could cause the Bank's performance to compare unfavorably to prior periods.