



Washington Federal Savings

Washington Federal, Inc.
425 Pike Street
Seattle, WA 98101
Contact: Cathy Cooper
(206) 777-8246

Monday, July 16, 2007
FOR IMMEDIATE RELEASE

Washington Federal Announces 3rd Quarter Earnings

SEATTLE – Washington Federal, Inc. (Nasdaq: WFSL), parent company of Washington Federal Savings, today announced earnings of \$34,265,000 or \$.39 per diluted share for the quarter ended June 30, 2007, compared to \$35,337,000 or \$.40 per diluted share for the quarter ended June 30, 2006, a 3.0% decrease in earnings. For the nine months ended June 30, 2007 earnings were \$101,132,000 or \$1.15 per diluted share, compared to \$107,823,000 or \$1.24 per diluted share for the nine months ended June 30, 2006, a 6.2% decrease in earnings.

The third fiscal quarter produced a return on assets of 1.38%, while return on equity amounted to 10.55% for the quarter. Nonperforming assets totaled \$12 million or 0.12% of assets as of June 30, 2007. Delinquent loans remain near historic lows with only 167 loans of 45,205 in the portfolio more than 30 days past due.

Chief Executive Officer Roy M. Whitehead commented, “Earnings compared to the same period one year ago were reduced by higher operating expenses and taxes resulting from the acquisition of First Federal Bank of the Southwest. Relative to the second fiscal quarter though, earnings increased by \$782 thousand, the second consecutive quarter of earnings growth. We are also encouraged to note that net interest income increased by \$2.8 million over the same quarter last year, attributable in large part to the loans and deposits obtained through the acquisition.

(more)

Washington Federal's Quarterly Earnings - Page Two

Although charge-offs (including specific reserves) were higher this quarter, asset quality continues to be quite good, despite the persistent weakness in the housing sector.”

On July 2, 2007, Washington Federal announced the signing of a definitive merger agreement with First Mutual Bancshares, Inc. (“First Mutual”). The merger agreement calls for the merger of First Mutual with and into the Company, followed by the merger of First Mutual Bank into the Company’s wholly owned subsidiary, Washington Federal Savings, in a stock and cash transaction valued at approximately \$189.8 million. As of March 31, 2007, First Mutual had \$861 million in loans, \$772 million in deposits and 12 branch locations located primarily on the eastside of Seattle. The merger is expected to close in the fourth calendar quarter of 2007, pending the receipt of all requisite regulatory approvals and the approval of First Mutual’s shareholders. Management of Washington Federal expects the transaction to be accretive to earnings in 2008.

During the quarter, 71,700 shares of stock were repurchased as part of an ongoing share repurchase program. As of June 30, 2007, Washington Federal had an existing authorization to repurchase up to approximately 3 million additional shares.

On June 25, 2007, Washington Federal announced a 2.4% increase in the Company’s quarterly cash dividend to 21 cents per share from 20.5 cents per share. The dividend will be payable July 20, 2007 to common stockholders of record on July 6, 2007. This will be the Company’s 98th consecutive quarterly cash dividend and represents the 42nd increase in the cash dividend since 1982.

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

###

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

	<u>June 30, 2007</u>	<u>September 30, 2006</u>
(In thousands, except per share data)		
ASSETS		
Cash and cash equivalents.....	\$ 70,360	\$ 45,722
Available-for-sale securities, including mortgage-backed securities of \$1,179,483.....	1,421,570	1,451,038
Held-to-maturity securities, including mortgage-backed securities of \$135,590.....	143,709	184,928
Loans receivable, net.....	7,970,312	7,078,443
Interest receivable.....	46,042	42,304
Premises and equipment, net.....	74,420	62,159
Real estate held for sale.....	6,200	3,903
FHLB stock.....	132,793	129,453
Intangible assets, net.....	107,834	56,259
Other assets.....	12,885	14,811
	<u>\$ 9,986,125</u>	<u>\$ 9,069,020</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Customer accounts		
Savings and demand accounts.....	\$ 5,937,080	\$ 5,285,708
Repurchase agreements with customers.....	17,876	26,018
	<u>5,954,956</u>	5,311,726
FHLB advances.....	1,817,704	1,500,000
Other borrowings.....	800,163	870,000
Advance payments by borrowers for taxes and insurance.....	19,080	29,505
Federal and state income taxes.....	36,026	39,667
Accrued expenses and other liabilities.....	62,780	55,402
	<u>8,690,709</u>	7,806,300
 Stockholders' equity		
Common stock, \$1.00 par value, 300,000,000 shares authorized; 104,767,132 and 104,467,245 shares issued; 87,360,751 and 87,338,824 shares outstanding.....	104,767	104,467
Paid-in capital.....	1,250,684	1,246,025
Accumulated other comprehensive loss, net of taxes.....	(18,222)	(5,975)
Treasury stock, at cost; 17,406,381 and 17,128,421 shares.....	(211,952)	(204,930)
Retained earnings.....	170,139	123,133
	<u>1,295,416</u>	1,262,720
	<u>\$ 9,986,125</u>	<u>\$ 9,069,020</u>
 CONSOLIDATED FINANCIAL HIGHLIGHTS		
Stockholders' equity per share.....	\$ 14.83	\$ 14.46
Stockholders' equity to total assets.....	12.97%	13.92%
Weighted average rates at period end		
Loans and mortgage-backed securities.....	6.58%	6.48%
Investment securities*.....	4.45	4.10
Combined loans, mortgage-backed securities and investment securities.....	6.49	6.38
Customer accounts.....	4.32	4.05
Borrowings.....	4.50	4.55
Combined cost of customer accounts and borrowings.....	4.37	4.20
Interest rate spread.....	2.12	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 June 30,</u>		<u>Nine Months Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	(In thousands, except per share data)			
INTEREST INCOME				
Loans.....	\$ 135,458	\$ 112,325	\$ 387,929	\$ 321,004
Mortgage-backed securities.....	18,677	17,312	56,216	47,405
Investment securities and cash equivalents.....	<u>4,485</u>	<u>5,245</u>	<u>11,952</u>	<u>19,694</u>
	158,620	134,882	456,097	388,103
INTEREST EXPENSE				
Customer accounts.....	63,712	47,236	178,697	127,544
FHLB advances and other borrowings.....	<u>28,489</u>	<u>24,040</u>	<u>83,399</u>	<u>67,415</u>
	<u>92,201</u>	<u>71,276</u>	<u>262,096</u>	<u>194,959</u>
Net interest income.....	66,419	63,606	194,001	193,144
Provision for loan losses.....	<u>1,000</u>	100	<u>1,200</u>	<u>185</u>
Net interest income after provision for loan losses.....	65,419	63,506	192,801	192,959
OTHER INCOME				
Gain (loss) on securities, net.....	-	-	11	-
Other.....	<u>5,230</u>	<u>4,002</u>	<u>11,644</u>	<u>10,796</u>
	5,230	4,002	11,655	10,796
OTHER EXPENSE				
Compensation and fringe benefits.....	11,577	9,841	31,991	27,115
Occupancy	2,300	2,030	6,454	5,959
Other.....	<u>3,340</u>	<u>1,925</u>	<u>8,779</u>	<u>6,906</u>
	<u>17,217</u>	13,796	<u>47,224</u>	39,980
Gain (loss) on real estate acquired through foreclosure, net.....	<u>(17)</u>	<u>39</u>	<u>139</u>	<u>184</u>
Income before income taxes.....	53,415	53,751	157,371	163,959
Income taxes.....	<u>19,150</u>	<u>18,414</u>	<u>56,239</u>	<u>56,136</u>
NET INCOME.....	\$ 34,265	\$ 35,337	\$ 101,132	\$ 107,823
PER SHARE DATA				
Basic earnings.....	\$.39	\$.41	\$ 1.16	\$ 1.25
Diluted earnings.....	.39	.40	1.15	1.24
Cash dividends.....	.210	.205	.620	.605
Weighted average number of shares outstanding, including dilutive stock options.....	87,514,339	87,502,860	87,602,549	87,428,766
PERFORMANCE RATIOS				
Return on average assets.....	1.38%	1.63%	1.42%	1.70%
Return on average stockholders' equity.....	10.55%	11.57%	10.49%	11.89%
Net interest margin.....	2.77%	3.00%	2.80%	3.12%