



## Washington Federal Savings

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FOR IMMEDIATE RELEASE

### **Washington Federal's Annual Earnings Increase 11%**

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SEATTLE – Washington Federal, Inc. (Nasdaq: WFSL), parent company of Washington Federal Savings, today announced earnings of \$145,889,000 or \$1.67 per diluted share for the year ended September 30, 2005, compared to \$131,868,000 or \$1.51 per diluted share for the same period one year ago, an 11% increase. Earnings for the fourth fiscal quarter amounted to \$34,389,000 or \$.39 per diluted share compared to \$31,493,000 or \$.36 per diluted share for the same period one year ago, a 9% increase.

Roy M. Whitehead, Chief Executive Officer, commented, “Fiscal 2005 was a very good year for Washington Federal. Record loan production and strong deposit inflows accompanied a healthy increase in earnings which was delivered despite a sharp increase in deposit costs. Overall housing activity remains solid throughout our lending territory and problem assets are negligible. Near-term challenges center primarily on what we expect will be continued pressure on funding costs and a tighter spread between short and long term interest rates.”

The year produced a return on assets of 1.90%, while return on equity amounted to 12.63%. The company's efficiency ratio (operating expenses as a percentage of net revenue) of 19.16% remains among the best in the industry.

Record loan production for the year ended September 30, 2005 totaled \$2,436,000,000, an 18% increase over the previous record of \$2,070,000,000 produced in fiscal 2004. Total assets of \$8.2 billion at September 30, 2005, represents an increase of \$1.1 billion or 15% above last year. During the quarter the Company recorded a \$2.2 million charge for the early extinguishment of debt, a \$1.5 million expense for a state business tax assessment and a \$2.5 million reduction of federal income tax expense. As a result of a change in accounting rules, beginning in October 2005, the Company will record an estimated expense of \$375,000 per quarter for unvested stock options outstanding as of September 30, 2005.

On October 21, 2005, Washington Federal will pay a cash dividend of \$.20 per share to common stockholders of record on October 7, 2005. This will be the company's 91<sup>st</sup> consecutive quarterly cash dividend.

During the year the Company opened new branch locations in Klamath Falls, Oregon, Richardson, Texas and Las Vegas, Nevada.

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)**

September 30, 2005    September 30, 2004

(In thousands, except per share data)

**ASSETS**

Cash and cash equivalents.....	\$ 637,791	\$ 508,361
Securities purchased under agreements to resell.....	-	200,000
Available-for-sale securities, including mortgage-backed securities of \$899,920.....	1,077,856	899,525
Held-to-maturity securities, including mortgage-backed securities of \$175,421.....	212,479	156,373
Securitized assets subject to repurchase, net.....	71,257	110,607
Loans receivable, net.....	5,937,675	4,982,836
Interest receivable.....	34,048	29,832
Premises and equipment, net.....	63,287	63,049
Real estate held for sale.....	5,631	8,630
FHLB stock.....	129,453	137,274
Intangible assets.....	57,259	58,939
Other assets.....	7,714	13,779
	<u>\$ 8,234,450</u>	<u>\$ 7,169,205</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**Liabilities**

Customer accounts		
Savings and demand accounts.....	\$ 5,002,172	\$ 4,569,245
Repurchase agreements with customers.....	29,333	41,113
	<u>5,031,505</u>	4,610,358
FHLB advances.....	1,230,000	1,200,000
Other borrowings.....	655,000	100,000
Advance payments by borrowers for taxes and insurance.....	27,533	25,226
Federal and state income taxes.....	44,617	62,081
Accrued expenses and other liabilities.....	58,487	51,352
	<u>7,047,142</u>	6,049,017

**Stockholders' equity**

Common stock, \$1.00 par value, 300,000,000 shares authorized; 104,140,966 and 103,821,846 shares issued; 86,933,294 and 86,547,557 shares outstanding.....	104,141	94,383
Paid-in capital.....	1,240,310	1,161,627
Accumulated other comprehensive income (loss), net of taxes.....	(704)	17,107
Treasury stock, at cost; 17,207,672 and 17,274,289 shares.....	(205,874)	(206,666)
Retained earnings.....	49,435	53,737
	<u>1,187,308</u>	1,120,188
	<u>\$ 8,234,450</u>	<u>\$ 7,169,205</u>

**CONSOLIDATED FINANCIAL HIGHLIGHTS**

Stockholders' equity per share.....	\$ 13.66	\$ 12.94
Stockholders' equity to total assets.....	14.42%	15.62%
Weighted average rates at period end		
Loans and mortgage-backed securities*.....	6.19%	6.17%
Investment securities**.....	3.74	3.01
Combined loans, mortgage-backed securities and investment securities.....	5.91	5.62
Customer accounts.....	2.94	1.96
Borrowings.....	4.51	4.96
Combined cost of customer accounts and borrowings.....	3.37	2.62
Interest rate spread.....	2.54	3.00

\* 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 September 30,</u>		<u>Year Ended September 30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	(In thousands, except per share data)			
<b>INTEREST INCOME</b>				
Loans and securitized assets subject to repurchase.....	\$ 97,610	\$ 83,534	\$ 369,023	\$ 330,967
Mortgage-backed securities.....	12,813	12,781	61,459	48,554
Investment securities and cash equivalents.....	7,752	8,883	31,419	34,251
	<u>118,175</u>	<u>105,198</u>	<u>461,901</u>	<u>413,772</u>
<b>INTEREST EXPENSE</b>				
Customer accounts.....	34,719	22,127	115,826	86,099
FHLB advances and other borrowings.....	21,584	19,124	79,434	83,654
	<u>56,303</u>	<u>41,251</u>	<u>195,260</u>	<u>169,753</u>
<b>Net interest income.....</b>	<b>61,872</b>	<b>63,947</b>	<b>266,641</b>	<b>244,019</b>
Provision (reversal of reserve) for loan losses.....	<u>-</u>	<u>-</u>	<u>(134)</u>	<u>(231)</u>
<b>Net interest income after provision for loan losses.....</b>	<b>61,872</b>	<b>63,947</b>	<b>266,775</b>	<b>244,250</b>
<b>OTHER INCOME</b>				
Loss on sale of securities, net.....	-	(171)	(3,534)	(890)
Loss on extinguishment of debt.....	(2,194)	(5,191)	(2,194)	(5,191)
Other.....	3,188	2,653	12,137	11,224
	<u>994</u>	<u>(2,709)</u>	<u>6,409</u>	<u>5,143</u>
<b>OTHER EXPENSE</b>				
Compensation and fringe benefits.....	8,436	8,118	34,197	31,084
Occupancy .....	1,915	2,323	8,788	7,813
Other.....	3,255	2,154	9,334	7,367
	<u>13,606</u>	<u>12,595</u>	<u>52,319</u>	<u>46,264</u>
Gain on real estate acquired through foreclosure, net.....	<u>180</u>	<u>28</u>	<u>1,443</u>	<u>583</u>
Income before income taxes.....	49,440	48,671	222,308	203,712
Income taxes.....	15,051	17,178	76,419	71,844
<b>NET INCOME.....</b>	<b>\$ 34,389</b>	<b>\$ 31,493</b>	<b>\$ 145,889</b>	<b>\$ 131,868</b>
<b>PER SHARE DATA</b>				
Basic earnings.....	\$ .40	\$ .36	\$ 1.68	\$ 1.53
Diluted earnings.....	.39	.36	1.67	1.51
Cash dividends.....	.20	.19	.78	.75
Weighted average number of shares outstanding, including dilutive stock options.....	87,544,855	87,246,302	87,478,708	87,130,787
<b>PERFORMANCE RATIOS</b>				
Return on average assets.....	1.71%	1.73%	1.90%	1.78%
Return on average stockholders' equity.....	11.63%	11.37%	12.63%	12.12%
Net interest margin.....	3.18%	3.61%	3.57%	3.41%