



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

**November 2007**

**TO OUR SHAREHOLDERS:**

WSB reports net income of \$352,000 or \$0.05 per basic share and \$0.04 per diluted share for the first fiscal quarter ended October 31, 2007, a 67% decrease compared to net earnings \$1,075,000 or \$0.14 per basic share and \$0.13 per diluted share for the same quarter last year. WSB also announced that a four-cent per share cash dividend for the first fiscal quarter will be paid on December 14, 2007, to stockholders of record as of December 3, 2007.

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The decrease in net income for the three month period reflects the general slowdown of the residential real estate market and the related decline in mortgage loan originations and the continuing reduction in the Bank's concentration in higher-yielding construction loans. WSB has seen a reduction in its construction loan portfolio by approximately 47% compared to October 31, 2006. The overall reduction in WSB's loan production has resulted in a 16% decrease in net interest income and a 41% decrease in non-interest income, compared to same three month period last year. The decrease in non-interest income is primarily the result of a decrease in loan related fees and gain on loan sales for loans sold in the secondary market which offset the increase in other income, which is primarily the result of proceeds from the bank owned life insurance.

As previously discussed, management continues to seek more diversity in its loan portfolio and has established commercial business and commercial real estate lending departments staffed with experienced lenders in an effort to significantly expand its nonresidential loan portfolio. This has resulted in an increase the portfolios of commercial business and commercial real estate of \$17MM during the quarter. WSB expects to see the results of its investment in loans to commercial business and commercial real estate to commercial borrowers to continue in fiscal 2008. To expand its commercial customer deposit base, the bank recently implemented remote deposit capture services for commercial customers. This service complements the Bank's PC Banking platform and allows us a commercially viable means to serve the depository needs of businesses beyond our branch network. The expansion of its commercial base is significant to the profitability of the Bank in that commercial customers provide lower cost deposit funding, with commercial loan borrowings structures that reprice to interest rate changes under terms that are favorable to the Bank. This is change is particularly important given the current state of the residential housing markets and the Bank's prior reliance on residential construction and mortgage origination.

At October 31, 2007, total non-performing loans were \$7.0 million, consisting solely of non-accrual loans, representing 3.36% of total loans held-for-investment, compared favorably to \$8.8 million, consisting of non-accrual loans of \$8.3 million and \$518,000 in accruing loans which were contractually past due more than four months but with current payments, or 4.18% of total loans held-for-investment, as of October 31, 2006. At October 31, 2007, foreclosed real estate totaled \$1.2 million which compared favorably to \$2.3 million as of October 31, 2006. While WSB continues to closely monitor its loan portfolio; management believes it's exposure on land development loans is limited as a result of actions taken since 2005 to tighten credit standards on land development lending along with reducing its position in speculative residential construction.

The non-interest expenses decreased 5% primarily as a result of a decrease in salaries and benefits and professional services offsetting the increase in 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. Professional services decreased as a result of lower expenses associated with recruiting key personnel in the prior period. Other expenses increased primarily as a result of increased expenses associated with foreclosed loans.

WSB's October 31, 2007 total assets decreased by 0.46% to \$435,356,000 over last year's first quarter ending balance. Book value per share increased 1% to \$8.36 over last year's October 31st level of \$8.28.

William J. Harnett  
Chairman of the Board

Phillip C. Bowman  
Chief Executive Officer

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(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>2007</u>	<u>2006</u>	<u>Change</u>	
Net Interest Income.....	\$ 3,144,591	\$ 3,755,477	-	16
Provision for Loan Losses.....	\$ 0	\$ (300,000)	+	100
Net Interest Income After Provision for Loan Losses.....	\$ 3,144,591	\$ 4,055,477	-	22
Non-Interest Income.....	\$ 628,398	\$ 1,067,538	-	41
Non-Interest Expenses.....	\$ 3,295,944	\$ 3,462,292	-	5
Net Earnings.....	\$ 352,244	\$ 1,074,923	-	67
Basic Earnings Per Share.....	\$ 0.05	\$ 0.14	-	64
Diluted Earnings Per Share.....	\$ 0.04	\$ 0.13	-	69
Average Shares Outstanding.....	7,588,331	7,427,680	+	2
Average Diluted Shares Outstanding.....	8,065,638	8,123,595	-	1

**At October 31,**

			%	
	<u>2007</u>	<u>2006</u>	<u>Change</u>	
Cash and Cash Equivalents.....	\$ 23,980,825	\$ 13,462,158	+	78
Mortgage-Backed Securities.....	\$ 69,019,673	\$ 45,328,997	+	34
Investment Securities.....	\$ 101,989,667	\$ 140,245,911	-	27
Loans.....	\$ 210,311,620	\$ 216,869,095	-	3
Total Assets.....	\$ 435,355,812	\$ 437,398,994	-	0
Deposits.....	\$ 285,556,772	\$ 306,809,798	-	7
Borrowings.....	\$ 84,000,000	\$ 66,500,000	+	26
Other Liabilities.....	\$ 2,356,186	\$ 2,405,399	-	2
Total Stockholders' Equity.....	\$ 63,442,855	\$ 61,683,797	+	3
Book Value Per Share.....	\$ 8.36	\$ 8.28	+	1
Return on Average Assets.....	0.32 %	0.98 %	-	67
Return on Average Equity.....	2.23 %	7.06 %	-	68
Efficiency Ratio.....	87.40	71.78		

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, 2007, are shown below. For regulatory capital calculations, WSB was required to deduct \$528,032 from its assets and \$689,092 from its capital due to the subsidiary's real estate activities. WSB's regulatory capital and regulatory assets below also reflect decreases of \$403,387 and \$657,422, respectively, which represents unrealized gains (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	\$ 17,387,936	\$ 62,511,436	\$ 45,123,500	\$ 62,511,436	Regulatory Capital Regulatory Assets
	4.00%	14.38%	10.38%	\$ 434,698,390	
Tangible	\$ 655,476	\$ 62,511,436	\$ 61,855,960	\$ 62,511,436	Regulatory Capital Regulatory Assets
	1.50%	143.05%	141.55%	\$ 43,698,390	
Risk-based	\$ 19,164,798	\$ 65,287,953	\$ 46,123,155	\$ 65,287,953	Regulatory Capital Regulatory Assets
	8.00%	27.25%	19.25%	\$ 239,559,975	

*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, 2007 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.*