



Washington Federal Savings

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Washington Federal Announces 2nd Quarter Earnings

SEATTLE – Washington Federal, Inc. (Nasdaq: WFSL), parent company of Washington Federal Savings, today announced earnings of \$33,483,000 or \$.38 per diluted share for the quarter ended March 31, 2007, compared to \$36,340,000 or \$.42 per diluted share for the quarter ended March 31, 2006, a 7.9% decrease in earnings. For the six months ended March 31, 2007, earnings were \$66,867,000 or \$.76 per diluted share, compared to \$72,486,000 or \$.83 per diluted share for the six months ended March 31, 2006, a 7.8% decrease in earnings.

The second fiscal quarter produced a return on assets of 1.41%, while return on equity amounted to 10.40% for the quarter. Nonperforming assets totaled \$9.2 million or 0.09% of assets as of March 31, 2007. Delinquent loans remain near historic lows with only 125 loans of 45,195 in the portfolio more than 30 days past due.

Chief Executive Officer Roy M. Whitehead commented, “Lower earnings over the same quarter last year were the result of higher deposit costs, which have increased by 42% on a comparable basis. Relative to the first fiscal quarter earnings increased slightly, reflecting the nearly complete adjustment of deposit costs to current rates. As noted above, asset quality continues to be quite good. We have experienced no systemic deterioration in either the mortgage or the construction loan portfolio. It’s also important to note that the company has virtually

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no exposure to subprime credit or so-called 'exotic mortgages.' Higher operating expenses during the period related primarily to acquisition-related costs and higher organic payroll expense.”

During the quarter, 250,000 shares of stock were repurchased as part of an ongoing share repurchase program. As of March 31, 2007, Washington Federal had an existing authorization to repurchase up to 3 million additional shares.

On February 13, 2007, Washington Federal completed its acquisition of First Federal Banc of the Southwest, Inc. (“First Federal”). First Federal had \$404 million in loans and \$383 million in deposits as of the date of acquisition. As a result of the acquisition, Washington Federal added 180 employees and 13 branches, 11 in New Mexico and two in El Paso, Texas.

On April 20, 2007, Washington Federal will pay a cash dividend of \$.205 per share to common stockholders of record on April 6, 2007. This will be the Company's 97th consecutive quarterly cash dividend.

Washington Federal Savings, with headquarters in Seattle, Washington, has 136 offices in eight western states.

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

	<u>March 31, 2007</u>	<u>September 30, 2006</u>
	(In thousands, except per share data)	
ASSETS		
Cash and cash equivalents.....	\$ 209,500	\$ 45,722
Available-for-sale securities, including mortgage-backed securities of \$1,154,352.....	1,365,900	1,451,038
Held-to-maturity securities, including mortgage-backed securities of \$139,802.....	147,921	184,928
Loans receivable, net.....	7,773,994	7,078,443
Interest receivable.....	44,462	42,304
Premises and equipment, net.....	75,208	62,159
Real estate held for sale.....	5,198	3,903
FHLB stock.....	133,981	129,453
Intangible assets, net.....	108,392	56,259
Other assets.....	13,239	14,811
	<u>\$ 9,877,795</u>	<u>\$ 9,069,020</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Customer accounts		
Savings and demand accounts.....	\$ 5,956,366	\$ 5,285,708
Repurchase agreements with customers.....	22,739	26,018
	<u>5,979,105</u>	<u>5,311,726</u>
FHLB advances.....	1,670,060	1,500,000
Other borrowings.....	800,167	870,000
Advance payments by borrowers for taxes and insurance.....	23,499	29,505
Federal and state income taxes.....	46,467	39,667
Accrued expenses and other liabilities.....	63,667	55,402
	<u>8,582,965</u>	<u>7,806,300</u>
Stockholders' equity		
Common stock, \$1.00 par value, 300,000,000 shares authorized; 104,661,324 and 104,467,245 shares issued; 87,326,643 and 87,338,824 shares outstanding.....	104,661	104,467
Paid-in capital.....	1,248,691	1,246,025
Accumulated other comprehensive loss, net of taxes.....	(2,433)	(5,975)
Treasury stock, at cost; 17,334,681 and 17,128,421 shares.....	(210,260)	(204,930)
Retained earnings.....	154,171	123,133
	<u>1,294,830</u>	<u>1,262,720</u>
	<u>\$ 9,877,795</u>	<u>\$ 9,069,020</u>
CONSOLIDATED FINANCIAL HIGHLIGHTS		
Stockholders' equity per share.....	\$ 14.83	\$ 14.46
Stockholders' equity to total assets.....	13.11%	13.92%
Weighted average rates at period end		
Loans and mortgage-backed securities.....	6.56%	6.48%
Investment securities*.....	4.33	4.10
Combined loans, mortgage-backed securities and investment securities.....	6.44	6.38
Customer accounts.....	4.24	4.05
Borrowings.....	4.49	4.55
Combined cost of customer accounts and borrowings.....	4.31	4.20
Interest rate spread.....	2.13	2.18

* 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>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	(In thousands, except per share data)			
INTEREST INCOME				
Loans.....	\$ 129,297	\$ 106,274	\$ 252,472	\$ 208,679
Mortgage-backed securities.....	18,464	15,725	37,539	30,093
Investment securities and cash equivalents.....	<u>4,241</u>	<u>6,660</u>	<u>7,467</u>	<u>14,449</u>
	152,002	128,659	297,478	253,221
INTEREST EXPENSE				
Customer accounts.....	59,037	41,459	114,986	80,308
FHLB advances and other borrowings.....	<u>27,772</u>	<u>21,724</u>	<u>54,910</u>	<u>43,374</u>
	86,809	63,183	169,896	123,682
Net interest income.....	65,193	65,476	127,582	129,539
Provision for loan losses.....	<u>150</u>	<u>85</u>	<u>200</u>	<u>85</u>
Net interest income after provision for loan losses.....	65,043	65,391	127,382	129,454
OTHER INCOME				
Gain (loss) on securities, net.....	11	-	11	-
Other.....	<u>3,280</u>	<u>3,404</u>	<u>6,414</u>	<u>6,796</u>
	3,291	3,404	6,425	6,796
OTHER EXPENSE				
Compensation and fringe benefits.....	10,879	9,040	20,414	17,275
Occupancy	2,194	2,017	4,153	3,930
Other.....	<u>2,984</u>	<u>2,458</u>	<u>5,441</u>	<u>4,981</u>
	16,057	13,515	30,008	26,186
Gain (loss) on real estate acquired through foreclosure, net.....	<u>(79)</u>	<u>5</u>	<u>157</u>	<u>144</u>
Income before income taxes.....	52,198	55,285	103,956	110,208
Income taxes.....	<u>18,715</u>	<u>18,945</u>	<u>37,089</u>	<u>37,722</u>
NET INCOME.....	\$ 33,483	\$ 36,340	\$ 66,867	\$ 72,486
PER SHARE DATA				
Basic earnings.....	\$.38	\$.42	\$.77	\$.83
Diluted earnings.....	.38	.42	.76	.83
Cash dividends.....	.205	.200	.410	.400
Weighted average number of shares outstanding, including dilutive stock options.....	87,571,131	87,363,894	87,608,059	87,378,631
PERFORMANCE RATIOS				
Return on average assets.....	1.41%	1.73%	1.43%	1.74%
Return on average stockholders' equity.....	10.40%	12.02%	10.45%	12.05%
Net interest margin.....	2.81%	3.18%	2.81%	3.18%