



## NEWS RELEASE

**Contact:**

Phillip C. Bowman, CEO  
Telephone: (301) 352-3120  
Website: [www.twsb.com](http://www.twsb.com)

**THE WASHINGTON SAVINGS BANK, F.S.B.  
ANNOUNCES UNFAVORABLE OPERATING TRENDS  
AND AN INCREASE IN LOAN LOSSES RESERVES**

**Bowie, MD** – May 6, 2005 – **The Washington Savings Bank, F.S.B.** (AMEX: “**WSB**”), a federally chartered, FDIC insured savings bank, with principal executive offices in Bowie, Maryland, today announced a number of developments in anticipation of reporting its results of operations for the third fiscal quarter ended April 30, 2005. During the quarter, in February the Bank announced a plan to reduce its concentration in residential construction lending, primarily through a reduction of non-owner occupied residential construction. Also during the quarter, in March, the Bank appointed a new Chief Executive Officer. Under the new management structure, the Bank is in the midst of a thorough review of its business and operations. Much of this review and anticipated changes result from regulatory criticism of the Bank’s compliance with the previously announced 2004 supervisory agreement between the Bank and the Office of Thrift Supervision.

Among the changes management is implementing are changes in the Bank’s lending practices and lending operations. For the quarter ended April 30, 2005, management intends to take a \$2.8MM charge to provision for loan losses due to unfavorable trends including an increase in internally criticized loans and to reflect the changes in lending policies and procedures.

The Bank does not provide financial forecasts, however, it expects, in light of these circumstances, that as it decreases certain categories of construction lending in its continuing plan of diversification within the loan portfolio as well as the tightening of credit standards, loan volume may decrease. Management expects that the Bank’s operating performance in the quarter ended April 30, 2005 and subsequent quarters may compare unfavorably to operating performance in recent quarters, and that the Bank may not be able to maintain the growth and profitability experienced in recent quarters. The Bank also anticipates that operations may be further affected depending on regulatory actions taken in response to performance to date under the Supervisory Agreement.

The Board is also evaluating its capital management plan including its dividend policy. While the Company remains “Well Capitalized” by regulatory standards, WSB’s recent growth rates has resulted in a decline in its capital ratios.

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.