



**THE WASHINGTON SAVINGS BANK, F.S.B. ("WSB")
REPORTS SECOND QUARTER RESULTS AND DIVIDEND**

TO OUR SHAREHOLDERS:

February 2007

WSB reported net income of \$442,000 or \$0.06 per basic share, \$0.05 per diluted share for the fiscal quarter ended January 31, 2007, representing a 68% decrease in net earnings compared to \$1,365,000 or \$0.18 per basic share, \$0.17 per diluted share for the comparable period of the prior year. WSB reported net earnings for the first six months of fiscal year 2007 of \$1,517,000 or \$0.20 per basic share and \$0.19 per diluted share for the period ending January 31, 2007, representing a 49% decrease in net earnings of \$2,946,000 or \$0.40 per basic share, \$0.36 per diluted share for the comparable period of the prior year. WSB also announced that a four-cent per share cash dividend for the second fiscal quarter will be paid on March 16, 2007, to stockholders of record as of March 2, 2007.

The decrease in net income for the six month period reflects the continuing reduction in the Bank's concentration in higher-yielding construction loans and the general slowdown of the residential real estate market and the related decline in mortgage loan originations. WSB has seen a reduction in its construction loan portfolio by approximately 55% compared to January 31, 2006. Management continues to seek more diversity in its loan portfolio and has established a commercial business lending department and commercial real estate department. Management has hired experienced commercial business and commercial real estate lenders in an effort to significantly expand its nonresidential loan portfolio. Given the slowdown of the residential real estate market and the time and resources necessary to implement a more diverse lending strategy, management believes that the next several quarters may produce earnings significantly below that of similar periods a year ago. However, management strongly believes that this will eventually provide the Bank and its shareholders greater profitability and shareholder value.

Due to the decreased demand for housing and current interest rate environment, mortgage loan originations both nationally and for the Bank, have declined. Reduction in WSB's loan production has resulted in a 30% decrease in net interest income and a 23% decrease in non-interest income, compared to same six month period last year. The decrease in non-interest income is primarily the result of a decrease in loan related fees: primarily gain on loan sales for loans sold in the secondary market. WSB has benefited the past several years from the historically low interest rate environment and strong demand for housing which had resulted in higher levels of mortgage originations and related earnings from loan fees and gains on loan sales.

During the quarter, a settlement of the litigation involving a former employee against the Bank was reached. Management and the Board believe the settlement of the litigation was in the best interest of the Bank and its shareholders and will allow the Bank to better focus its financial and human resources and devote its attention to the Bank's business interests rather than protracted legal proceedings. Under the terms of the monetary settlement, a payment to the plaintiff was made, which after payment from insurance on the settlement and defense cost resulted in a one time increase in expenses of \$81,000.

During the quarter, a pretax charge of \$47,000, \$29,000 net of tax, was taken in restructuring \$21 million of short term investments within the Bank's portfolio in an effort to minimize reinvestment risk while improving portfolio yield.

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. Management believes the current reserve level is appropriate, noting that the evaluation of the reserve for loans losses is very subjective in nature, relying significantly on historical loss experience, collateral valuations available to management on specific loans, and economic factors deemed to exist at quarter end affecting the inherent loss within the portfolio. While significant progress has been made addressing management's assessment as to the inherent risk within the portfolio, the slowing real estate market, especially as it pertains to custom high-end residential properties merits the existing allowance level, and management cautions the reader not to rely on the possibility of further recaptures of prior loan loss provisioning.

The non-interest expenses decreased 7% primarily as a result of a decrease in deposits insurance premiums and assessments and in other expenses. The decrease in deposit insurance premiums and assessments is the result of the FDIC ruling, pursuant to the Federal Deposit Insurance Reform Act of 2005, to assess deposit insurance premiums against all depository institutions based on their current condition and nature of their activities and on the revenue needs, as determined by the FDIC for the DIF. Many insured depository institutions, including WSB, are entitled to a credit against these premiums based on the premiums they paid on or before December 31, 1996. Under the FDIC's current risk-based deposit insurance assessment system, the assessment rate for an insured depository institution depends on the assessment risk classification assigned to the institution by the FDIC which is determined by the institution's capital level and supervisory evaluations. Other expenses decreased due to related fees associated with the origination of held for investment loan portfolio.

WSB's January 31, 2007 total assets decreased by 13% to \$433,625,000 compared to last year's ending balance as of January 31, 2006. Book value per share increased 5% to \$8.23 over last year's January 31st level of \$7.87.

William J. Harnett
Chairman of the Board

Phillip C. Bowman
Chief Executive Officer

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FINANCIAL HIGHLIGHTS
The Washington Savings Bank, F.S.B.

Unaudited	Three Months Ended January 31,				Six Months Ended January 31,			
	2007	2006	% Change		2007	2006	% Change	
Net Interest Income.....	\$ 3,303,892	\$ 4,714,508	-	30	\$ 7,059,371	\$ 10,020,279	-	30
Provision for Loan Losses.....	\$ 0	\$ 0	-	0	\$ (300,000)	\$ 200,000	-	250
Net Interest Income After Provision for Loan Losses.....	\$ 3,303,892	\$ 4,714,508	-	30	\$ 7,359,371	\$ 9,820,279	-	25
Non-Interest Income.....	\$ 706,866	\$ 948,475	-	25	\$ 1,774,404	\$ 2,299,661	-	23
Non-Interest Expenses.....	\$ 3,407,213	\$ 3,511,804	-	3	\$ 6,869,508	\$ 7,420,024	-	7
Net Earnings.....	\$ 441,745	\$ 1,365,079	-	68	\$ 1,516,667	\$ 2,945,616	-	49
Basic Earnings Per Share.....	\$ 0.06	\$ 0.18	-	67	\$ 0.20	\$ 0.40	-	50
Diluted Earnings Per Share.....	\$ 0.05	\$ 0.17	-	70	\$ 0.19	\$ 0.36	-	47
Average Shares Outstanding.....	7,467,150	7,405,996	+	1	7,447,415	7,403,724	+	1
Average Diluted Shares Outstanding.....	8,128,406	8,084,332	-	1	8,126,001	8,104,601	-	0

	At January 31,			
	2007	2006	% Change	
Cash and Cash Equivalents.....	\$ 4,322,340	\$ 64,532,740	-	93
Mortgage-Backed Securities.....	\$ 50,812,357	\$ 23,241,944	+	119
Investment Securities.....	\$ 153,348,710	\$ 82,397,617	+	86
Loans Receivable - net.....	\$ 205,139,477	\$ 304,325,917	-	33
Total Assets.....	\$ 433,625,408	\$ 496,565,811	-	13
Deposits.....	\$ 299,173,810	\$ 379,810,206	-	21
Borrowings.....	\$ 71,000,000	\$ 55,900,000	+	27
Other Liabilities.....	\$ 1,863,712	\$ 2,519,282	-	26
Total Stockholders' Equity.....	\$ 61,587,886	\$ 58,336,323	+	6
Book Value Per Share.....	\$ 8.23	\$ 7.87	+	5
Return on Average Assets.....	0.69 %	1.15 %	-	40
Return on Average Equity.....	4.95 %	10.51 %	-	53
Efficiency Ratio.....	77.77	60.26	+	29

The Washington Savings Bank's ("WSB") actual ratios, and the amount over which WSB's ratios exceed regulatory ratios, as of January 31, 2007, are shown below. For regulatory capital calculations, WSB was required to deduct \$698,840 from its assets and \$510,942 from its capital due to its subsidiary's real estate activities. WSB's regulatory capital and regulatory assets below also reflect increases of \$635,802 and \$1,014,804 respectively, which represents unrealized losses (after-tax for capital deductions and pre-tax for asset deductions) on MBS classified as available-for-sale.

Capital Category	Regulatory Ratios Required	WSB's Ratios	WSB's Excess of Requirements	Calculations Based Upon	
Leverage	\$ 17,385,608 4.00%	\$ 61,712,746 14.20%	\$ 44,327,138 10.20%	\$ 61,712,746	Regulatory Capital
				\$ 434,640,212	Regulatory Assets
Tangible	\$ 6,519,603 1.50%	\$ 61,712,746 14.20%	\$ 55,193,143 12.70%	\$ 61,712,746	Regulatory Capital
				\$ 434,640,212	Regulatory Assets
Risk-Based	\$ 20,320,397 8.00%	\$ 64,841,914 25.53%	\$ 44,521,517 17.53%	\$ 64,841,914	Regulatory Capital
				\$ 254,004,965	Risk-Weighted Assets

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, 2006 ("2006 Form 10-K") 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.