



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

**November 2005**

**TO OUR STOCKHOLDERS:**

WSB's net earnings for the first quarter ended October 31, 2005 were \$1,581,000, or \$0.21 per basic share and \$0.19 per diluted share, representing a 34% decrease in net earnings over the same quarter last year.

The decrease in quarterly earnings is consistent with management's previously announced plan to reduce the Bank's concentration in higher-yielding construction loans, and the implications of the plan as to future earnings compared to prior quarters. Significant curtailment in the construction loan portfolio has been accomplished during the quarter and prior six month periods which has resulted in a significant reduction in interest income and loan related fees for the comparative quarter. Deposit funding originated to support prior period loan levels remains in place until certificates of deposit begin maturing in 2006; which has resulted in a 10% increase in interest expense for the quarter.

Management has reinvested excess liquidity as a result of the portfolio runoff in short term investment securities so as to provide liquidity for future loan growth as we finish the restructuring of the existing loan portfolio under the business plan and transition into a more diversified loan portfolio with lower credit risk. 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 of the loan portfolio has resulted in a 15% decrease in net interest income and a 13% decrease in non-interest income, compared to the same period last year.

The decrease in non-interest income is the result of a decrease in the amount of loan related fees, primarily in document preparation fees. The non-interest expenses increased 17% primarily as a result of an increase in professional services associated with compliance under the Supervisory Agreement between WSB and the OTS as well as legal fees associated with the pending litigation by a former employee, and a write-down of foreclosed property. Interest expense increased as a result of higher average interest bearing deposit balances for the quarter and the prevailing higher interest rate environment for deposits. Management anticipates utilizing excess funding liquidity to offset a runoff of higher costing certificate of deposits which were previously originated to fund loan production.

WSB's October 31, 2005 total assets decreased by 6% to \$517,780,000 over last year's first quarter ending balance. Book value per share increased 12% to \$7.71 over last year's October 31st level of \$6.90.

Management, as a result of a review of products and services offered to retail customers is committed to an expansion of its product and services which will include internet banking, bill paying, and online loan applications, which is expected to be delivered in the first calendar quarter of 2006. 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.

William J. Harnett  
Chairman of the Board

Phillip C. Bowman  
Chief Executive Officer

**The Washington Savings Bank, FSB, 4201 Mitchellville Road-Suite 200, Bowie, Maryland 20716  
(301) 352-3120 Website: [www.twsb.com](http://www.twsb.com) Amex Symbol: WSB**

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

**Three Months Ended October 31,**

Unaudited			%	
	<u>2005</u>	<u>2004</u>	<u>Change</u>	
Net Interest Income.....	\$ 5,305,771	\$ 6,224,120	-	15
Provision for Loan Losses.....	\$ 200,000	\$ 520,000	-	62
Net Interest Income After Provision for Loan Losses.....	\$ 5,105,771	\$ 5,704,120	-	10
Non-Interest Income.....	\$ 1,353,355	\$ 1,563,839	-	13
Non-Interest Expenses.....	\$ 3,910,388	\$ 3,352,177	+	17
Net Earnings.....	\$ 1,580,538	\$ 2,410,582	-	34
Basic Earnings Per Share.....	\$ 0.21	\$ 0.33	-	36
Diluted Earnings Per Share.....	\$ 0.19	\$ 0.29	-	34
Average Shares Outstanding.....	7,401,452	7,348,744	+	1
Average Diluted Shares Outstanding.....	8,124,869	8,204,130	-	1

**At October 31,**

			%	
	<u>2005</u>	<u>2004</u>	<u>Change</u>	
Cash and Cash Equivalents.....	\$ 53,393,250	\$ 4,990,170	+	970
Mortgage-Backed Securities.....	\$ 0	\$ 2,024,513	-	100
Investment Securities.....	\$ 62,611,982	\$ 0	+	100
Loans.....	\$ 381,508,779	\$ 518,676,567	-	26
Total Assets.....	\$ 517,779,849	\$ 553,119,720	-	6
Deposits.....	\$ 401,261,222	\$ 385,988,045	+	4
Borrowings.....	\$ 55,900,000	\$ 111,900,000	-	50
Other Liabilities.....	\$ 3,559,492	\$ 4,487,731	-	21
Total Stockholders' Equity.....	\$ 57,059,135	\$ 50,743,944	+	12
Book Value Per Share.....	\$ 7.71	\$ 6.90	+	12
Return on Average Assets.....	1.22 %	1.81 %	-	33
Return on Average Equity.....	11.57 %	19.34 %	-	40
Efficiency Ratio.....	58.71	43.04		

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, 2005, are shown below. For regulatory capital calculations, WSB was required to deduct \$539,160 from its asset: and \$419,465 from its capital due to the subsidiary's real estate activities. WSB's regulatory capital and regulatory assets below also reflect increases of \$136,221 and \$206,395, respectively, which represents unrealized losses (after-tax for capital deductions and pre-tax for asset deductions, respectively) on MBS classified as available-for-sale

Capital Category	Regulatory Ratios Required	WSB's Ratios	WSB's Excess of Requirements	Calculations Based Upon	
Leverage	\$ 20,697,883 4.00%	\$ 56,775,890 10.97%	\$ 36,078,007 6.97%	\$ 56,775,890 \$ 517,447,083	Regulatory Capital Regulatory Assets
Tangible	\$ 7,761,706 1.50%	\$ 56,775,890 10.97%	\$ 49,014,184 9.47%	\$ 56,775,890 \$ 517,447,083	Regulatory Capital Regulatory Assets
Risk-based	\$ 30,065,575 8.00%	\$ 61,473,636 16.36%	\$ 31,408,061 8.36%	\$ 61,473,636 \$ 375,819,688	Regulatory Capital Regulatory 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 and quarterly reports filed with the OTS, the Bank's future results and prospects may be dependent upon a number of factors that could cause the Bank's performance to compare unfavorably to prior periods. Among these factors are: (a) the Bank's plans to reduce its concentration in residential construction lending; (b) ongoing review of the Bank's business and operations; (c) implementation of changes in lending practices and lending operations; (d) the Bank's compliance with the 2004 supervisory agreement with the Office of Thrift Supervision and any regulatory actions taken in response thereto; (e) the Board's review of the Bank's capital management plan; (f) changes in accounting principles; (g) government legislation and regulation; (h) changes in interest rates; (i) changes in the economy; (j) credit or other risks of lending activity; (k) the impact of any legal or regulatory proceedings; and (l) other expectations, assessments and risks that are specifically mentioned in this report, in our Annual Report on Form 10-K for the year ended July 31, 2005 ("2005 Form 10-K") and in such other reports filed with the OTS.*