



## Washington Federal Savings

Washington Federal, Inc.  
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FOR IMMEDIATE RELEASE

### Washington Federal Reports 1<sup>st</sup> Quarter Results

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SEATTLE – Washington Federal, Inc. (Nasdaq: WFSL), parent company of Washington Federal Savings, today announced earnings of \$33,384,000 or \$.38 per diluted share for the quarter ended December 31, 2006, compared to \$36,146,000 or \$.41 per diluted share for the same period one year ago, a 7.3% decrease in earnings per share.

Washington Federal's total assets amounted to \$9,150,828,000 as of December 31, 2006, a 10.2% increase from December 31, 2005. Net loans outstanding increased to \$7,246,311,000 as of December 31, 2006, a 15.7% increase from one year ago. Non-performing assets amounted to only 0.08% of total assets at quarter-end. The Company's efficiency ratio of 21.29% for the quarter remains among the lowest in the industry. The quarter produced a return on assets of 1.47%, while return on equity amounted to 10.50%.

Chairman, President and Chief Executive Officer Roy M. Whitehead commented, "Reduced earnings are attributable to a decline in net interest spread to 2.09% during the quarter, which approached the company's all-time low of 2.00% experienced in December 2000, as prior increases by the Federal Reserve in short-term interest rates continued to pass through to our funding costs during the quarter. This is a normal, yet challenging, part of the interest rate cycle."

(more)

On January 12, 2007, Washington Federal will pay a cash dividend of \$.205 per share to common stockholders of record on December 29, 2006. This will be the Company's 96th consecutive quarterly cash dividend.

On October 10, 2006, Washington Federal announced the signing of a definitive merger agreement to acquire First Federal Banc of the Southwest, Inc. ("First Federal"). First Federal is headquartered in Roswell, New Mexico with 13 branches in New Mexico and 2 branches in El Paso, Texas. First Federal reported total assets of \$547 million, total deposits of \$377 million and total stockholders' equity of \$54 million as of September 30, 2006. The transaction is expected to close in the first calendar quarter of 2007.

During the first quarter the Company opened a new branch location in Denton, Texas. The Company now has four locations in Texas.

The Company's Annual Meeting of Stockholders will be held at 2 p.m. on January 25, 2007, at the Westin Hotel in Seattle, Washington.

Washington Federal Savings, with headquarters in Seattle, Washington, has 124 offices in seven western states.

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**WASHINGTON FEDERAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**  
**(UNAUDITED)**

December 31, 2006    September 30, 2006

(In thousands, except per share data)

**ASSETS**

Cash and cash equivalents.....	\$    58,029	\$    45,722
Available-for-sale securities, including mortgage-backed securities of \$1,192,222.....	1,385,787	1,451,038
Held-to-maturity securities, including mortgage-backed securities of \$144,519.....	152,640	184,928
Loans receivable, net.....	7,246,311	7,078,443
Interest receivable.....	42,139	42,304
Premises and equipment, net.....	61,350	62,159
Real estate held for sale.....	4,391	3,903
FHLB stock.....	129,453	129,453
Intangible assets, net.....	56,040	56,259
Other assets.....	14,688	14,811
	<b>\$    9,150,828</b>	<b>\$    9,069,020</b>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**Liabilities**

Customer accounts		
Savings and demand accounts.....	\$    5,334,099	\$    5,285,708
Repurchase agreements with customers.....	23,939	26,018
	<b>5,358,038</b>	5,311,726
FHLB advances.....	1,500,000	1,500,000
Other borrowings.....	890,000	870,000
Advance payments by borrowers for taxes and insurance.....	13,705	29,505
Federal and state income taxes.....	58,202	39,667
Accrued expenses and other liabilities.....	51,294	55,402
	<b>7,871,239</b>	7,806,300

**Stockholders' equity**

Common stock, \$1.00 par value, 300,000,000 shares authorized; 104,562,903 and 104,467,245 shares issued; 87,434,482 and 87,338,824 shares outstanding.....	104,563	104,467
Paid-in capital.....	1,247,040	1,246,025
Accumulated other comprehensive loss, net of taxes.....	(5,696)	(5,975)
Treasury stock, at cost; 17,128,421 shares.....	(204,930)	(204,930)
Retained earnings.....	138,612	123,133
	<b>1,279,589</b>	1,262,720
	<b>\$    9,150,828</b>	<b>\$    9,069,020</b>

**CONSOLIDATED FINANCIAL HIGHLIGHTS**

Stockholders' equity per share.....	\$    14.63	\$    14.46
Stockholders' equity to total assets.....	13.98%	13.92%
Weighted average rates at period end		
Loans and mortgage-backed securities*.....	6.67%	6.48%
Investment securities**.....	4.35	4.10
Combined loans, mortgage-backed securities and investment securities.....	6.43	6.38
Customer accounts.....	4.26	4.05
Borrowings.....	4.53	4.55
Combined cost of customer accounts and borrowings.....	4.34	4.20
Interest rate spread.....	2.09	2.18

\* Includes securitized assets subject to repurchase

\*\* Includes municipal bonds at tax equivalent yields and cash equivalents

**WASHINGTON FEDERAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	<u>Quarter Ended December 31,</u>	
	<u>2006</u>	<u>2005</u>
	(In thousands, except per share data)	
<b>INTEREST INCOME</b>		
Loans.....	\$ 123,175	\$ 102,405
Mortgage-backed securities.....	19,075	14,368
Investment securities and cash equivalents.....	<u>3,226</u>	<u>7,789</u>
	<b>145,476</b>	<b>124,562</b>
<b>INTEREST EXPENSE</b>		
Customer accounts.....	55,949	38,850
FHLB advances and other borrowings.....	<u>27,138</u>	<u>21,650</u>
	<b>83,087</b>	<b>60,500</b>
<b>Net interest income.....</b>	<b>62,389</b>	<b>64,062</b>
Provision for loan losses.....	<u>50</u>	<u>-</u>
<b>Net interest income after provision for loan losses.....</b>	<b>62,339</b>	<b>64,062</b>
<b>OTHER INCOME</b>		
Gain on sale of securities, net.....	-	-
Other.....	<u>3,134</u>	<u>3,391</u>
	<b>3,134</b>	<b>3,391</b>
<b>OTHER EXPENSE</b>		
Compensation and fringe benefits.....	9,535	8,235
Occupancy .....	1,960	1,912
Other.....	<u>2,456</u>	<u>2,522</u>
	<b>13,951</b>	<b>12,669</b>
Gain on real estate acquired through foreclosure, net.....	<u>236</u>	<u>139</u>
Income before income taxes.....	<b>51,758</b>	<b>54,923</b>
Income taxes.....	<u>18,374</u>	<u>18,777</u>
<b>NET INCOME.....</b>	<b>\$ 33,384</b>	<b>\$ 36,146</b>
<b>PER SHARE DATA</b>		
Basic earnings.....	\$ .38	\$ .42
Diluted earnings.....	.38	.41
Cash dividends.....	.205	.200
Weighted average number of shares outstanding, including dilutive stock options.....	<b>87,586,910</b>	<b>87,346,842</b>
Return on average assets.....	<b>1.47%</b>	<b>1.75%</b>