



**THE WASHINGTON SAVINGS BANK, F.S.B. ("WSB")  
REPORTS FOURTH QUARTER AND TWELVE MONTH RESULTS**

**August 2005**

**TO OUR STOCKHOLDERS:**

WSB's net earnings for the quarter ended July 31, 2005 were \$1,902,000, or \$0.26 per basic share, \$0.23 per diluted share, compared to \$2,317,000, or \$0.32 per basic share, \$0.28 per diluted share for the same period last year. WSB's net earnings for the twelve months ended July 31, 2005 was \$8,001,000, or \$1.09 per basic share, \$0.98 per diluted share, compared to \$8,888,000, or \$1.25 per basic share, \$1.11 per diluted share for the same period last year.

Net earnings for the three and twelve month periods ending July 31, 2005 represent a decrease of \$415,000 or 17.9% and \$887,000, or 10% over the same period last year. Net earnings for the current fiscal periods included an after tax gain on the sale of mortgage-backed and investment securities of approximately \$242,000, or \$0.03 per diluted share, compared to no gains for the same period last fiscal year. The decrease in net earnings is primarily the result of a \$5.4 million charge to the provision for loan losses. The provision for loan losses increased \$395,000, or 38.2%, and \$4.0 million, or 287.8%, for the respective three and twelve month periods compared to the corresponding periods of the prior fiscal year. The allowance for loan losses increased to \$7,326,000 for the fiscal year ended July 31, 2005 from \$3,503,000 for the fiscal year ended July 31, 2004. The increased provision was made due to unfavorable trends within the loan portfolio including an increase in internally criticized loans, increased delinquency levels, and net charge-offs, particularly in the construction loan portfolio..

Net interest income increased \$5.5 million for the fiscal year ended July 31, 2005, or 27%, which partially offset the 29% increase in non-interest expense, compared to the same period last year. The increase is primarily the result of higher average balances of high-yielding loans, including our construction loan portfolio which as previously stated, we do not expect these trends to continue. The increase in non-interest expenses is the result of an increase in salaries and benefits, and professional services. The increase in salaries and benefits is associated with loan production commissions and staffing increases for loan operations support. The increase in professional services is the result of additional expenses associated with preparation for the required Sarbanes-Oxley Act Section 404 certifications, FDICIA controls and reporting, as well as compliance under the 2004 Supervisory Agreement between WSB and the OTS.

During the fourth quarter, WSB continued to reduce its concentration in residential construction lending, primarily through a reduction of non-owner occupied residential construction. WSB is continuing a thorough review of its business and operations. Among the changes management has implemented are changes in WSB's lending practices and lending operations. Much of this review and anticipated changes resulted from regulatory criticism of WSB's compliance with the previously announced 2004 supervisory agreement between WSB and the Office of Thrift Supervision. Also during this quarter, WSB enhanced staffing in areas of compliance, internal audit, loan underwriting, and loan servicing to assist management with regulatory compliance, primarily the actions required under the 2004 Supervisory Agreement and June 2005 Compliance Resolution and additional regulatory actions taken by the OTS at that time as previously announced. In addition, management has contracted with outsourced providers as to loan review, compliance management and training, and internal audit to further address the above mentioned regulatory compliance and regulatory actions.

Phillip C. Bowman, CEO, noted "WSB's July 31, 2005 total assets increased slightly by 1% to \$528,713,000 over last year's July 31st balance. Book value per share increased 13% to \$7.51 over last year's July 31st level of \$6.64. While our earnings for the comparative quarter and twelve month periods are below the comparable period from last fiscal year, the results are strong."

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 July 31,			Twelve Months Ended July 31,		
	2005	2004	% Change	2005	2004	% Change
Net Interest Income.....	\$ 6,017,672	\$ 5,974,260	+ 1	\$ 25,779,002	\$ 20,362,227	+ 27
Provision for Loan Losses.....	\$ 1,430,000	\$ 1,035,000	+ 38	\$ 5,410,000	\$ 1,395,000	+ 288
Net Interest Income After Provision for Loan Losses.....	\$ 4,587,672	\$ 4,939,260	- 7	\$ 20,369,002	\$ 18,967,227	+ 7
Non-Interest Income.....	\$ 2,164,195	\$ 1,676,569	+ 29	\$ 6,984,093	\$ 6,422,678	+ 9
Non-Interest Expenses.....	\$ 3,624,692	\$ 2,858,947	+ 27	\$ 14,323,433	\$ 11,054,213	+ 30
Net Earnings.....	\$ 1,902,275	\$ 2,316,782	- 18	\$ 8,001,462	\$ 8,887,792	- 10
Basic Earnings Per Share.....	\$ 0.26	\$ 0.32	- 19	\$ 1.09	\$ 1.25	- 13
Diluted Earnings Per Share.....	\$ 0.23	\$ 0.28	- 18	\$ 0.98	\$ 1.11	- 12
Average Shares Outstanding.....	7,386,858	7,327,146	+ 1	7,369,218	7,131,363	+ 3
Average Diluted Shares Outstanding.....	8,110,912	8,132,582	+ 0	8,195,586	8,040,246	+ 2

  

	At July 31,		
	2005	2004	% Change
Cash and Cash Equivalents.....	\$ 56,592,933	\$ 12,978,533	+ 336
Mortgage-Backed Securities.....	\$ 0	\$ 2,155,182	- 100
Investment Securities.....	\$ 10,441,585	\$ 5,587,560	+ 87
Loans Receivable - net.....	\$ 440,787,596	\$ 480,717,663	- 8
Total Assets.....	\$ 528,713,166	\$ 521,479,646	+ 1
Deposits.....	\$ 413,278,612	\$ 378,284,944	+ 9
Borrowings.....	\$ 55,900,000	\$ 89,900,000	- 38
Other Liabilities.....	\$ 3,947,258	\$ 4,486,401	- 12
Total Stockholders' Equity.....	\$ 55,587,296	\$ 48,808,301	+ 14
Book Value Per Share.....	\$ 7.51	\$ 6.64	+ 13
Return on Average Assets.....	1.48 %	2.02 %	- 27
Return on Average Equity.....	15.30 %	20.23 %	- 24
Efficiency Ratio.....	43.71	41.26	+ 6

The Washington Savings Bank's ("WSB") actual ratios, and the amount over which WSB's ratios exceed regulatory ratios, as of July 31, 2005, are shown below. For regulatory capital calculations, WSB was required to deduct \$542,480 from its assets and \$414,704 from its capital due to its subsidiary's real estate activities. WSB's regulatory capital and regulatory assets below also reflect increases of \$8,146 and \$12,342 respectively, which represents unrealized losses (after-tax for capital deductions and pre-tax for asset deductions) on investment securities classified as available-for-sale.

Capital Category	Regulatory Ratios Required	WSB's Ratios	WSB's Excess of Requirements	Calculations Based Upon	
Leverage	\$ 21,127,321	\$ 55,180,738	\$ 34,053,417	\$ 55,180,738	Regulatory Capital
	4.00%	10.45%	6.45%	\$ 528,183,028	Regulatory Assets
Tangible	\$ 7,922,745	\$ 55,180,738	\$ 47,257,993	\$ 55,180,738	Regulatory Capital
	1.50%	10.45%	8.95%	\$ 528,183,028	Regulatory Assets
Risk-Based	\$ 33,446,100	\$ 60,406,691	\$ 26,960,591	\$ 60,406,691	Regulatory Capital
	8.00%	14.45%	6.45%	\$ 418,076,246	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 and quarterly reports filed pursuant to Section 12(b) of the Securities Exchange Act of 1934, 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; and (e) the Board's review of the Bank's capital management plan.*