



Washington Federal Savings

Washington Federal, Inc.
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Washington Federal Reports 2nd Quarter Earnings

SEATTLE – Washington Federal, Inc. (Nasdaq: WFSL), parent company of Washington Federal Savings, today announced earnings of \$36,340,000 or \$.42 per diluted share for the quarter ended March 31, 2006, compared to \$40,961,000 or \$.47 per diluted share for the quarter ended March 31, 2005. The quarter ended March 31, 2005 included a net adjustment for derivatives that increased after tax earnings by \$4,628,000 or \$.05 per diluted share. Excluding the derivatives adjustment, operating results for the quarters ended March 31, 2006 and 2005 respectively, totaled \$.42 per diluted share. For the six months ended March 31, 2006 earnings were \$72,486,000 or \$.83 per diluted share, compared to \$77,219,000 or \$.88 per diluted share for the six months ended March 31, 2005. Excluding the derivatives adjustment, earnings for the six months ended March 31, 2005 would have been \$72,591,000 or \$.83 per diluted share.

The second fiscal quarter produced a return on assets of 1.73%, while return on equity amounted to 12.02% for the quarter. Year-to-date, return on assets measured 1.74% and return on equity was 12.05%.

Chief Executive Officer Roy M. Whitehead commented, “The company’s flat earnings are attributable to higher deposit costs, which increased 59% over the same period last year. We are pleased that the balance sheet positioning undertaken in prior periods enabled us to offset this

(more)

extraordinary increase in funding costs. Asset quality continues to be very strong, with non-performing assets amounting to less than 1/10th of 1% of total assets. In light of the flat-to-inverted yield curve and a slowing housing sector, it was a solid quarter.”

Washington Federal Savings, with headquarters in Seattle, Washington, has 122 offices in seven western states.

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

	<u>March 31, 2006</u>	<u>September 30, 2005</u>
(In thousands, except per share data)		
ASSETS		
Cash and cash equivalents.....	\$ 383,317	\$ 637,791
Available-for-sale securities, including mortgage-backed securities of \$984,984.....	1,159,869	1,077,856
Held-to-maturity securities, including mortgage-backed securities of \$161,921.....	196,955	212,479
Loans receivable, net.....	6,543,126	6,008,932
Interest receivable.....	36,975	34,048
Premises and equipment, net.....	63,498	63,287
Real estate held for sale.....	4,388	5,631
FHLB stock.....	129,453	129,453
Intangible assets, net.....	56,734	57,259
Other assets.....	13,237	7,714
	\$ 8,587,552	\$ 8,234,450
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Customer accounts		
Savings and demand accounts.....	\$ 5,130,275	\$ 5,002,172
Repurchase agreements with customers.....	30,107	29,333
	5,160,382	5,031,505
FHLB advances.....	1,500,000	1,230,000
Other borrowings.....	600,000	655,000
Advance payments by borrowers for taxes and insurance.....	22,410	27,533
Federal and state income taxes.....	37,116	44,617
Accrued expenses and other liabilities.....	52,204	58,487
	7,372,112	7,047,142
 Stockholders' equity		
Common stock, \$1.00 par value, 300,000,000 shares authorized; 104,336,960 and 104,140,966 shares issued; 87,187,699 and 86,933,294 shares outstanding.....	104,337	104,141
Paid-in capital.....	1,242,806	1,240,310
Accumulated other comprehensive loss, net of taxes.....	(14,868)	(704)
Treasury stock, at cost; 17,149,261 shares.....	(205,178)	(205,874)
Retained earnings.....	88,343	49,435
	1,215,440	1,187,308
	\$ 8,587,552	\$ 8,234,450

CONSOLIDATED FINANCIAL HIGHLIGHTS

Stockholders' equity per share.....	\$ 13.94	\$ 13.66
Stockholders' equity to total assets.....	14.15%	14.42%
Weighted average rates at period end		
Loans and mortgage-backed securities*.....	6.32%	6.19%
Investment securities**.....	4.28	3.74
Combined loans, mortgage-backed securities and investment securities.....	6.15	5.91
Customer accounts.....	3.38	2.94
Borrowings.....	4.48	4.51
Combined cost of customer accounts and borrowings.....	3.70	3.37
Interest rate spread.....	2.45	2.54

* 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 March 31,</u>		<u>Six Months Ended March 31,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	(In thousands, except per share data)			
INTEREST INCOME				
Loans.....	\$ 106,274	\$ 90,321	\$ 208,679	\$ 177,206
Mortgage-backed securities.....	15,725	23,568	30,093	36,402
Investment securities and cash equivalents.....	<u>6,660</u>	<u>8,291</u>	<u>14,449</u>	<u>16,115</u>
	128,659	122,180	253,221	229,723
INTEREST EXPENSE				
Customer accounts.....	41,459	26,622	80,308	50,514
FHLB advances and other borrowings.....	<u>21,724</u>	<u>18,941</u>	<u>43,374</u>	<u>37,195</u>
	63,183	45,563	123,682	87,709
Net interest income.....	65,476	76,617	129,539	142,014
Provision for loan losses.....	<u>85</u>	<u>-</u>	<u>85</u>	<u>-</u>
Net interest income after provision for loan losses.....	65,391	76,617	129,454	142,014
OTHER INCOME				
Gain (loss) on securities, net.....	-	(3,476)	-	(3,412)
Other.....	<u>3,404</u>	<u>3,746</u>	<u>6,796</u>	<u>6,260</u>
	3,404	270	6,796	2,848
OTHER EXPENSE				
Compensation and fringe benefits.....	9,040	8,733	17,275	17,067
Occupancy	2,017	3,124	3,930	4,960
Other.....	<u>2,458</u>	<u>2,106</u>	<u>4,981</u>	<u>3,914</u>
	13,515	13,963	26,186	25,941
Gain on real estate acquired through foreclosure, net.....	<u>5</u>	<u>581</u>	<u>144</u>	<u>799</u>
Income before income taxes.....	55,285	63,505	110,208	119,720
Income taxes.....	<u>18,945</u>	<u>22,544</u>	<u>37,722</u>	<u>42,501</u>
NET INCOME.....	\$ 36,340	\$ 40,961	\$ 72,486	\$ 77,219
PER SHARE DATA				
Basic earnings.....	\$.42	\$.47	\$.83	\$.89
Diluted earnings.....	.42	.47	.83	.88
Cash dividends.....	.20	.19	.40	.38
Weighted average number of shares outstanding, including dilutive stock options.....	87,363,894	87,464,540	87,378,631	87,452,362
PERFORMANCE RATIOS				
Return on average assets.....	1.73%	2.16%	1.74%	2.07%
Return on average stockholders' equity.....	12.02%	14.29%	12.05%	13.57%
Net interest margin.....	3.18%	4.15%	3.18%	3.91%