

OFFICE OF THRIFT SUPERVISION
Washington, D.C. 20552

FORM 10-Q

(x) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For The Quarterly Period Ended: **January 31, 2005**

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

For the Transition Period from _____ to

Docket Number 8173

THE WASHINGTON SAVINGS BANK, F.S.B.
(Exact name of Registrant as specified in its Charter)

UNITED STATES
(State or other jurisdiction of
incorporation or organization)

52-1271169
(I.R.S. Employer
Identification No.)

4201 Mitchellville Road, Suite 200, Bowie, Maryland 20716
(Address of Principal Executive Offices)

(301) 352-3120
(Registrant's Telephone Number)

Securities Registered Pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, par value \$1.00 per share	American Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:

(Title of Class)
None

Indicate by check mark whether the Registrant has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months and has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES NO

There were 7,378,094 shares of Common Stock (\$1.00 Par Value) outstanding as of March 4, 2005.

THE WASHINGTON SAVINGS BANK, F.S.B. AND SUBSIDIARIES
FORM 10-Q
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THE WASHINGTON SAVINGS BANK, F.S.B. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	January 31 2005 (Unaudited)	July 31 2004 (Audited)
ASSETS		
Cash	\$ 3,431,360	\$ 3,004,533
Federal funds sold	6,499,000	9,974,000
Total cash and cash equivalents	9,930,360	12,978,533
Loans receivable - net:		
Held for investment (net of allowance of \$4,164,532 and \$3,503,329 respectively)	502,978,856	466,020,833
Held for sale	15,573,131	14,696,830
Total loans receivable - net	518,551,987	480,717,663
Mortgage-backed securities - available for sale	2,011,794	2,155,182
Investment securities - held to maturity	5,646,070	5,587,560
Investment in Federal Home Loan Bank stock, at cost	4,848,300	4,495,000
Accrued interest receivable on loans	3,366,734	2,963,284
Accrued interest receivable on investments	28,463	29,420
Real estate held for investment	264,104	87,897
Real estate acquired in settlement of loans	1,748,021	689,971
Premises and equipment - net	6,163,308	6,305,829
Deferred income taxes	3,608,161	3,616,006
Other assets	843,622	1,853,301
TOTAL ASSETS	\$ 557,010,924	\$ 521,479,646
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	\$ 8,966,570	\$ 10,345,534
Interest bearing	402,109,982	367,939,410
Total deposits	411,076,552	378,284,944
Other borrowings	89,900,000	89,900,000
Advances from borrowers for taxes and insurance	1,021,253	1,412,564
Accounts payable, accrued expenses and other liabilities	1,735,767	3,073,837
Income taxes payable	659,097	0
TOTAL LIABILITIES	504,392,669	472,671,345
STOCKHOLDERS' EQUITY:		
Preferred stock, no stated par value; 10,000,000 shares authorized; none issued and outstanding	-	-
Common stock, \$1 par value; 20,000,000 shares authorized; 7,988,775 and 7,956,850 issued	7,988,775	7,956,850
Additional paid-in capital	1,765,160	1,704,955
Treasury Stock - 610,681 and 610,681 shares at cost	(645,124)	(645,124)
Retained earnings - substantially restricted	43,466,766	39,764,172
Accumulated other comprehensive income	42,678	27,448
TOTAL STOCKHOLDERS' EQUITY	52,618,255	48,808,301
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 557,010,924	\$ 521,479,646

See notes to consolidated financial statements.

THE WASHINGTON SAVINGS BANK, F.S.B. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended January 31,		Six Months Ended January 31,	
	2005	2004	2005	2004
INTEREST INCOME:				
Interest and fees on loans	\$ 10,397,753	\$ 7,292,688	\$ 20,130,618	\$ 14,481,422
Interest on mortgage-backed securities	27,764	31,066	58,013	61,634
Interest and dividends on investments	<u>219,273</u>	<u>184,070</u>	<u>404,857</u>	<u>386,751</u>
Total interest income	<u>10,644,790</u>	<u>7,507,824</u>	<u>20,593,488</u>	<u>14,929,807</u>
INTEREST EXPENSE:				
Interest on deposits	3,087,275	2,168,350	5,967,675	4,406,458
Interest on other borrowings	<u>953,266</u>	<u>659,948</u>	<u>1,797,444</u>	<u>1,335,818</u>
Total interest expense	<u>4,040,541</u>	<u>2,828,298</u>	<u>7,765,119</u>	<u>5,742,276</u>
NET INTEREST INCOME	6,604,249	4,679,526	12,828,369	9,187,531
Provision for loan losses	<u>670,000</u>	<u>120,000</u>	<u>1,190,000</u>	<u>180,000</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>5,934,249</u>	<u>4,559,526</u>	<u>11,638,369</u>	<u>9,007,531</u>
NON-INTEREST INCOME:				
Loan-related fees	411,680	448,921	913,327	916,223
Gain on sale of loans	765,766	619,298	1,547,227	1,103,680
Gain on sale of real estate acquired in settlement of loans	0	0	2,646	0
Service charges on deposits	35,540	45,652	77,323	90,623
Rental Income	178,969	191,407	358,877	382,569
Other income	<u>52,287</u>	<u>72,470</u>	<u>108,681</u>	<u>140,444</u>
Total non-interest income	<u>1,444,242</u>	<u>1,377,748</u>	<u>3,008,081</u>	<u>2,633,539</u>
NON-INTEREST EXPENSE:				
Salaries and benefits	2,257,082	1,666,375	4,315,663	3,050,457
Occupancy expense	181,611	187,123	383,037	370,111
Deposit insurance premiums and assessments	40,937	31,294	79,614	60,337
Depreciation	167,633	141,380	327,249	289,881
Donations	413	3,293	3,523	4,780
Advertising	35,806	23,674	73,991	54,349
Service bureau charges	114,054	106,848	220,841	206,892
Service charges from banks	35,152	34,248	68,429	71,264
Stationary, printing and supplies	67,647	65,534	139,348	140,425
Other taxes	33,910	35,703	70,970	70,356
Reversal of provision for losses on real estate acquired in settlement of loans	0	0	0	7,450
Other expense	<u>674,236</u>	<u>499,882</u>	<u>1,277,994</u>	<u>1,046,559</u>
Total non-interest expense	<u>3,608,481</u>	<u>2,795,354</u>	<u>6,960,659</u>	<u>5,372,861</u>
EARNINGS BEFORE PROVISION FOR INCOME TAXES	3,770,010	3,141,920	7,685,791	6,268,209
PROVISION FOR INCOME TAXES	<u>1,449,000</u>	<u>1,198,000</u>	<u>2,954,200</u>	<u>2,356,900</u>
NET EARNINGS	<u>\$ 2,321,010</u>	<u>\$ 1,943,920</u>	<u>\$ 4,731,591</u>	<u>\$ 3,911,309</u>
BASIC EARNINGS PER COMMON SHARE	<u>\$ 0.32</u>	<u>\$ 0.28</u>	<u>\$ 0.64</u>	<u>\$ 0.56</u>
DILUTED EARNINGS PER COMMON SHARE	<u>\$ 0.28</u>	<u>\$ 0.24</u>	<u>\$ 0.58</u>	<u>\$ 0.49</u>
AVERAGE COMMON SHARES OUTSTANDING	<u>7,363,177</u>	<u>6,997,064</u>	<u>7,355,961</u>	<u>6,972,235</u>
AVERAGE DILUTED COMMON SHARES	<u>8,248,808</u>	<u>7,947,253</u>	<u>8,226,469</u>	<u>7,976,210</u>

See notes to consolidated financial statements.

THE WASHINGTON SAVINGS BANK, F.S.B. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JANUARY 31, 2005 AND 2004

	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
BALANCE, AUGUST 1, 2003	\$ 7,567,650	\$ 92,502	\$ (677,781)	\$ 32,449,769	\$ 15,035	\$ 39,447,175
Exercise of Stock Options	160,450	262,875	-	-	-	423,325
Treasury Stock Issued to Profit Sharing	-	277,539	32,657	-	-	310,196
Comprehensive Income:						
Net earnings	-	-	-	3,911,309	-	3,911,309
Net changes in unrealized depreciation on available for sale securities (net of reclassification adjustment)	-	-	-	-	30,590	30,590
Total comprehensive income						3,941,899
Cash dividend (\$0.05 per common share paid quarterly)	-	-	-	(696,754)	-	(696,754)
BALANCE, JANUARY 31, 2004	<u>\$ 7,728,100</u>	<u>\$ 632,916</u>	<u>\$ (645,124)</u>	<u>\$ 35,664,324</u>	<u>\$ 45,625</u>	<u>\$ 43,425,841</u>
BALANCE, AUGUST 1, 2004	\$ 7,956,850	\$ 1,704,955	\$ (645,124)	\$ 39,764,172	\$ 27,448	\$ 48,808,301
Exercise of Stock Options	31,925	60,205	-	-	-	92,130
Comprehensive Income:						
Net earnings	-	-	-	4,731,591	-	4,731,591
Net changes in unrealized appreciation on available for sale securities (net of reclassification adjustment)	-	-	-	-	15,230	15,230
Total comprehensive income						4,746,821
Cash dividend (\$0.07 per common share paid quarterly)	-	-	-	(1,028,997)	-	(1,028,997)
BALANCE, JANUARY 31, 2005	<u>\$ 7,988,775</u>	<u>\$ 1,765,160</u>	<u>\$ (645,124)</u>	<u>\$ 43,466,766</u>	<u>\$ 42,678</u>	<u>\$ 52,618,255</u>

THE WASHINGTON SAVINGS BANK, F.S.B. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Six months ended
January 31,

	<u>2005</u>	<u>2004</u>
OPERATING ACTIVITIES:		
Net earnings	\$ 4,731,591	\$ 3,911,309
Adjustments to reconcile net earnings to net cash provided by operating activities		
Provision for loan losses	1,190,000	180,000
Provision for losses on real estate acquired in settlement of loans	-	7,450
Depreciation	327,249	289,881
(Accretion)/Amortization	(58,512)	(41,912)
Gain on sale of other real estate owned	(2,646)	-
Gain on sale of loans	(1,547,227)	(1,103,680)
Origination of loans - held for sale	(141,391,154)	(179,755,024)
Proceeds from sale of loans held for sale	142,062,080	268,211,023
Decrease in other assets	663,299	343,488
Increase in accrued interest receivable	(402,493)	(414,039)
Decrease in net deferred loan fees	707,314	305,505
Increase (decrease) in income taxes payable	1,005,477	(1,209,496)
Increase in accrued interest payable	178,218	8,060
Decrease in accounts payable, accrued expenses and other liabilities	(1,287,437)	(339,400)
	<u>6,175,759</u>	<u>90,393,165</u>
Net cash provided by operating activities		
INVESTING ACTIVITIES:		
Net increase in loans	(39,752,270)	(75,287,652)
Purchase of mortgage-backed securities - available for sale	-	(1,914,433)
Repayment of mortgage-backed securities	166,462	601,647
(Purchase) redemption of Federal Home Loan Bank Stock	(353,300)	600,000
Recall of investment securities - held to maturity	-	882,049
Purchase of premises and equipment	(184,728)	(89,575)
Land development costs incurred	(176,207)	(3,297)
Development of real estate acquired in settlement of loans	(425,128)	-
Sale of real estate acquired in settlement of loans	266,659	-
	<u>(40,458,512)</u>	<u>(75,211,261)</u>
Net cash used by investing activities		
FINANCING ACTIVITIES:		
Net (decrease) increase in demand deposits, NOW accounts and savings accounts	(7,593,045)	9,560,202
Proceeds from issuance of certificates of deposit	41,774,857	22,887,813
Payments for maturing certificates of deposit	(1,619,054)	(31,156,199)
Net (decrease) in advance payments by borrowers for taxes and insurance	(391,311)	(668,034)
Cash dividend paid	(1,028,997)	(696,754)
Decrease in FHLB Advances	-	(12,000,000)
Decrease in other borrowings	-	(14,430,757)
Proceeds from exercise of stock options	92,130	424,661
	<u>31,234,580</u>	<u>(26,079,069)</u>
Net cash provided (used) by financing activities		
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(3,048,173)</u>	<u>(10,897,165)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>12,978,533</u>	<u>14,447,330</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 9,930,360</u>	<u>\$ 3,550,165</u>
CASH PAID DURING THE PERIOD FOR:		
Income taxes	<u>\$ 2,132,523</u>	<u>\$ 3,818,644</u>
Interest	<u>\$ 7,485,636</u>	<u>\$ 5,740,677</u>
Non-cash transactions:		
Issuance of stock to profit sharing plan:	\$ -	\$ 308,859
Reduction in accrued expenses	-	(308,859)
Transfer from loans to foreclosed real estate	896,935	499,735

See notes to consolidated financial statements.

THE WASHINGTON SAVINGS BANK, F.S.B. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Financial Statements

The Consolidated Financial Statements for the three and six months ended January 31, 2005 and 2004 have been prepared by The Washington Savings Bank, F.S.B. ("WSB") without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows at January 31, 2005, and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission and the Office of Thrift Supervision. Management believes that the disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the financial statements and notes thereto included in WSB's Annual Report on Form 10-K for the year ended July 31, 2004 (the "2004 Annual Report"). There have been no significant changes to WSB's Accounting Policies as disclosed in the 2004 Annual Report. The results of operations for the period ended January 31, 2005, are not necessarily indicative of the operating results for the full year.

Certain prior year's amounts have been reclassified to conform with the current year's presentation.

2. Earnings Per Common Share

The following is the reconciliation of the numerators and denominators of the basic and diluted Earnings Per Common Share ("EPS") computation for all periods presented in the Consolidated Statements of Operations.

	<u>Three Months Ended January 31,</u>					
	<u>2005</u>			<u>2004</u>		
	<u>Income (Numerator)</u>	<u>Shares (Denominator)</u>	<u>Per Share Amount</u>	<u>Income (Numerator)</u>	<u>Shares (Denominator)</u>	<u>Per Share Amount</u>
Basic EPS						
Income available to common stockholders	\$ <u>2,321,010</u>	7,363,177	\$ <u>0.32</u>	\$ <u>1,943,920</u>	6,997,094	\$ <u>0.28</u>
Effect of Dilutive Options Incremental Shares		<u>885,631</u>			<u>950,159</u>	
Diluted EPS						
Income available to Common Stockholders	\$ <u>2,321,010</u>	<u>8,248,808</u>	\$ <u>0.28</u>	\$ <u>1,943,920</u>	<u>7,947,253</u>	\$ <u>0.24</u>

THE WASHINGTON SAVINGS BANK, F.S.B. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

	<u>Six Months Ended January 31,</u>					
	<u>2005</u>			<u>2004</u>		
	<u>Income (Numerator)</u>	<u>Shares (Denominator)</u>	<u>Per Share Amount</u>	<u>Income (Numerator)</u>	<u>Shares (Denominator)</u>	<u>Per Share Amount</u>
Basic EPS						
Income available to Common Stockholders	\$ <u>4,731,591</u>	7,355,961	\$ <u>0.64</u>	\$ <u>3,911,309</u>	6,972,235	\$ <u>0.56</u>
Effect of Dilutive Options Incremental Shares		<u>870,508</u>			<u>1,003,975</u>	
Diluted EPS						
Income available to Common Stockholders	\$ <u>4,731,591</u>	<u>8,226,469</u>	\$ <u>0.58</u>	\$ <u>3,911,309</u>	<u>7,976,210</u>	\$ <u>0.49</u>

All options were included in the computation of diluted EPS because the options' exercise prices were lower than the average market price of the common stock for the three and six months ended January 31, 2005 and 2004, respectively.

3. Stock-Based Compensation

WSB has incentive compensation plans that permit the granting of incentive and non-qualified awards in the form of stock options. Generally, the terms of these plans stipulate that the exercise price of options may not be less than the fair market value of WSB's common stock on the date the options are granted. Options vest over a two year period from the date of grant, and generally expire not later than ten years from date of grant.

WSB has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (Statement 123) which allows an entity to continue to measure compensation costs for those plans using the intrinsic value-based method of accounting prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees." WSB has elected to follow APB Opinion 25 and related interpretations in accounting for its employee stock options. Accordingly, no compensation expense has been recorded in these financial statements as a result of any stock-based awards, as all options granted had an exercise price equal to the market value of the underlying common stock as of the date of grant.

The pro-forma information below was determined as if WSB had accounted for its employee stock options under the fair value method of Statement 123. For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. WSB's pro forma information is as follows:

THE WASHINGTON SAVINGS BANK, F.S.B. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>For the three months ended</u>	
	<u>January 31</u> <u>2005</u>	<u>January 31</u> <u>2004</u>
Net Earnings		
As reported.....	\$ 2,321,010	\$ 1,943,920
Deduct: Total stock-based compensation expense determined under fair value-based method for all awards, net of related tax effects.....	<u>(16,151)</u>	<u>(118,101)</u>
Pro forma.....	\$ 2,304,859	\$ 1,825,819
Basic earnings per common share:		
As reported.....	\$ 0.32	\$ 0.28
Pro forma.....	\$ 0.31	\$ 0.26
Diluted earnings per common share:		
As reported.....	\$ 0.28	\$ 0.24
Pro forma.....	\$ 0.28	\$ 0.23

	<u>For the six months ended</u>	
	<u>January 31</u> <u>2005</u>	<u>January 31</u> <u>2004</u>
Net Earnings		
As reported.....	\$ 4,731,591	\$ 3,911,309
Deduct: Total stock-based compensation expense determined under fair value-based method for all awards, net of related tax effects.....	<u>(32,302)</u>	<u>(236,201)</u>
Pro forma.....	\$ 4,699,289	\$ 3,675,108
Basic earnings per common share:		
As reported.....	\$ 0.64	\$ 0.56
Pro forma.....	\$ 0.64	\$ 0.53
Diluted earnings per common share:		
As reported.....	\$ 0.58	\$ 0.49
Pro forma.....	\$ 0.57	\$ 0.46

4. New Accounting Pronouncements

The Emerging Issues Task Force has reached a consensus on Issue 03-1, "Meaning of Other Than Temporary Impairment" (Issue 03-1). The Task Force reached a consensus on an other-than-temporary impairment model for debt and equity securities accounted for under Statement of Financial Accounting Standards No. 115. "Accounting for Certain Investments in Debt and Equity Securities" and cost method investments. The basic model developed by the Task Force in evaluating whether an investment within the scope of Issue 03-1 is other-than-temporarily impaired is as follows: Step 1: Determine whether the investment is impaired. An investment is impaired if its fair value is less than its cost. Step 2: Evaluate whether the impairment is other-than-temporary. Step 3: If the impairment is other-than-temporary, recognize an impairment loss equal to the difference between the investment's cost and its fair value. The three-step model used to determine other-than-temporary impairments shall be applied prospectively to all current and future investments in interim or annual reporting periods beginning after June 15, 2004. The adoption of Issue 03-1 did not have a material impact on WSB's financial condition or results of operations.

THE WASHINGTON SAVINGS BANK, F.S.B. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In December 2004, the Financial Accounting Standards Board (“FASB”) issued Statement No. 123 (R), Share-Based Payment. This statement replace Statement of Financial Accounting Standards No. 123 (“SFAS 123”), Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. SFAS 123(R) will require compensation costs related to share-based payment transactions to be recognized in the financial statements (with limited exceptions). The amount of compensation cost will be measured based on the grant-date fair value of the equity of liability instruments issued. Compensation cost will be recognized over the period that an employee provides service in exchange for the award. SFAS 123(R) must be adopted as of the first interim or annual reporting period that begins after June 15, 2005. WSB is currently evaluating both the timing and method of adopting the new standard.

THE WASHINGTON SAVINGS BANK, F.S.B. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS

Item 2.

General

The Washington Savings Bank, F.S.B. and Subsidiaries' ("WSB") results of operations are primarily determined by the difference between the interest income and fees earned on loans, investments and other interest-earning assets and the interest expense paid on deposits and other borrowings and other interest-bearing liabilities. The difference between the average yield earned on interest-earning assets, and the average cost of interest-bearing liabilities is known as net interest-rate spread. The principal expense to WSB is the interest it pays on deposits and other borrowings. The difference between interest income on interest-earning assets and interest expense on interest-bearing liabilities is referred to as net interest income. Net interest income is significantly affected by general economic conditions and by policies of state and federal regulatory authorities and the monetary policies of the Federal Reserve Board. WSB's net income is also affected by the level of its non-interest income, including loan related fees, deposit-based fees, rental income, operations of its service corporation subsidiary, gain on sale of real estate acquired in settlement of loans ("REO"), and gain on sale of loans, as well as its operating and tax expenses.

Critical Accounting Policies

The preparation of consolidated financial statements requires management to make judgments in the application of certain of its accounting policies that involve significant estimates and assumptions about the effect of matters that are inherently uncertain. These estimates and assumptions are based on information available as of the date of the financial statements, and may materially impact the reported amounts of certain assets, liabilities, revenues and expenses as the information changes over time. Accordingly, different amounts could be reported as a result of the use of revised estimates and assumptions in the application of these accounting policies.

Accounting policies considered relatively more critical due to either the subjectivity involved in the estimate and/or the potential impact that changes in the estimates can have on the reported financial results include the accounting for the allowance for loan losses. Information concerning this policy is included in the "Critical Accounting Policies" section of Management's Discussion and Analysis in WSB's 2004 Form 10-K. There were no significant changes in this accounting policy during the first six months of fiscal 2005.

Both basic and diluted EPS amounts are shown on the Consolidated Statements of Operations. However, "basic earnings" per share is utilized in this report's narrative when per share amounts are listed, unless otherwise stated.

Consolidated Results of Operations

Net earnings for three and six months ended January 31, 2005 were \$2,321,000, or \$0.32 per basic share and \$0.28 per diluted share, and \$4,732,000, or \$0.64 per basic share and \$0.58 per diluted share, compared to net earnings of \$1,944,000 or \$0.28 per basic share and \$0.24 per diluted share, and \$3,911,000, or \$0.56 per basic share and \$0.49 per diluted share, for the corresponding fiscal 2004 periods. Net earnings for the three and six month periods ended January 31, 2005, represent increases of \$377,000 or 19%, and \$820,000, or 21% over the same periods last year.

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The increase in net earnings for the six month period of 2005 was primarily due to an increase in interest and fees on loans resulting from higher balances of higher-yielding loans, which was partially offset by the increases in non-interest expenses, compared to same period last year.

During the third quarter of fiscal 2004, WSB entered into a supervisory agreement with the OTS that addressed a number of supervisory issues primarily related to compliance. Under the supervisory agreement, among other things, WSB must (i) comply with various federal laws and regulations related to bank secrecy and real estate lending, (ii) conduct annual compliance audits and (iii) review and revise certain loan policies and procedures. In addition to adopting a number of policies and procedures addressing these supervisory issues, we have submitted to the OTS a comprehensive three year business plan, which among other things, discusses the limitations for each type of loan activity, including our construction loan portfolio. If we fail to comply with the supervisory agreement, including compliance with the various policies and business plan required, we may be subject to additional enforcement action including the imposition of civil money penalties. The OTS has approved WSB's business plan as submitted. WSB has adopted all of these policies required by the Supervisory Agreement and has been approved as submitted.

The principal effects of this Supervisory Agreement on WSB's loan portfolio is expected to be a reduction in the rate of growth of its construction loans and a change of the composition of the construction loan portfolio. The construction loan portfolio will also continue to be affected by general economic conditions and the demand in WSB's markets for new construction projects. For these and other factors, management of WSB does not expect its construction loan portfolio to grow at rates comparable to those in recent periods. If the construction loan portfolio's growth is limited by the effect of this policy or general economic conditions, WSB's net interest rate spread and net interest income may be adversely affected.

On February 11, 2005, WSB announced a plan to reduce its concentration in residential construction lending, primarily through a reduction of non-owner occupied residential construction. This reduction, along with a continuing tightening of credit standards, may affect future earnings and growth.

Interest Income/Expense

Total interest income increased \$3.1 million, or 41.8%, for the second quarter of fiscal 2005, and increased \$5.7 million, or 37.9% for the six month period ending January 31, 2005, compared to the corresponding periods last year, due primarily to an increase in the average volume of interest-earning assets. The average six-month balance of interest-earning assets increased to \$528.9 million from \$402.1 million, due primarily to an increase in the loan portfolio, which includes an increase of \$53 million in construction loans. The increase in average yield on interest-earning assets to 7.79% from 7.44% is the result of a slightly higher interest rate environment, in general.

Total interest expense increased \$1.2 million, or 42.9%, and \$2.0 million, or 35.2% for the three and six month periods ended January 31, 2005, respectively, compared to the same period in the prior year. The increases were attributable to an increase in the average volume on WSB's interest-bearing liabilities offset partially by a slight decline in WSB's average interest rate for the interest-bearing liabilities. For the six month period ended January 31, 2005, WSB's average interest-bearing liabilities were \$489.5 million with an

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average rate of 3.37%, compared to \$361.5 million with an average rate of 3.56%, for the corresponding period last fiscal year.

Net interest income increased \$1.9 million, or 41.1%, and \$3.6 million, or 39.6%, respectively, for the three and six month periods ended January 31, 2005, compared to the same periods in the prior fiscal year. Due to a higher average return of WSB's interest-earning assets, primarily loans, and a slightly lower average cost of WSB's interest-bearing liabilities, primarily deposits and borrowings, WSB's net interest rate spread increased to 4.42% for the six month period ended January 31, 2005 from 3.88% for the same period in the prior fiscal year. The ratio of WSB's interest-bearing assets to interest-bearing liabilities decreased to 108.04% from 111.25%.

Provisions for Loan and REO Losses

WSB's loan portfolio is subject to varying degrees of credit risk. Credit risk is mitigated through portfolio diversification, limiting exposure to any single customer, or industry. WSB maintains an allowance for loan losses (the "allowance") to absorb losses inherent in the loan portfolio. The allowance is based on careful, continuous review and evaluation of the loan portfolio, along with ongoing, quarterly assessments of the probable losses inherent in that portfolio. The methodology for assessing the appropriateness of the allowance includes: (1) a formula allowance reflecting historical losses by credit category, (2) the specific allowance for risk rated credits on an individual or portfolio basis, and (3) a nonspecific allowance which considers risk factors not taken into factor by the other two components of the methodology. The amount of the allowance is reviewed monthly by WSB's Loan Committee, and reviewed and approved monthly by the Board of Directors.

The allowance is increased by provisions for loan losses, which are charged to expense. Charge-offs of loan amounts determined by management to be uncollectible or impaired decrease the allowance, while recoveries of loans previously charged-off are added back to the allowance. WSB makes provisions for credit losses in amounts necessary to maintain the allowance at an appropriate level, as established by use of the allowance methodology. Under the methodology, WSB considers trends in credit risk against broad categories of homogenous loans, as well as a loan by loan review of loans criticized or classified by management. Resulting provisions were \$1,190,000 for the six months ended January 31, 2005 and \$180,000 for the same period in 2004. Net loan charge-offs of \$528,797 and \$91,231, were recorded in the six months ended January 31, 2005, and 2004 respectively. The charge-offs consisted of \$235,000 of residential construction loans and \$294,000 in residential conventional loans. The construction loans consisted of loans to individual borrowers that are involved with a builder that defaulted on their constructions. The residential conventional loans consisted of three foreclosures that WSB charged-off based on the fair market value of these loans. The ratio of net charge-offs to loans held-for-investment was 0.105% in 2005, compared to 0.025% in 2004.

During the six months ended January 31, 2005, the allowance increased by \$661,203, or 19%, to \$4,164,532 from \$3,503,329 at July 31, 2004. At January 31, 2005, the allowance was 0.82% of total loans held-for-investment, versus 0.75% of total loans held-for-investment, at July 31, 2004.

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The increase in the provision is the result of the increased loan portfolio as well as an increase in assets subject to management's criticism. Review by WSB's Loan Committee of assets subject to management's criticism includes an increase in WSB's classified loans, including the loans which meet the sub-standard criteria, causing collateral deficiencies that may reflect possible losses. Based on the review of the individual loans involved, management estimates probable losses. Management has continued to assess the probable losses as new and relevant data is obtained.

Management believes that the allowance reflects its best estimate of the losses existing in the \$507.1 million loan-held for investment portfolio as of January 31, 2005. The \$15.6 million loan held-for-sale portfolio has already been committed to be purchased by investors at January 31, 2005 and will be settled subsequent to that date. Analysis of WSB's history of sold loans indicates that no credit losses have been realized after the sale of loans. WSB's determination of the adequacy of the allowance requires significant judgment, and estimates of probable losses inherent in the loans-held for investment portfolio can vary significantly from the amounts actually observed. While management uses available information to recognize probable losses, future additions to the allowance may be necessary based on changes in the credits comprising the portfolios, changes in the financial condition of borrowers, such as may result from changes in economic conditions, or other considerations determined by management to be appropriate. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the loan portfolio and the allowance. Such review may result in additional provisions based upon their judgments of information available at the time of each examination.

Management has developed a comprehensive review process to monitor the adequacy of the allowance for loan losses. The review process and guidelines were developed utilizing guidance from federal banking regulatory agencies and relies on relevant observable data. The observable data considered in the determination of the allowance is modified as more relevant data becomes available. The results of this review process support management's view that the allowance reflects losses within the loan portfolio as of the balance sheet date. Please refer to WSB's 2004 Form 10-K under the caption "Significant Accounting Policies" for an overview of the underlying methodology management employs on a monthly basis to maintain the allowance.

Changes in the estimation methods may take place based on the status of the economy and the estimate of the value of the property securing loans and as a result, the allowance may increase or decrease. Future adjustments could substantially affect the amount of the allowance.

Loans held-for-investment increased by \$37.6 million or 8% since July 31, 2004. Most of this change was attributable to higher volume of residential first trust lending. The construction loan portfolio increased slightly over the period to \$227.2 million at January 31, 2005 from \$226.4 million at July 31, 2004. Construction loans have relatively short terms, typically nine months or less. Due to the nature of construction loans, credit and collateral issues are generally identified quickly. Management monitors its construction portfolio closely for potential credit problems. WSB's allowance model considers not only loan growth but also the composition of loan growth and the relative credit risk associated with specific sectors within the loan portfolio.

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At January 31, 2005, total non-performing assets were \$4.7 million or 0.93% of total loans held-for-investment, compared to \$3.6 million or 0.77% of total loans held-for-investment, at July 31, 2004. The allowance for loan losses to total non-performing loans represented 88% of the allowance at January 31, 2005, versus 97% at July 31, 2004. Significant variation in the coverage ratio may occur from period to period because the amount of non-performing loans depends largely on the condition of a small number of individual credits and borrowers relative to the total loan and lease portfolio. Non-performing loans include \$1.1 million in loans that are contractually past due 90 days or more but with current payments, compared to \$1.6 million at July 31, 2004. Although these loans have current payments, request for extensions need to be formally filed on their current contract to extend the maturity date to bring the loan to current status. Classified loans exceeding \$300,000 are evaluated individually as part of the calculation of the adequacy of the allowance. The evaluation of these loans indicates that there is minimal risk associated with these classified loans.

Based upon management's analysis of WSB's Real Estate Owned ("REO"), WSB made no provisions for write-down or loss for the six month period ending January 31, 2005. REO held at January 31, 2005 and July 31, 2004, was \$1.7 million and \$690,000, respectively, which was net of no reserves for REO losses at January 31, 2005 and July 31, 2004.

Non-Interest Income

Total non-interest income increased \$66,000, or 4.8%, and \$375,000, or 14.2%, for the three and six month periods ended January 31, 2005, respectively, compared to the same periods in the prior year. The increases for both periods were attributable to an increase on the gain on sale of loans sold in secondary market which offset the decrease in rental income.

Gain on the sale of loans increased by \$146,000 and \$444,000 for the three and six month periods ending January 31, 2005 respectively, compared to the corresponding periods last year. The increase was due to the current interest rate environment on mortgage loans originated for sale in the secondary market. Even though there was a slight increase in mortgage interest rates, rates have remained at historically low levels, which has had a positive effect on mortgage loan originations that are then sold in the secondary market. WSB's ability to realize gains in future periods depends largely on interest rates and the demand for mortgage loans. Real estate loans closed for the three and six month periods ended January 31, 2005, were approximately \$175.0 million and \$374.2 million, respectively, compared to approximately \$165.4 million and \$386.4 million, respectively, for the same periods last year. WSB's loans in process, which are loans that have not yet settled as of January 31, 2005 increased to \$144.8 million, compared to \$89.7 million at January 31, 2004.

The decrease in rental income of \$12,000 and \$24,000 for the three and six month periods ending January 31, 2005 is primarily due to a reduction of occupied space at the Corporate Bowie Building. The square footage previously designated for other businesses has decreased due to the additional space needed for the Bank's support staff.

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Non-Interest Expenses

During the three and six month periods ending January 31, 2005, non-interest expenses increased \$813,000, 29.1%, and \$1.6 million, or 30.0%, respectively, as compared to the corresponding prior fiscal year periods.

The increase in non-interest expenses for the second quarter compared to the same period last year was primarily due to increases of \$591,000 in salaries and benefits, \$26,000 in depreciation expense, \$12,000 in advertising, and \$174,000 increase in other expense, which consisted primarily of professional service, foreclosure costs and machine rental. The increase for the six month period ended January 31, 2005, as compared to the prior fiscal year period, consisted primarily of increases of \$1.3 million in salaries and benefits, \$37,000 in depreciation, and \$231,000 in other expenses. The increase in other expenses is a result of increases in professional services, machine rental, foreclosure costs and repairs and installation.

The increase in salaries is associated with loan production. The increase in professional fees included in other expenses is the result of additional expenses associated with the Supervisory Agreement discussed in "Results of Operations", as well as the preparation for the required Sarbanes-Oxley Act Section 404 assertions.

Income Taxes

The effective income tax rate for the six months ended January 31, 2005 was 38.4% compared to 37.6% for the same period last year.

Liquidity and Capital Resources

Total assets were \$557.0 million and \$521.5 million at January 31, 2005 and July 31, 2004, respectively. The 6.8% increase in assets at January 31, 2005, compared to July 31, 2004, was primarily attributable to an increase in the loans held-for-investment portfolio.

Deposits were \$411.1 million at January 31, 2005, compared to \$378.3 million at July 31, 2004. The increase in deposits at January 31, 2005, compared to July 31, 2004, was primarily due to increases in the origination of new certificates of deposit. These deposits were used to fund the new loan originations.

Total borrowings, which consisted of Federal Home Loan Bank ("FHLB") advances, at January 31, 2005 were \$89.9 million compared to \$89.9 million at July 31, 2004. In the first quarter of this fiscal year, WSB borrowed an additional \$10 million, which consisted of \$5.0 million at a fixed rate of 3.95% and \$5.0 million with a fixed rate of 4.19%. A \$5.0 million fixed rate of 3.81 was replaced with an adjustable rate advance that was called during the quarter. The balance of the variable daily rate advance decreased to \$29.0 million, compared to \$39.0 million with a variable daily rate at July 31, 2004.

WSB continually seeks to increase its core deposits and advertises its lower-cost NOW accounts, no fee checking incentives, an overdraft protection program, variable money fund savings account priced to current interest rates, and the advantages of customer access to ATM networks. During the six months ending January 31, 2005, WSB also has increased brokered deposits. This increase is due to the volume of WSB's

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loan originations. These deposits are accepted at terms and rates consistent with WSB's current rates on retail deposits and borrowed fund rates.

As a member of the FHLB system, and in order to maintain insurance with the Federal Deposit Insurance Corporation ("FDIC"), WSB must maintain average daily balances of long-term liquid assets of not less than a specified percentage of the average daily balance of its liquidity base (net withdrawable savings accounts and borrowings during the preceding calendar month which are payable within one year). Liquid assets are defined as cash, Federal Reserve deposits, time and savings deposits in certain institutions, obligations of states and political subdivisions thereof, highly rated corporate debt, mortgage loans and MBS, and accrued interest receivable and principal on certain qualified unpledged assets, payable within five years. Internal sources of liquidity used by WSB are various short-term investments, MBS, and short-term borrowings. WSB's long-term liquidity is calculated at 4% of its liquidity base. During January 2005, WSB's long-term average daily balances of liquid assets were \$27.9 million, which exceeded the \$17.5 million required.

Current regulations require subsidiaries of an institution to be separately capitalized and require investments in and extensions of credit to any subsidiary engaged in activities not permissible for a bank to be deducted in the computation of an institution's regulatory capital. These regulations have affected WSB through its service corporation subsidiary, which is engaged in real estate development and construction activities. At January 31, 2005, WSB's investment in its service corporation subsidiary was \$331,000, and the subsidiary's assets totaled \$388,000. Therefore, for regulatory capital calculations, WSB was required to deduct \$331,000 from its capital and \$388,000 from its assets. WSB's regulatory capital and regulatory assets below also reflect decreases of \$43,000 and \$65,000, respectively, which represents unrealized gains (after-tax for capital deductions and pre-tax for asset deductions, respectively) on MBS classified as available for sale. In addition, WSB's risk-based capital reflects an increase of \$4.0 million representing the general loan loss allowance. Regulatory thrift capital ratios required, WSB's actual ratios, and the amount over which WSB's ratios exceed regulatory ratios required, as of January 31, 2005, are shown as follows.

<u>Capital Category</u>	<u>Regulatory Ratios Required</u>	<u>WSB's Ratio</u>	<u>WSB's Excess of Requirements</u>	<u>Calculations</u>	<u>Based Upon</u>
Leverage	\$ 22,262,326 4.00%	\$ 52,244,372 9.39%	\$ 29,982,046 5.39%	\$ 52,244,372 \$ 556,558,157	Regulatory Capital Regulatory Assets
Tangible	\$ 8,348,372 1.50%	\$ 52,244,372 9.39%	\$ 43,896,000 7.89%	\$ 52,244,372 \$ 556,558,157	Regulatory Capital Regulatory Assets
Risk-Based	\$ 37,283,423 8.00%	\$ 56,223,203 12.06%	\$ 18,939,780 4.06%	\$ 56,223,203 \$ 466,042,782	Regulatory Capital Risk-Weighted Assets

WSB's management believes that, under current regulations, WSB will continue to meet its minimum capital requirements in the foreseeable future. However, events beyond the control of WSB, such as a shift in interest rates or a downturn in the economy in areas where WSB extends credit, could adversely affect future earnings and, consequently, the ability of WSB to meet its future minimum capital requirements.

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On February 16, 2005, WSB declared a cash dividend of \$0.07 per share to stockholders' of record as of March 4, 2005 to be paid on March 18, 2005. WSB's Board of Directors considers cash dividends on a quarterly basis.

The Qualified Thrift Lender ("QTL") Test currently requires that "qualified thrift investments" be at least 65% of portfolio assets as defined by the OTS. At January 31, 2005, WSB's ratio was approximately 91% of defined portfolio assets.

Off Balance Sheet Transactions

WSB is a party to financial instruments with off-balance sheet risk including commitments to extend credit under existing lines of credit and commitments to sell loans. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

Off-balance sheet financial instruments whose contract amounts represent credit and interest rate risk are summarized as follows:

Commitments to originate new loans	\$	8,197,165
Unfunded commitments to extend credit under existing construction, equity line and commercial lines of credit		140,757,990
Standby letters of credit		1,968,284
Commitments to sell loans held-for-sale		15,573,131

WSB does not have any unconsolidated special purpose entities or other similar forms of off-balance sheet financing arrangements.

Commitments to originate new loans or to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Loan commitments generally expire within 90 days. Most equity line commitments for the unfunded portion of equity lines are for a term of 12 months, and commercial lines of credit are generally renewable on an annual basis. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. WSB evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by WSB upon extension of credit, is based on management's credit evaluation of the borrower.

Commitments to sell loans held-for-sale are agreements to sell loans to third parties at an agreed upon prices.

Contractual Obligations

The following chart list WSB's contractual obligations as of January 31, 2005:

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	Payments due by period (dollars in thousands)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt	\$ 89,900	\$ 29,000	\$ -	\$ 15,000	\$ 45,900
Operating leases	951	171	552	228	-
Time Deposits	<u>321,792</u>	<u>89,864</u>	<u>88,606</u>	<u>140,002</u>	<u>3,320</u>
Total	<u>\$ 412,643</u>	<u>\$ 119,035</u>	<u>\$ 89,158</u>	<u>\$ 155,230</u>	<u>\$ 49,220</u>

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Management of WSB considers interest rate risk (“IRR”) and credit risk as the two most significant factors impacting WSB’s financial performance. WSB currently utilizes no derivatives to mitigate its credit risk, relying instead on loan review and an adequate loan loss allowance. WSB’s exposure to IRR is reviewed on at least a quarterly basis by the Board of Directors and management, and is measured in accordance with OTS Thrift Bulletin No. 13a using interest rate risk sensitivity analysis, including Net Portfolio Value (“NPV”) and net interest income under various rate scenarios.

The OTS provides all institutions that file the Consolidated Maturity Rate Schedule (“CMR”) as part of their quarterly thrift financial report with an interest rate sensitivity report of NPV on a calendar quarter basis. The NPV is defined as the netting of the present value of expected cash flows related to existing assets and liabilities and off-balance sheet contracts. In addition to the discounted cash flow analysis, the OTS simulator model also employs an option-based pricing approach to measuring the interest rate sensitivity of the NPV. Per the OTS interest rate risk exposure report, WSB’s sensitivity measure, or decline in the NPV ratio, at December 31, 2004 was a minimal 111 basis points, compared to 20 basis points at December 31, 2003. This 91 basis point increase primarily resulted from a slight increase in the interest rates. WSB relies on the OTS model and does not prepare its own model.

The following table compares the calculated estimates of change in NPV and net interest income as of December 31, 2004 (the most recent data available) to current limits established by management and approved by the Board of Directors.

	Percentage Change In			
	Net Interest Income		Net Portfolio Value as a % of PV of Assets	
	Board Limits	Projected Change	Minimum Board Limits	OTS Projections
Basis Point Change In Market Rates				
+200	-30%	+17%	6%	15%
- 100	-30%	- 8%	10%	14%

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Item 4. Controls and Procedures

WSB's management, under the supervision and with the participation of WSB's Principal Executive Officer and Principal Financial Officer, evaluated the effectiveness of the design and operation of WSB's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d – 15(e) of the Securities Exchange Act of 1934, as of the end of the period covered by this report. Based on that evaluation, WSB's Principal Executive Officer and Principal Financial Officer concluded that WSB's disclosure controls and procedures are effective in timely alerting them to material information which is required to be included in the periodic reporting that WSB must file with the OTS. During the quarterly period covered by the report, there were no changes (including corrective actions with regard to significant or material weaknesses) in the WSB's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect WSB's internal controls over financial reporting.

PART II.

Item 2. Amendments to Articles of Incorporation or Bylaws.

On February 16, 2005, the Board of Directors of the Bank amended the Amended and Restated Bylaws:

- To provide that the Executive Committee be comprised of three or more directors rather than the chief executive officer and two other directors as was previously required; and
- To eliminate the requirement that the President be the Chief Executive Officer unless the Board of Directors designates the Chairman of the Board as the Chief Executive Officer, and to provide that the Board may, but is not required to, designate whether there is a chief executive officer.

In addition, the Board of Directors made some additional amendments to the Amended and Restated Bylaws to conform the Amended and Restated Bylaws to the above listed changes.

In accordance with the Office of Thrift Supervision (“OTS”) regulations, the Bank submitted these amendments to its Amended and Restated Bylaws as On February 22, 2005. The amendments will automatically be effective thirty (30) days from the date of filing with the OTS, unless the OTS notifies the Bank within this time period that the amendments are not approved.

The above summary of the amendments to the Amended and Restated Bylaws does not purport to be complete and is qualified in its entirety by reference to the full text of the Amended and Restated Bylaws, as amended, filed as Exhibit 3.1 to this report and incorporated by reference herein.

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

Incorporated by reference in WSB's Form 10-Q dated December 14, 2005.

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Item 5. Other Information

On February 11, 2005, WSB announced the retirement of William J. Harnett as Chief Executive Officer. Mr. Harnett will remain as Chairman of the Board.

WSB's independent directors, who had been previously informed of Mr. Harnett's desire to retire, are conducting the search for his successor. In the interim, Kevin P. Huffman, the bank's President and Chief Operating Officer, will assume leadership of the management team.

At the current time, WSB cannot predict the short-term or long-term effect of these changes on current levels of WSB's assets, liabilities, profitability or continued growth. Current management is working on developing a revised business plan, and it is expected that the new Chief Executive Officer will have a significant role in implementing WSB's future strategic direction.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes statements that may constitute forward looking statements, usually containing the words "believe," "estimate," "project," "expect," "intend," or similar terms. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause future results to vary from current expectations include, but are not limited to, the following: changes in economic conditions (both generally and more specifically in the markets in which WSB operates); changes in the levels of interest rates, deposit flows, loan demand, loan prepayments and real estate values; competition; changes in accounting principles; government legislation and regulation; and other risks that are specifically mentioned in this Report and in WSB's Annual Report on Form 10-K for the year ended July 31, 2004.

Item 6. Exhibits

- 3.1 Amended and Restated Federal Stock Charter of WSB. (Incorporated by reference from WSB's Quarterly Report on Form 10-Q for the quarter ended January 31, 1997.)
- 3.2 Amended and Restated By-Laws of WSB. (Incorporated by reference from WSB's Form 8-K, as filed on February 22, 2005.)
- 3.3 Certificate of Amendment to Federal Stock Charter of WSB. (Incorporated by reference from WSB's Definitive Proxy Statement filing for the year ended July 31, 2001, as filed on October 22, 2001.)
- 10.1 Stock Option Plan for Non-Employee Directors of WSB. (Incorporated by reference from WSB's Definitive Proxy Statement filing for the year ended July 31, 1995, as filed on October 24, 1995.)

- 10.2 1997 Omnibus Stock Plan of WSB. (Incorporated by reference from WSB's Definitive Proxy Statement filing for the year ended July 31, 1997, as filed on October 22, 1997.)
- 10.3 1999 Stock Option and Incentive Plan of WSB. (Incorporated by reference from WSB's Definitive Proxy Statement filing for the year ended July 31, 1999, as filed on October 21, 1999.)
- 10.4 2001 Stock Option and Incentive Plan. (Incorporated by reference from WSB's Definitive Proxy Statement filing for the year ended July 31, 2001, as filed on October 29, 2001).
- 10.5 Supervisory Agreement dated March 19, 2004 by and between The Washington Savings Bank, F.S.B. and The Office of Thrift Supervision (Incorporated by reference from WSB's Current Report on Form 8-K filed on March 19, 2004).
- 31.1 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith).
- 31.2 Certification of Principal Financial Officer pursuant Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith).
- 32.1 Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Furnished herewith).
- 32.2 Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Furnished herewith).

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf, by the undersigned, thereunto duly authorized.

THE WASHINGTON SAVINGS BANK, F.S.B.

By: /s/ Kevin P. Huffman
Kevin P. Huffman
President and Chief Operating Officer

By: /s/ Randall M. Robey
Randall M. Robey
Senior Vice President and Chief Financial Officer

Date: March 11, 2005

**CERTIFICATION OF PRESIDENT AND CHIEF OPERATING OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kevin P. Huffman, President and Chief Operating Officer of The Washington Savings Bank, F.S.B. (“WSB”), certify that:

1. I have reviewed this quarterly report on Form 10-Q of WSB;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of WSB as of, and for, the periods presented in this quarterly report;
4. WSB’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to WSB, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - c) evaluated the effectiveness of WSB’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. WSB’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting to WSB’s auditors and the audit committee of WSB’s board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect WSB’s ability to record, process, summarize and report financial data; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in WSB’s internal control over financial reporting.

Date: March 11, 2005

By: /s/ Kevin P. Huffman
Kevin P. Huffman
President and Chief Operating Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Randall M. Robey, Sr. Vice-President and Chief Financial Officer of The Washington Savings Bank, F.S.B. ("WSB"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of WSB;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of WSB as of, and for, the periods presented in this quarterly report;
4. WSB's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to WSB, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - c) evaluated the effectiveness of WSB's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. WSB's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting to WSB's auditors and the audit committee of WSB's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect WSB's ability to record, process, summarize and report financial data; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in WSB's internal control over financial reporting.

Date: March 11, 2005

By: /s/ Randall M. Robey
Sr. Vice President
and Chief Financial Officer

EXHIBIT 32.1

Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350

I hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge and on the date hereof, that the accompanying Quarterly Report on Form 10-Q of The Washington Savings Bank, F.S.B. (“WSB”) for the quarterly period ended January 31, 2005, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and that the information contained in this Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of WSB.

By: /s/ Kevin P. Huffman
Kevin P. Huffman
President and Chief Operating Officer

March 11, 2005

Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350

I hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge on the date hereof, that the accompanying Quarterly Report on Form 10-Q of The Washington Savings Bank, F.S.B. ("WSB") for the quarterly period ended January 31, 2005, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and that the information contained in this Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of WSB.

By: /s/ Randall M. Robey
Randall M. Robey
Sr. Vice President and Chief Financial Officer

March 11, 2005