



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

November 2006

TO OUR SHAREHOLDERS:

WSB reports net income of \$1,075,000 or \$0.14 per basic share and \$0.13 per diluted share for the first fiscal quarter ended October 31, 2006, a 32% decrease compared to net earnings \$1,581,000 or \$0.21 per basic share and \$0.19 per diluted share for the same quarter last year. The Board of Directors previously announced the completion of its review of its capital management plan including its dividend policy and believes that the current capital levels are appropriate to resume paying quarterly dividends effective with the first quarter of the 2007 fiscal year. This development is a result of the progress made in our strategic plan for delivering long term shareholder value. The fiscal first quarter cash dividend of four cents per share will be paid on December 15, 2006, to stockholders of record as of December 1, 2006.

The decrease in net income from the comparable quarter last year is due primarily to the continued reduction in the Bank's concentration in higher-yielding construction loans and the general slowdown of the residential real estate market. Management continues to seek more diversity in its loan portfolio and is establishing a commercial business lending department and commercial real estate departments. Management has begun hiring experienced commercial business and commercial real estate lenders in an effort to significantly expand its nonresidential loan portfolio. Management believes that the announced acquisition of local banks by out of state institutions may create additional opportunities for expansion of WSB's commercial business and commercial real estate lending initiatives as existing customers of these merging institutions may choose to maintain relationships with locally-based institutions. Given the slowdown of the residential real estate market and the costs of implementing 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.

Management continues to reinvest excess liquidity as a result of the loan portfolio runoff primarily in short term investment securities so as to provide liquidity for future loan growth. 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.

Due to the decreased demand for housing and current interest rate environment, mortgage loan originations both nationally and for the Bank, have declined. WSB's experienced reduction in loan production has resulted in a 29% decrease in net interest income and a 21% decrease in non-interest income, compared to prior year fiscal quarter. 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.

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. As a result of these developments within the portfolio, management believes that an excess in reserve position for loan losses developed during the quarter. A recovery of prior provisioning of \$300,000 was made from the allowance for loan losses during the first quarter of fiscal year 2007. 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. Management believes the current reserve level is appropriate, and that the recapture of prior provisioning brings the subsequent reserve position to justified levels. 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 11% primarily as a result of a decrease in salaries and benefits and other expenses. The decrease in salaries and benefits is the result of the reduced loan production on loans sold in the secondary market and the commissions associated with these loans. Other expenses decreased due to a decrease in the loans held for investment portfolio and the related fees associated with this portfolio.

WSB's October 31, 2006 total assets decreased by 16% to \$437,399,000 over last year's first quarter ending balance. Book value per share increased 7% to \$8.28 over last year's October 31st level of \$7.71.

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.

Three Months Ended October 31,

Unaudited				%
	<u>2006</u>	<u>2005</u>	<u>Change</u>	
Net Interest Income.....	\$ 3,755,477	\$ 5,305,771	-	29
Provision for Loan Losses.....	\$ (300,000)	\$ 200,000	+	250
Net Interest Income After Provision for Loan Losses.....	\$ 4,055,477	\$ 5,105,771	-	21
Non-Interest Income.....	\$ 1,067,538	\$ 1,353,355	-	21
Non-Interest Expenses.....	\$ 3,462,292	\$ 3,910,388	-	11
Net Earnings.....	\$ 1,074,923	\$ 1,580,538	-	32
Basic Earnings Per Share.....	\$ 0.14	\$ 0.21	-	32
Diluted Earnings Per Share.....	\$ 0.13	\$ 0.19	-	32
Average Shares Outstanding.....	7,427,680	7,401,452	+	0
Average Diluted Shares Outstanding.....	8,123,595	8,124,869	-	0

At October 31,

				%
	<u>2006</u>	<u>2005</u>	<u>Change</u>	
Cash and Cash Equivalents.....	\$ 13,462,158	\$ 53,393,250	-	75
Mortgage-Backed Securities.....	\$ 45,328,997	\$ 0	+	100
Investment Securities.....	\$ 140,245,911	\$ 62,611,982	+	124
Loans.....	\$ 216,869,095	\$ 381,508,779	-	43
Total Assets.....	\$ 437,398,994	\$ 517,779,849	-	16
Deposits.....	\$ 306,809,798	\$ 401,261,222	-	24
Borrowings.....	\$ 66,500,000	\$ 55,900,000	+	19
Other Liabilities.....	\$ 2,405,399	\$ 3,559,492	-	32
Total Stockholders' Equity.....	\$ 61,683,797	\$ 57,059,135	+	8
Book Value Per Share.....	\$ 8.28	\$ 7.71	+	7
Return on Average Assets.....	0.98 %	1.22 %	-	20
Return on Average Equity.....	7.06 %	11.57 %	-	39
Efficiency Ratio.....	71.78	58.71		

The Washington Savings Bank's ("WSB's") actual ratios, and the amount over which WSB's ratios exceed regulatory ratio's, as of October 31, 2006, are shown below. For regulatory capital calculations, WSB was required to deduct \$511,047 from its assets and \$700,754 from its capital due to the subsidiary's real estate activities. WSB's regulatory capital and regulatory assets below also reflect increases of \$284,442 and \$443,166, respectively, which represents unrealized losses (after-tax for capital deductions and pre-tax for asset deductions, respectively) on MBS and investment securities classified as available-for-sale.

Capital Category	Regulatory Ratios Required	WSB's Ratios	WSB's Excess of Requirements	Calculations Based Upon	
Leverage	\$ 17,513,686	\$ 61,457,192	\$ 43,943,506	\$ 61,457,192	Regulatory Capital
	4.00%	14.04%	10.04%	\$ 437,842,160	
Tangible	\$ 6,567,632	\$ 61,457,192	\$ 54,889,560	\$ 61,457,192	Regulatory Capital
	1.50%	14.04%	12.54%	\$ 437,842,160	
Risk-based	\$ 20,251,090	\$ 64,621,425	\$ 44,370,335	\$ 64,621,425	Regulatory Capital
	8.00%	25.53%	17.53%	\$ 253,138,629	

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 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.