



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

**March 2005**

**TO OUR STOCKHOLDERS:**

WSB's net earnings for the quarter ended January 31, 2005 was \$2,321,000, or \$0.32 per basic share, \$0.28 per diluted share, compared to \$1,944,000, or \$0.28 per basic share, \$0.24 per diluted share for the same period last year. WSB's net earnings for the six months ended January 31, 2005 was \$4,732,000, or \$0.64 per basic share, \$0.58 per diluted share, compared to \$3,911,000, or \$0.56 per basic share, \$0.49 per diluted share for the same period last year.

The increase in net earnings for the six months ending January 31, 2005 represent an increase of \$820,000, or 21% over the same period last year. The increase was primarily due to a 40% increase in net interest income and a 14% increase in non-interest income, which more than offset a 30% increase in non-interest expenses. The increase in net interest income is primarily the result of higher levels of high-yielding loans, primarily in our construction loan portfolio. The increase in non-interest income is the result of an increase in gain on loans sold 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 the volume of mortgage loan originations which are primarily sold in the secondary market. Non-interest expenses increased 30% primarily as a result of an increase in commissions and salaries expense associated with loan production. During the first six months of this fiscal year, the provision for loan losses increased to \$1,190,000 from \$180,000 for the same period last fiscal year. The increase is the result of the increased loan portfolio as well as an increase in assets subject to management's criticism.

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.

In February, WSB announced William J. Harnett had decided to retire as Chief Executive Officer. Mr. Harnett who will remain as Chairman of the Board, has served as the Chief Executive Officer since August 1988, and has been instrumental in the company's growth. WSB's Board of Directors is conducting a search for Mr. Harnett's successor. During the interim, Kevin Huffman will assume leadership of WSB's management team.

WSB's January 31, 2005 total assets increased to \$557,010,000 a 36% increase from the January 31, 2004 position of \$409,354,000. This increase is primarily the result of an increase in the loans held-for-investment portfolio.

On February 16, 2005, your Board of Directors approved a seven-cent per share cash dividend to be paid on March 18, 2005, to stockholders of record as of March 4, 2005.

William J. Harnett  
Chairman of the Board

Kevin P. Huffman  
President and Chief Operating 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.**

Unaudited	Three Months Ended January 31,			Six Months Ended January 31,		
	2005	2004	% Change	2005	2004	% Change
Net Interest Income.....	\$ 6,604,249	\$ 4,679,526	+ 41	\$ 12,828,369	\$ 9,187,531	+ 40
Provision for Loan Losses.....	\$ 670,000	\$ 120,000	+ 458	\$ 1,190,000	\$ 180,000	+ 561
Net Interest Income After Provision for Loan Losses.....	\$ 5,934,249	\$ 4,559,526	+ 30	\$ 11,638,369	\$ 9,007,531	+ 29
Non-Interest Income.....	\$ 1,444,242	\$ 1,377,748	+ 5	\$ 3,008,081	\$ 2,633,539	+ 14
Non-Interest Expenses.....	\$ 3,608,481	\$ 2,795,354	+ 29	\$ 6,960,659	\$ 5,372,861	+ 30
Net Earnings.....	\$ 2,321,010	\$ 1,943,920	+ 19	\$ 4,731,591	\$ 3,911,309	+ 21
Basic Earnings Per Share.....	\$ 0.32	\$ 0.28	+ 13	\$ 0.64	\$ 0.56	+ 15
Diluted Earnings Per Share.....	\$ 0.28	\$ 0.24	+ 14	\$ 0.58	\$ 0.49	+ 17
Average Shares Outstanding.....	7,363,177	6,997,064	+ 5	7,355,961	6,972,235	+ 6
Average Diluted Shares Outstanding.....	8,248,808	7,947,253	+ 4	8,226,469	7,976,210	+ 3

  

	At January 31,		
	2005	2004	% Change
Cash and Cash Equivalents.....	\$ 9,930,360	\$ 3,550,165	+ 180
Mortgage-Backed Securities.....	\$ 2,011,794	\$ 2,201,369	- 9
Loans Receivable - net.....	\$ 518,551,987	\$ 380,021,020	+ 36
Total Assets.....	\$ 557,010,924	\$ 409,354,204	+ 36
Deposits.....	\$ 411,076,552	\$ 292,926,982	+ 40
Borrowings.....	\$ 89,900,000	\$ 69,900,000	+ 29
Other Liabilities.....	\$ 3,416,117	\$ 3,101,381	+ 10
Total Stockholders' Equity.....	\$ 52,618,255	\$ 43,425,841	+ 21
Book Value Per Share.....	\$ 7.13	\$ 6.10	+ 17
Return on Average Assets.....	1.74 %	1.91 %	- 9
Return on Average Equity.....	18.62 %	18.89 %	- 1
Efficiency Ratio.....	43.95	45.44	- 3

The Washington Savings Bank's ("WSB") actual ratios, and the amount over which WSB's ratios exceed regulatory ratios, as of January 31, 2005, are shown below. For regulatory capital calculations, WSB was required to deduct \$388,104 from its assets and \$331,206 from its capital due to its subsidiary's real estate activities. WSB's regulatory capital and regulatory assets below also reflect decreases of \$42,678 and \$64,663 respectively, which represents unrealized gains (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	\$ 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