



Washington Federal Savings

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

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FOR IMMEDIATE RELEASE

Washington Federal Reports Annual Earnings

SEATTLE – Washington Federal, Inc. (Nasdaq: WFSL), parent company of Washington Federal Savings, today announced earnings of \$131,868,000 or \$1.66 per diluted share for the year ended September 30, 2004, compared to \$144,999,000 or \$1.88 per diluted share for the same period one year ago, a 9% decrease. Earnings for the fourth fiscal quarter amounted to \$31,493,000 or \$.40 per diluted share, including a one-time pre-tax charge of \$5,191,000 related to the extinguishment of debt, compared to \$34,747,000 or \$.45 per diluted share for the same period one year ago, a 9% decrease.

Net interest income declined by \$10.4 million in fiscal 2004 due to lower asset yields that were only partially offset by a reduction in interest expense. Other income in 2004 included the one-time charge of \$5 million mentioned above, compared to a gain on sale of real estate of \$3 million reported in fiscal 2003. The company experienced record loan production during the year, resulting in a 5.7% net increase in loans outstanding. High cost debt obligations of \$450 million were repaid during the year and capital grew to 15.62% of assets, the highest ratio in our history. Asset quality continued to be very strong due to the robust housing market.

Roy M. Whitehead, President & CEO, commented, “Although down from the prior year, we are pleased to report solid operating results again this year. Net interest spread improved to 3.00% at year end from 2.47% last year, which gives us good reason to be optimistic about future earnings.”

The year produced a return on assets of 1.78%, while return on equity amounted to 12.12%. The company's efficiency ratio of 18.57% remains among the best in the industry.

On October 19, 2004, Washington Federal announced a restatement of financial results for the fiscal years 2001 through 2003 due to a review of its accounting for derivatives under FAS 133. The review resulted in an adjustment that increased after-tax net income in those years by a cumulative \$7,735,000, or 1.92% of previously reported net income.

On October 22, 2004, Washington Federal will pay a cash dividend of \$.21 per share to common stockholders of record on October 8, 2004. This will be the company's 87th consecutive quarterly cash dividend.

Washington Federal Savings, with headquarters in Seattle, Washington, has 120 offices in eight western states.

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

	<u>September 30, 2004</u>	<u>September 30, 2003</u>	<i>as previously reported</i>
		<i>restated</i>	
	(In thousands, except per share data)		
ASSETS			
Cash and cash equivalents.....	\$ 508,361	\$ 1,437,208	\$ 1,437,208
Securities purchased under agreements to resell.....	200,000	-	-
Available-for-sale securities, including mortgage-backed securities of \$522,145.....	899,525	781,798	804,186
Held-to-maturity securities, including mortgage-backed securities of \$119,312.....	156,373	154,178	154,178
Securitized assets subject to repurchase, net.....	110,607	210,782	210,782
Loans receivable, net.....	4,982,836	4,606,726	4,606,726
Interest receivable.....	29,832	29,489	29,489
Premises and equipment, net.....	63,049	60,942	60,942
Real estate held for sale.....	8,630	16,204	16,204
FHLB stock.....	137,274	143,851	143,851
Intangible assets.....	58,939	60,336	60,336
Other assets.....	13,779	34,461	12,073
	<u>\$ 7,169,205</u>	<u>\$ 7,535,975</u>	<u>\$ 7,535,975</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Customer accounts			
Savings and demand accounts.....	\$ 4,569,245	\$ 4,520,051	\$ 4,520,051
Repurchase agreements with customers.....	41,113	57,547	57,547
	<u>4,610,358</u>	4,577,598	4,577,598
FHLB advances.....	1,200,000	1,650,000	1,650,000
Other borrowings.....	100,000	100,000	100,000
Advance payments by borrowers for taxes and insurance.....	25,226	23,281	23,281
Federal and state income taxes.....	62,081	70,011	70,011
Accrued expenses and other liabilities.....	51,352	59,489	59,489
	<u>6,049,017</u>	6,480,379	6,480,379
Stockholders' equity			
Common stock, \$1.00 par value, 100,000,000 shares authorized; 94,383,496 and 94,109,168 shares issued; 78,679,597 and 78,290,836 shares outstanding.....			
	94,383	85,554	85,554
Paid-in capital.....	1,161,627	1,085,650	1,085,650
Accumulated other comprehensive income, net of taxes.....	17,107	26,890	34,624
Treasury stock, at cost; 15,703,899 and 15,818,332 shares.....	(206,666)	(207,337)	(207,337)
Retained earnings.....	53,737	64,839	57,105
	<u>1,120,188</u>	1,055,596	1,055,596
	<u>\$ 7,169,205</u>	<u>\$ 7,535,975</u>	<u>\$ 7,535,975</u>
CONSOLIDATED FINANCIAL HIGHLIGHTS			
Stockholders' equity per share.....	\$ 14.24	\$ 13.48	\$ 13.48
Stockholders' equity to total assets.....	15.62%	14.01%	14.01%
Weighted average rates at period end			
Loans and mortgage-backed securities*.....	6.17%	6.40%	6.40%
Investment securities**.....	3.01	1.98	1.98
Combined loans, mortgage-backed securities and investment securities.....	5.62	5.28	5.28
Customer accounts.....	1.96	1.96	1.96
Borrowings.....	4.96	5.03	5.03
Combined cost of customer accounts and borrowings.....	2.62	2.81	2.81
Interest rate spread.....	3.00	2.47	2.47

* 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)

	Quarter Ended September 30,			Year Ended September 30,		
	<u>2004</u>	<u>2003</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2003</u>
		<i>restated</i>	<i>as previously reported</i>		<i>restated</i>	<i>as previously reported</i>
	(In thousands, except per share data)					
INTEREST INCOME						
Loans and securitized assets subject to repurchase.....	\$ 83,533	\$ 82,053	\$ 82,053	\$ 330,967	\$ 353,286	\$ 353,286
Mortgage-backed securities.....	12,781	13,583	13,151	48,554	62,021	62,911
Investment securities and cash equivalents.....	8,883	8,626	8,626	34,251	33,988	33,988
	<u>105,197</u>	<u>104,262</u>	<u>103,830</u>	<u>413,772</u>	<u>449,295</u>	<u>450,185</u>
INTEREST EXPENSE						
Customer accounts.....	22,128	22,279	22,279	86,099	105,919	105,919
FHLB advances and other borrowings.....	19,124	22,420	22,420	83,654	88,965	88,965
	<u>41,252</u>	<u>44,699</u>	<u>44,699</u>	<u>169,753</u>	<u>194,884</u>	<u>194,884</u>
Net interest income.....	63,945	59,563	59,131	244,019	254,411	255,301
Provision (reversal of reserve) for loan losses.....	-	-	-	(231)	1,500	1,500
Net interest income after provision for loan losses.....	63,945	59,563	59,131	244,250	252,911	253,801
OTHER INCOME						
Gain (loss) on sale of securities, net.....	(171)	746	504	(890)	1,039	992
Gain on sale of real estate.....	-	-	-	-	3,382	3,382
Loss on extinguishment of debt.....	(5,191)	-	-	(5,191)	-	-
Other.....	2,653	3,914	3,396	11,224	12,343	10,643
	<u>(2,709)</u>	<u>4,660</u>	<u>3,900</u>	<u>5,143</u>	<u>16,764</u>	<u>15,017</u>
OTHER EXPENSE						
Compensation and fringe benefits.....	8,202	7,547	7,547	31,411	30,846	30,846
Occupancy	2,323	1,696	1,178	7,813	6,798	5,098
Other.....	2,068	1,403	1,403	7,040	8,115	8,115
	<u>12,593</u>	<u>10,646</u>	<u>10,128</u>	<u>46,264</u>	<u>45,759</u>	<u>44,059</u>
Gain (loss) on real estate acquired through foreclosure, net.....	28	84	84	583	(194)	(194)
Income before income taxes.....	48,671	53,661	52,987	203,712	223,722	224,565
Income taxes.....	17,178	18,914	18,676	71,844	78,723	79,021
NET INCOME.....	\$ 31,493	\$ 34,747	\$ 34,311	\$ 131,868	\$ 144,999	\$ 145,544
PER SHARE DATA						
Basic earnings.....	\$.40	\$.45	\$.45	\$ 1.68	\$ 1.89	\$ 1.89
Diluted earnings.....	.40	.45	.44	1.66	1.88	1.88
Cash dividends.....	.21	.20	.20	.82	.78	.78
Weighted average number of shares outstanding, including dilutive stock options.....	79,314,820	77,639,585	77,639,585	79,209,806	77,255,964	77,255,964
Return on average assets.....	1.73%	1.90%	1.90%	1.78%	1.98%	1.98%