UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For The Quarterly Period Ended: **March 31, 2011**

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from ___________to _____________

Commission File No. 000-53003

____

WSB HOLDINGS, INC.
(Exact name of Registrant as specified in its Charter)

DELAWARE	26-1219088
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4201 Mitchellville Road, Suite 200, Bowie, Maryland 20716
(Address of principal executive offices, Zip Code)

(301) 352-3120
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES x NO __

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§223.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ] Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company) Smaller reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES _ NO x

There were 7,992,232 shares of Common Stock ($0.0001 Par Value) outstanding as of May 2, 2011.

WSB HOLDINGS, INC. AND SUBSIDIARIES
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Item 1. Financial Statments

WSB HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(UNAUDITED)

	March 31, 2011	December 31, 2010
ASSETS		
Cash	$ 14,869,320	$ 21,438,474
Federal funds sold and interest bearing deposits at FHLB - Atlanta	21,424,921	2,095,561
Total cash and cash equivalents	36,294,241	23,534,035
Loans receivable:		
Held for sale	4,853,800	24,169,595
Held for investment (net of allowance for loan losses of $9,761,442 and $10,219,791 respectively)	225,790,467	223,844,534
Investment securities - available for sale at fair value	41,420,011	22,110,923
Mortgage-backed securities - available for sale at fair value	58,883,918	58,551,837
Investment in Federal Home Loan Bank stock, at cost	5,501,800	5,501,800
Accrued interest receivable on loans	1,176,428	1,169,898
Accrued interest receivable on investments	567,014	465,831
Real estate acquired in settlement of loans	5,926,123	6,055,945
Bank owned life insurance	12,024,734	11,911,801
Premises and equipment - net	4,719,932	4,802,675
Income taxes receivable	53,178	629,167
Deferred income taxes	9,755,240	9,829,655
Other assets	2,385,154	3,352,288
TOTAL ASSETS	$ 409,352,040	$ 395,929,984
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 5,471,987	$ 6,512,064
Interest bearing	273,641,084	260,069,078
Total deposits	279,113,071	266,581,142
Federal Home Loan Bank borrowings	76,000,000	76,000,000
Advances from borrowers for taxes and insurance	633,396	479,480
Accounts payable, accrued expenses and other liabilities	1,232,689	1,250,469
TOTAL LIABILITIES	356,979,156	344,311,091
STOCKHOLDERS' EQUITY:		
Preferred stock, no stated par value; 10,000,000 shares authorized; none issued and outstanding	-	-
Common stock authorized, 20,000,000 shares at $.0001 par value, 7,992,232 and 7,924,732 issued and outstanding as of March 31, 2011 and December 31, 2010, respectively	799	792
Additional paid-in capital	11,087,907	10,872,561
Retained earnings - substantially restricted	41,217,356	40,981,757
Accumulated other comprehensive income (loss)	66,822	(236,217)
TOTAL STOCKHOLDERS' EQUITY	52,372,884	51,618,893
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 409,352,040	$ 395,929,984

See notes to consolidated financial statements.

WSB HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months ended March 31, 2011	Three Months ended March 31, 2010
INTEREST INCOME:		
Interest and fees on loans	$ 3,715,395	$ 3,854,028
Interest on mortgage-backed securities	654,085	1,346,136
Interest and dividends on investments	292,703	382,051
Total interest income	4,662,183	5,582,215
INTEREST EXPENSE:		
Interest on deposits	1,115,202	1,315,552
Interest on other borrowings	519,429	1,244,082
Total interest expense	1,634,631	2,559,634
NET INTEREST INCOME	3,027,552	3,022,581
Provision for loan losses	-	-
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,027,552	3,022,581
NON-INTEREST INCOME:		
Loan related fees	112,120	87,606
Gain on sale of loans	364,142	123,145
Gain on sale of investment securities - available for sale	182,848	-
Gain (loss) on sale of real estate acquired in settlement of loans	13,144	(36,400)
Service charges on deposits	24,996	34,995
Rental income	94,245	101,439
Other income	155,811	155,229
Total non-interest income	947,306	466,014
NON-INTEREST EXPENSE:		
Salaries and benefits	1,960,225	1,560,996
Occupancy expense	172,798	177,040
Depreciation	114,924	137,726
Advertising	86,514	82,893
Service bureau charges	134,124	133,058
Service charges from banks	9,010	8,648
Stationary, printing and supplies	44,844	33,361
Professional services	99,057	231,052
FDIC Insurance	219,922	301,928
Provision for losses on real estate acquired in settlement of loans	31,880	60,240
Other taxes	80,797	81,228
Other	734,664	620,777
Total non-interest expense	3,688,759	3,428,947
INCOME BEFORE INCOME TAXES	286,099	59,648
INCOME TAX EXPENSE (BENEFIT)	50,500	(194,095)
NET INCOME	$ 235,599	$ 253,743
BASIC EARNINGS PER COMMON SHARE	$ 0.03	$ 0.03
DILUTED EARNINGS PER COMMON SHARE	$ 0.03	$ 0.03
CASH DIVIDENDS DECLARED PER COMMON SHARE	$ 0.00	$ 0.00
AVERAGE COMMON SHARES OUTSTANDING	7,966,732	7,855,732
AVERAGE DILUTED COMMON SHARES OUTSTANDING	7,967,387	7,879,472

See notes to consolidated financial statements.

WSB HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
THREE MONTHS ENDED MARCH 31, 2011 AND 2010 (Unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
BALANCE, JANUARY 1, 2010	$ 785	$ 10,717,631	$ 44,854,806	$ (2,716,504)	$ 52,856,718
Comprehensive Income:					
Net Income	-	-	253,743	-	253,743
Net changes in unrealized appreciation on available for sale securities	-	-	-	1,037,856	1,037,856
Total comprehensive Income					1,291,599
BALANCE, MARCH 31, 2010	$ 785	$ 10,717,631	$ 45,108,549	$ (1,678,648)	$ 54,148,317
BALANCE, JANUARY 1, 2011	$ 792	$ 10,872,561	$ 40,981,757	$ (236,217)	$ 51,618,893
Exercise of Stock Options	7	213,227	-	-	213,234
Tax effect of stock options exercised	-	2,119	-	-	2,119
Comprehensive Income:					
Net Income	-	-	235,599	-	235,599
Other comprehensive income Reclassification adjustment for gains, net of taxes of $72,115	-	-	-	110,733	110,733
Net changes in unrealized appreciation on available for sale securities	-	-	-	192,306	192,306
Total comprehensive loss					538,638
BALANCE, MARCH 31, 2011	$ 799	$ 11,087,907	$ 41,217,356	$ 66,822	$ 52,372,884

See notes to consolidated financial statements

WSB HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three months ended March 31, 2011	2010
OPERATING ACTIVITIES:		
Net earnings	$ 235,599	$ 253,743
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	114,924	137,726
Accretion of discounts on investment securities	240,368	1,113
Gain on sale of mortgage-backed securities-available for sale	(182,848)	-
(Gain) Loss on sale of real estate acquired in settlement of loans	(13,144)	36,400
Gain on sale of loans	(364,142)	(123,145)
Loans originated for sale	(32,590,369)	(18,198,733)
Proceeds from sale of loans originated for sale	52,270,305	21,920,958
Increase in cash surrender value of bank owned life insurance	(112,933)	(118,152)
Chanage in deferred income taxes	(138,696)	13,080
(increase) decrease in accrued interest receivable	(107,713)	119,755
Decrease in other assets	967,137	432,391
Increase (decrease) in net deferred loan fees	58,346	(58,279)
Change in income taxes payable/receivable	575,989	-
(Decrease) increase in accrued interest payable	(1,765)	5,192
Decrease in accounts payable, accrued expenses and other liabilities	(17,780)	(59,672)
Net cash provided by operating activities	20,933,278	4,362,377
INVESTING ACTIVITIES:		
Net increase in loans	(2,358,789)	(1,136,160)
Purchase of mortgage-backed securities - available for sale	(13,027,549)	47,412
Repayment of mortgage-backed securities - available for sale	5,699,130	16,275,929
Sale of mortgage backed securities -availabe for sale	7,715,995	-
Redemption of Federal Home Loan Bank Stock	-	(247,500)
Purchase of investment securities - available for sale	(19,990,000)	(10,453)
Purchase of investment securities - held to maturity	-	-
Repayment of investment securities - available for sale	419,885	1,097,195
Purchase of premises and equipment	(32,182)	(4,161)
Sale of investment securities - available for sale	0	-
Development of real estate acquired in settlement of loans	(14,961)	(8,750)
Proceeds from sale of real estate acquired in settlement of loans	512,436	1,458,601
Net cash (used in) provided by investing activities	(21,076,035)	17,472,113
FINANCING ACTIVITIES:		
Net increase in demand deposits, NOW accounts and savings accounts	17,894,028	4,624,092
Proceeds from issuance of certificates of deposit	1,530,830	11,066,416
Payments for maturing certificates of deposit	(6,891,164)	(9,289,943)
Net increase in advance payments by borrowers for taxes and insurance	153,916	233,569
Decrease in advance from the Federal Home Loan Bank	-	(8,000,000)
Excess tax benefit from stock-based compensation	2,118	0
Proceeds from exercise of stock options	213,234	-
Net cash provided by (used in) by financing activities	12,902,962	(1,365,866)
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,760,205	20,468,624
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	23,534,036	9,068,864
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 36,294,241	$ 29,537,488
CASH PAID DURING THE PERIOD FOR:		
Income taxes	$ -	$ -
Interest	$ 1,675,477	$ 2,735,344
Non-cash transactions:		
Transfer from loans to real estate acquired in settlement of loans	$ 354,510	$ 1,072,570

See notes to consolidated financial statements.

WSB HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010
(unaudited)

1. Financial Statements

The Consolidated Financial Statements for the three months ended March 31, 2011 and 2010 have been prepared by WSB Holdings, Inc. ("WSB" or the "Company") without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows at March 31, 2011, and for all periods presented, have been made. All significant intercompany transactions have been eliminated.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. Management believes that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010 (the "2010 Annual Report"), a copy of which is available at www.twsb.com and www.sec.gov. The results of operations for the period ended March 31, 2011, are not necessarily indicative of the operating results for the full year, or any other period.

Certain prior year's amounts have been reclassified to conform with the current year's presentation.

2. Earnings Per Common Share

The following is the reconciliation of the numerators and denominators of the basic and diluted Earnings Per Common Share ("EPS") computation for all periods presented in the Consolidated Statements of Operations.

	Three Months Ended March 31,					
	2011			2010		
	Net Income (Numerator)	Shares (Denominator)	Per Share Amount	Net Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS						
Net income available to Common Stockholders	$ 235,599	7,966,732	$ 0.03	$ 253,743	7,855,732	$ 0.03
Effect of Dilutive Options Incremental Shares		655			23,740	
Diluted EPS Net income available to Common Stockholders	$ 235,599	7,967,387	$ 0.03	$ 253,743	7,879,472	$ 0.03

Options to purchase 260,375 shares of common stock were not included in the computation of diluted EPS for the three months ended March 31, 2011 because their effect would have been antidilutive.

Options to purchase 325,375 shares of common stock were not included in the computation of diluted EPS for the three months ended March 31, 2010 because their effect would have been antidilutive.

3. Stock-Based Compensation

We have incentive compensation plans that permit the granting of incentive and non-qualified awards in the form of stock options. Generally, the terms of these plans stipulate that the exercise price of options may not be less than the fair market value of WSB's common stock on the date the options are granted. Options predominantly vest over a two year period from the date of grant, and expire not later than ten years from the date of grant.

There were no awards granted during 2011 or 2010. There was no pre-tax stock-based compensation during the three months ending March 31, 2011 and 2010.

All outstanding options are vested and there is currently no unrealized compensation cost related to non-vested share based compensation arrangements.

Stock Option Plans - We have five stock option plans, which reserve shares of common stock for issuance to certain key employees and non-employee directors. Collectively, these plans reserve 2,310,000 shares for issuance pursuant to options as of March 31, 2011, 1,899,125 options have been granted or expired and 410,875 options remain available for grant. Options granted generally expire ten years after grant date and are exercisable at 50% one year after the date of grant and the remaining 50% two years after the date of grant, with the exceptions of (1) options granted under the Non-Employee Directors' Plan, which options are exercisable at 25% on the first and second anniversary dates and the remaining 50% three years after the date of grant and (2) the 5,000 option grant to WSB's CEO in September 2005, which were fully vested at time of grant and have since expired. The exercise price of the options granted pursuant to these plans is in each case the fair market value of the shares on the date of grant.

The following table summarizes stock option activity for the three month period ended March 31, 2011:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2010	341,375	$3.56		
Exercised	(67,500)	3.19		
Granted	-	-		
Forfeited	-	-		
Outstanding at March 31, 2011	273,875	$3.65	0.09	$7,695
Exercisable at March 31, 2011	273,875	$3.65	0.09	$7,695

4. Fair Value Measurements

The Company applies guidance issued by FASB regarding fair value measurements which provides a framework for measuring and disclosing fair value under generally accepted accounting principles. This guidance requires disclosures about the fair value of assets and liabilities recognized in the balance sheet in periods subsequent to initial recognition, whether the measurements are made on a recurring basis (for example, available-for-sale investment securities) or on a nonrecurring basis (for example, impaired loans). This guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

We utilize fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Securities available for sale are recorded at fair value on a recurring basis. Additionally, from time to time, we may be required to record at fair value other assets on a nonrecurring basis, such as loans held for sale, loans held for investment and certain other assets. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

Under the fair value measurement guidance, we group assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine the fair value. These hierarchy levels are:

Level 1 inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 inputs - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

An asset or liability's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Management reviews and updates the fair value hierarchy classifications of our assets and liabilities on a quarterly basis.

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value:

Investment Securities Available-for-Sale

Investment securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange such as the New York Stock Exchange, Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include mortgage backed securities issued by government sponsored entities, municipal bonds and corporate debt securities. Securities classified as Level 3 include asset-backed securities in less liquid markets. With the exception of our private labeled mortgage-backed securities, all securities available for sale are classified as Level 2.

Loans

We do not record loans held-for-investment at fair value on a recurring basis, however, from time to time, a loan is considered impaired and an allowance for loan loss is established. Loans for which it is probable that payment of interest and principle will not be made in accordance with the contractual terms of the loan are considered impaired. Once a loan is identified as individually impaired, management measures impairment in accordance with the FASB's Accounting Standards Codification Receivables Topic. The fair value of impaired loans is estimated using one of several methods, including the collateral value, market value of similar debt, enterprise value, liquidation value and discounted cash flows. Those impaired loans not requiring a specific allowance represent loans for which the fair value of expected repayments or collateral exceed the recorded investment in such loans. At March 31, 2011, substantially all of the totally impaired loans were evaluated based upon the fair value of the collateral. In accordance with guidance regarding fair value measurements, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, we record the loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, we record the loan as nonrecurring Level 3.

Loans Held for Sale- Loans held for sale are valued based on quotations from the secondary market for similar instruments and is classified as level 2 of the fair value hierarchy.

Foreclosed Assets

Foreclosed assets are adjusted for fair value upon transfer of the loans to foreclosed assets. Subsequently, foreclosed assets are carried at the lower of carrying value and fair value. Fair value is based upon independent market prices, appraised value of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, we record the foreclosed asset as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, we record the foreclosed asset at nonrecurring Level 3.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The table below presents the recorded amount of assets and liabilities measured at fair value on a recurring basis at March 31, 2011 and December 31, 2010:

	At March 31, 2011 (In thousands)				
	Carrying Value March 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Changes in Fair Values Included in Period Earnings
Loans Held-for-sale	$ 4,854		$ 4,854		$
Available-for-sale, FHLB Agencies callable	39,088	-	39,088	-	-
Available-for-Sale, Municipal Bonds	2,332	-	2,332	-	-
Available-for-Sale Residential MBS	58,884	-	37,326	21,558	-
	$ 105,158	$ -	$ 83,600	$ 21,558	$ -

	At December 31, 2010 (In thousands)				
	Carrying Value December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Changes in Fair Values Included in Period Earnings
Loans Held-for-sale	$ 24,170		$ 24,170		$
Available-for-sale, FHLB Agencies callable	19,784	-	19,784	-	-
Available-for-Sale, Municipal Bonds	2,327	-	2,327	-	-
Available-for-Sale Residential MBS	58,552	-	35,187	23,365	(2,932)
	$ 104,833	$ -	$ 81,468	$ 23,365	$ (2,932)

Loans held-for-sale, which are carried at the lower of cost or market, did not have any impairment charge at March 31, 2011.

Assets included in Level 3 include our private-labeled mortgage-backed securities ("MBS") due to lack of observable market data due to decreases in market activity for these securities. Our policy is to recognize transfers in and out as of the actual date of the event or change in circumstances that caused the transfer. No assets were transferred to Level 3 during the three month period ending March 31, 2011. The change in the assets included in Level 3 was due to principal repayments and the change in unrealized gains/losses for the three month period ending March 31, 2011.

The table below presents a reconciliation and income statement classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended March 31, 2011 and March 31, 2010.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Private Labeled Mortgage-Backed Securities-Available for Sale Three months ended March 31,	
	2011	2010
Beginning Balance	$ 23,365	$ 40,194
Accretion/Amortization of Discount/Premiums	4	7
Payments received	(3,002)	(4,174)
Difference in Unrealized gain (loss)	1,191	396
Other than temporary impairment		
Ending Balance	$ 21,558	$ 36,423

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

We may be required from time to time, to measure certain assets at fair value on a non- recurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. Assets measured at fair value on a nonrecurring basis at March 31, 2011 and December 31, 2010 is included in the tables below:

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FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010
(unaudited)

	At March 31, 2011 (In thousands)			
	Carrying Value March 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired Loans:				
Residential Real estate	$ 10,453	$ -	$ 10,453	$ -
Construction	-	-	-	-
Land and land Acquisition	4,351	-	4,351	-
Commercial Real Estate and Commercial	14,029	-	14,029	-
Consumer	1	-	1	-
Total Impaired Loans	28,834	-	28,834	-
Real estate acquired in settlement of loans:				
Residential Real estate	$ 1,237	$ -	$ 1,237	$ -
Construction	1,049	-	1,049	-
Land and land Acquisition	1,938	-	1,938	-
Commercial Real Estate and Commercial	1,702	-	1,702	-
Total Real estate acquired in settlement of loans:	5,926	-	5,926	-
Total	$ 34,760	$ -	$ 34,760	$ -

	At December 31, 2010 (In thousands)			
	Carrying Value December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired Loans:				
Residential Real estate	$ 12,228	$ -	$ 12,228	$ -
Construction	1,617	-	1,617	-
Land and land Acquisition	2,942	-	2,942	-
Commercial Real Estate and Commercial	16,304	-	16,304	-
Consumer	1	-	1	-
Total Impaired Loans	33,092	-	33,092	-
Real estate acquired in settlement of loans:				
Residential Real estate	$ 1,053	$ -	$ 1,053	$ -
Construction	1,330	-	1,330	-
Land and land Acquisition	1,976	-	1,976	-
Commercial Real Estate and Commercial	1,697	-	1,697	-
Total Real estate acquired in settlement of loans:	6,056	-	6,056	-
Total	$ 39,148	$ -	$ 39,148	$ -

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a principal balance of $34,561,000, with a related valuation allowance of $5,859,000 at March 31, 2011 compared to principal balance of $38,785,000, with a related valuation allowance of $5,693,000 at December 31, 2010.

Real estate acquired in settlement of loans is carried at the lower of our recorded investment or fair value at the date of acquisition. Write-downs to fair value at the date of acquisition are charged to the allowance for loan losses. Subsequent write downs are included in non-interest expense. Costs relating to the development and improvement of a property are capitalized, whereas those relating to holding the property are charged to expense when incurred. The real estate is carried at the lower of acquisition or fair value net of estimated costs to sell subsequent to acquisition. Operating expenses of real estate owned are reflected in other non-interest expenses. The value of OREO properties held due to foreclosures at March 31, 2011 was $5.9 million compared to $6.1 million at December 31, 2010.

Impaired loans, Real Estate Acquired in Settlement of Loans are classified as Level 2 within the valuation hierarchy.

The following disclosures of the estimated fair value of financial instruments are made in accordance with the requirements of FASB's Accounting Standards Codification Topic 820, "*Fair Value Measurements and Disclosures*". We have determined the fair value amounts by using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amount we could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

	March 31, 2011		December 31, 2010	
	Carrying Amount (000's)	Estimated Fair Value (000's)	Carrying Amount (000's)	Estimated Fair Value (000's)
Assets:				
Cash and cash equivalents	$ 36,294	$ 36,294	$ 23,534	$ 23,534
Loans receivable, net	230,644	233,079	248,014	248,175
Mortgage-backed securities:				
Available for sale	58,884	58,884	58,552	58,552
Investment securities:				
Available for sale	41,420	41,420	22,111	22,111
Investment in Federal Home Loan Bank stock	5,502	5,502	5,502	5,502
Bank Owned Life Insurance	12,025	12,025	11,912	11,912
Liabilities:				
Deposits:				
Non-interest-bearing	5,472	5,472	6,512	6,512
Interest bearing	273,641	275,269	260,069	261,964
Borrowings	76,000	75,962	76,000	76,086

Cash and Cash Equivalents - For cash and cash equivalents, the carrying amount is a reasonable estimate of fair value.

Loans Receivable, Net - Loans not having quoted market prices are priced using the discounted cash flow method. The discount rate used is the rate currently offered on similar products. The estimated fair value of loans held-for-sale is based on the terms of the related sale commitments.

Mortgage-Backed Securities - Fair values are based on quoted market prices or dealer quotes. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Investment Securities - Fair values are based on quoted market prices or dealer quotes. If a quoted market price is not available, fair values are estimated using quoted market prices for similar securities.

Investment in Federal Home Loan Bank Stock - The carrying amount of Federal Home Loan Bank (FHLB) Stock is a reasonable estimate of fair value as FHLB stock does not have a readily available market and can only be sold back to the FHLB at its par value of $100 per share.

Bank Owned Life Insurance - The carrying amount of Bank Owned Life Insurance ("BOLI") purchased on a group of officers is a reasonable estimate of fair value. BOLI is an insurance product that provides an effective way to offset current employee benefit costs.

Deposits - The fair value of non-interest bearing accounts is the amount payable on demand at the reporting date. The fair value of interest-bearing deposits is determined using the discounted cash flow method. The discount rate used is the rate currently offered on similar products.

Borrowings – The fair value of borrowings is determined using the discounted cash flow method. The discount rate used is the rate currently offered on similar products.

Commitments to Grant Loans and Standby Letters of Credit and Financial Guarantees Written - The majority of our commitments to grant loans and standby letters of credit and financial guarantees written carry current market interest rates if converted to loans. Because commitments to extend credit and letters of credit are generally un-assignable by either the Bank or the borrower, they only have value to the Bank and the borrower and therefore it is impractical to assign any value to these commitments.

The fair value estimates presented herein are based on pertinent information available to management as of March 31, 2011 and December 31, 2010. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively reevaluated for purposes of these financial statements since reporting period ending March 31, 2011 and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

5. Loans

The following table summarizes loans at March 31, 2011 and December 31, 2010.

	March 31, 2011	December 31, 2010
FIRST MORTGAGE LOANS:		
Secured by single-family residences	$ 74,541,817	$ 72,968,063
Secured by 5 or more- residential	2,407,029	3,019,186
Secured by other properties	40,708,881	41,306,353
Construction loans	6,091,158	4,898,672
Land and land development loans	10,739,501	11,613,824
Land acquisition loans	2,341,995	1,849,875
	136,830,381	135,655,973
SECOND MORTGAGE LOANS	2,578,312	2,597,198
COMMERCIAL AND OTHER LOANS:		
Commercial -secured by real estate	92,831,947	92,458,529
Commercial	3,268,546	3,212,401
Loans secured by savings accounts	189,595	205,637
Consumer installment loans	310,427	333,540
	236,009,208	234,463,278
LESS:		
Allowance for loan losses	(9,761,442)	(10,219,791)
Deferred loan fees	(457,299)	(398,953)
TOTAL LOANS RECEIVABLE HELD-FOR-INVESTMENT	$ 225,790,467	$ 223,844,534

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(unaudited)

Allowance for loan losses and recorded investment in loans for the quarter ended March 31, 2011 is summarized as follows**:**

	Residential Real Estate	Construction	Land and Land Acquisition	Commercial Real Estate and Commercial	Consumer	Total
			(dollars in thousands)			
Allowance for loan losses:						
Beginning balance	$ 2,891	$ 326	$ 2,932	$ 4,067	$ 4	$ 10,220
Charge-offs	(427)	-	(37)	-	(2)	(466)
Recoveries	8	-	-	-	-	8
Provisions	-	-	-	-	-	-
Ending Balance	2,472	326	2,895	4,067	2	9,762
Ending Balance: individually evaluated for impairment	1,251	-	2,378	2,230	-	5,859
Ending Balance: collectively evaluated for impairment	1,221	326	517	1,837	2	3,903
Loans:						
Ending Balance	$ 120,236	$ 6,091	$ 13,081	$ 96,101	$ 500	$ 236,009
Ending Balance: individually evaluated for impairment	12,881	-	6,922	16,955	1	36,759
Ending Balance: collectively evaluated for impairment	107,355	6,091	6,159	79,146	499	199,250

As part of our on-going monitoring of the credit quality of our loan portfolio, we categorize loans into risk categories based on relevant information about the ability of borrowers to repay their debt. Current financial information, historical payment experience, credit documentation, current economic trends and other factors are used to categorize loans into risk categories.

Credit quality indicators as of March 31, 2011 are as follows:

Pass – Loans classified as pass generally meet or exceed normal credit standards. Factors include repayment source, collateral, borrower cash flows, and performance history.

Special Mention: Loans classified Special Mention loans have potential weaknesses that deserve management's attention. These loans are not adversely classified and do not expose an institution to sufficient risk to currently warrant adverse classification.

Substandard: Loans classified as substandard are loans that have a well-defined weakness. They are characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected. These loans are inadequately protected by the current net worth and paying capacity of the obligor or the collateral pledged as security for the asset.

Doubtful: Loans classified as doubtful consists of loans where we expect a loss, but not a total loss. These loans have all the weaknesses inherent in a substandard asset, in addition, these weaknesses make collection highly questionable or improbable based on the existing circumstances.

Loss: Loans classified as loss are considered uncollectible. A loan classified as a loss does not mean that an asset has no recovery value, but that is practical to defer writing off or reserving all or a portion of the asset, even though partial recovery may be collected in the future. Loans that are classified as “Loss” are fully reserved for on our financial statements.

Credit risk profile by internally assigned grade, as described above as of March 31, 2011 is as follows:

	Real Estate	Construction	Land and Land Acquisition	Commercial Real Estate and Commercial	Consumer	Total
			(dollars in thousands)			
Pass	$ 104,609	$ 4,438	$ 5,967	$ 62,727	$ 497	$ 178,238
Special Mention	4,331	-	378	17,100	-	21,809
Substandard	11,174	1,653	6,419	16,159	3	35,408
Doubtful/Loss	122	-	317	115	-	554
Total	$ 120,236	$ 6,091	$ 13,081	$ 96,101	$ 500	$ 236,009

Information on impaired loans for the quarter ended March 31, 2011 is as follows:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
			(dollars in thousands)		
With no related allowance recorded:					
Residential Real Estate	$ 3,434	$ 3,434	$ -	$ 3,575	$ 40
Construction	-	-	-	-	-
Land and Land Acquisition	164	164	-	164	-
Commercial Real Estate and Commercial	898	898	-	898	16
Consumer	1	1	-	1	-
With an allowance recorded:					
Residential Real Estate	$ 8,196	$ 9,447	$ 1,251	$ 8,500	$ 98
Construction	-	-	-	-	-
Land and Land Acquisition	4,380	6,758	2,378	4,379	19
Commercial Real Estate and Commercial	13,827	16,057	2,230	13,767	101
Consumer	-	-	-	-	-
Total					
Residential Real Estate	$ 11,630	$ 12,881	$ 1,251	$ 12,075	$ 138
Construction	-	-	-	-	-
Land and Land Acquisition	4,544	6,922	2,378	4,543	19
Commercial Real Estate and Commercial	14,725	16,955	2,230	14,665	117
Consumer	1	1	-	1	-

At March 31, 2011 and December 31, 2010, nonaccrual loans were $21.9 million and $27.1 million, respectively.

An age analysis of past due loans as of March 31, 2011 is as follows:

	2 payments Past Due	3 payments Past Due	Non-Accrual Loans	Total Past Due	Current	Total
			(dollars in thousands)			
Residential Real Estate	$ 4,968	$ 2,796	$ 6,983	$ 14,747	$ 105,489	$ 120,236
Construction	-	-	-	-	6,091	6,091
Land and Land Acquisition	2,388	36	5,744	8,168	4,913	13,081
Commercial Real Estate and Commercial	574	565	9,236	10,375	85,726	96,101
Consumer	1	1	1	3	497	500
Total	$ 7,931	$ 3,398	$ 21,964	$ 33,293	$ 202,716	$ 236,009

Loans on which the recognition of interest has been discontinued amounted to approximately $21.9 million and $27.1 million at March 31, 2011 and December 31, 2010, respectively. If interest income had been recognized on those loans at their stated rates during the period ending March 31, 2011 and 2010, interest income would have been increased in each period by approximately $1.6 million. The total allowance for loan losses on these impaired loans was approximately $5.7 million at March 31, 2011 and December 31, 2010.

Period-end impaired loans were as follows:

	March 31, 2011	December 31, 2010
Balance of impaired loans with no allocated allowance	$ 4,497	$ 4,641
Balance of impaired loans with an allocated allowance	26,403	34,143
Total recorded investment of impaired loans	$ 30,900	$ 38,784
Amount of the allowance allocated to impaired loans	$ 5,859	$ 5,693

The impaired loans included in the table above were comprised of collateral dependent 1-4 residential real estate, lot loans and commercial real estate loans. The average recorded investment in impaired loans was $31.2 million and $25.0 million at March 31, 2011 and December 31, 2010, respectively.

6. Investments and Mortgage-Backed Securities

Investment securities consist of the following:

	March 31, 2011			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value**
AVAILABLE FOR SALE:				
FHLB Agencies	$ 19,390,832	$ 301,805	$ 262,600	$ 19,430,037
FNMA Agencies	14,981,109	700	48,860	14,932,949
Farmer Mac	5,000,000	-	274,750	4,725,250
Municipal Bonds	2,294,585	37,190	-	2,331,775
	$ 41,666,526	$ 339,695	$ 586,210	$ 41,420,011

	December 31, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
AVAILABLE FOR SALE:				
FHLB Agencies	$ 9,811,049	$ 326,524	$ 160,450	$ 9,977,123
FNMA Agencies	4,985,020	25,330	-	5,010,350
Farmer Mac	5,000,000	-	203,550	4,796,450
Municipal Bonds	2,295,741	31,259	-	2,327,000
	$ 22,091,810	$ 383,113	$ 364,000	$ 22,110,923

Mortgage-backed securities consisted of the following:

	March 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
AVAILABLE FOR SALE:				
GNMA certificates	$ 865,631	$ 90,753	$ -	$ 956,384
Private label collaterized mortgage obligations	21,944,356	20,472	407,145	21,557,683
FHLMC pass-through certificates	6,061,635	15,150	16,066	6,060,719
FNMA pass-through certificates	16,498,719	273,620	36,874	16,735,465
Other pass-through certificates	13,156,690	416,976	-	13,573,668
	$ 58,527,031	$ 816,971	$ 460,085	$ 58,883,917
Weighted average interest rate	4.72%			

	December 31, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
AVAILABLE FOR SALE:				
GNMA certificates	$ 965,230	$ 104,993	$ -	$ 1,070,223
Private label collaterized mortgage obligations	24,942,257	5,052	1,582,644	23,364,665
FHLMC pass-through certificates	10,165,914	263,607	-	10,429,521
FNMA pass-through certificates	9,099,423	250,779	-	9,350,202
Other pass-through certificates	13,788,148	549,078	-	14,337,226
	$ 58,960,972	$ 1,173,509	$ 1,582,644	$ 58,551,837
Weighted average interest rate	5.39%			

The portfolio classified as "Available for Sale" is consistent with management's assessment and intention as to the portfolio. While we have the ability to hold the securities until maturity, from time to time or with changing conditions, it may be advantageous to sell certain securities either to take advantage of favorable interest rate changes or to increase liquidity. Securities classified as "Held to Maturity" are not subject to fair value adjustment due to temporary changes in value due to interest rate variations, while securities classified as "Available for Sale" are subject to adjustment in carrying value through the accumulated comprehensive income line item in Stockholder's Equity section of the Consolidated Statement of Financial Condition.

Gross unrealized losses and fair value by length of time that the individual available-for-sale investment and mortgage-backed securities have been in a continuous unrealized loss position is as follows:

	March 31, 2011		December 31, 2010	
	Fair Value	Continuous Unrealized Losses	Fair Value	Continuous Unrealized Losses
Less than 12 months				
FHLB Agencies	$ 14,727,500	$ 262,600	-	-
Farmer Mac Callable	$ 4,725,250	$ 274,750	-	-
FNMA Agencies	$ 9,932,250	$ 48,859	-	-
FHLMC MBS	$ 5,000,307	$ 16,066	-	-
FNMA MBS	$ 2,961,444	$ 36,874	-	-
More than 12 months				
Other pass-through	20,054,167	407,146	23,182,150	1,582,644
Total	$ 57,400,917	$ 1,046,295	$ 23,182,150	$ 1,582,644

In evaluating whether a security was other than temporarily impaired, we considered the severity and length of time impaired for each security in a loss position. Other qualitative data was also considered including recent developments specific to the organization issuing the security, market liquidity, extension risk, credit rating downgrades as well as analysis of performance of the underlying collateral.

We believe that the unrealized losses, included in the table above, are not other-than-temporary. The unrealized losses are driven by market illiquidity causing price deterioration. Because our intention is not to sell the MBS and it is not more likely than not that we will be required to sell the MBS before recovery of their amortized cost bases, which may be maturity, as such, management does not consider these MBS to be other-than-temporarily impaired at March 31, 2011.

There are five remaining non-agency MBS that have been rated less than investment grade by at least one rating agency. The remaining portfolio is U.S. Government securities. We continue to aggressively monitor the performance of these securities and the underlying collateral.

Proceeds from the sale of mortgage-backed securities were as follows for the three months ending March 31, 2011:

	March 31, 2011		
	Carrying Value	Proceeds	Gross Realized Gain (Loss) on sales
MBS - available-for-sale	$ 7,715,995	$ 7,898,843	$ 182,848
	$ 7,715,995	$ 7,898,843	$ 182,848

7. <u>New Accounting Pronouncements</u>

All pending but not yet effective Accounting Standards Updates ("ASU") were evaluated and only that listed below could have a material impact on our financial condition or results of operations.

In April 2011, the FASB amended existing guidance for assisting a creditor in determining whether a restructuring is a troubled debt restructuring. The amendments clarify the guidance for a creditor's evaluation of whether it has granted a concession and whether a debtor is experiencing financial difficulties. This guidance is effective for interim and annual reporting periods beginning after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. For purposes of measuring impairment on newly identified troubled debt restructurings, the amendments should be applied prospectively for the first interim or annual period beginning on or after June 15, 2011. The Company has not determined the impact, if any, upon the adoption of the standard.

In April, 2011, the FASB issued ASU No. 2011-03, "Reconsideration of Effective Control for Repurchase Agreements." ASU No. 2011-03 affects all entities that enter into agreements to transfer financial assets that both entitle and obligate the transferor to repurchase or redeem the financial assets before their maturity. The amendments in ASU No. 2011-03 remove from the assessment of effective control the criterion relating to the transferor's ability to repurchase or redeem financial assets on substantially the agreed terms, even in the event of default by the transferee. ASU No. 2011-03 also eliminates the requirement to demonstrate that the transferor possesses adequate collateral to fund substantially all the cost of purchasing replacement financial assets. The guidance is effective for the Company's reporting period ended March 31, 2012. The guidance will be applied prospectively to transactions or modifications of existing transaction that occur on or after January 1, 2012.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Some of the matters discussed below include forward-looking statements within the meaning of the federal securities laws. Forward-looking statements often use words such as "may," "will," "believe," "expect," "estimate," "anticipate", "continue" or other words of similar meaning. You can also identify them by the fact that they do not relate strictly to historical or current facts. Our actual results and the actual outcome of our expectations and strategies could be materially different from those anticipated or estimated for the reasons discussed below and the reasons under the heading "Information Regarding Forward Looking Statements."

Overview

The consolidated financial statements include WSB Holdings, Inc. ("WSB") and its wholly owned subsidiaries, The Washington Savings Bank FSB (the "Bank"), and WSB, Inc. and WSB Realty, Inc. (collectively referred to herein, as the "Company").

We operate a general commercial banking business, attracting deposit customers from the general public and using such funds, together with other borrowed funds, to make loans, with an emphasis currently on residential mortgage lending. Our results of operations are primarily determined by the difference between the interest income and fees earned on loans, investments and other interest-earning assets and the interest expense paid on deposits and other interest-bearing liabilities. The difference between the average yield earned on interest-earning assets and the average cost of interest-bearing liabilities is known as net interest-rate spread. Our principal expense generally is the interest we pay on deposits and other borrowings. The difference between interest income on interest-earning assets and interest expense on interest-bearing liabilities is referred to as net interest income. Net interest income is significantly affected by general economic conditions and by policies of state and federal regulatory authorities and the monetary policies of the Federal Reserve Board. Our net income is also affected by the level of our non-interest income, including loan-related fees, deposit-based fees, rental income, operations of our service corporation subsidiary, gain on sale of real estate acquired in settlement of loans, gain on the sale of investment securities and gain on sale of loans, as well as our non-interest and tax expenses.

During this continuing period of economic slowdown, the effects of which, including declining real estate values resulting in asset impairment and tightening liquidity, has particularly impacted the banking industry in general, management continues to stress credit quality within both our loan and investment portfolios. The Bank originates residential loans for its portfolio and for sale in the secondary market. We had previously focused on diversifying our loan portfolio by broadening our lending emphasis to include commercial real estate and commercial and industrial loans. Recently, however, as demand for these and other areas of lending have slowed, we again are focusing on increasing our mortgage activity in order to reduce balance sheet risk as well as to realize gains on the sale of loans in the secondary market. As a result, our portfolios of commercial business, commercial real estate, and residential land development loans to commercial borrowers have decreased. We also use available funds to retain certain higher-yielding fixed rate residential mortgage loans in our portfolio in order to improve interest income. Although we intend to again focus on diversifying or loan portfolio when demand for these other areas of loans picks up, we believe that our continued efforts to expand our residential mortgage lending department are important to ensure future profitability based on the current slow demand for commercial lending. Management believes that interest rates and general economic conditions nationally and in our market area are most likely to have a significant impact on our results of operations. We carefully evaluate all loan applications in an attempt to minimize our credit risk exposure by obtaining a thorough application with enhanced approval procedures; however, there is no assurance that this process can reduce lending risks.

Both basic and diluted EPS amounts are shown on the Consolidated Statements of Operations. However, "basic" earnings per share is utilized in this report's narrative when per share amounts are listed, unless otherwise stated.

Critical Accounting Policies

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of consolidated financial statements requires management to make judgments in the application of certain of its accounting policies that involve significant estimates and assumptions about the effect of matters that are inherently uncertain. These estimates and assumptions are based on information available as of the date of the financial statements, and may materially impact the reported amounts of certain assets, liabilities, revenues and expenses as the information changes over time. Accordingly, different amounts could be reported as a result of the use of revised estimates and assumptions in the application of these accounting policies.

Accounting policies considered relatively more critical due to either the subjectivity involved in the estimate and/or the potential impact that changes in the estimates can have on the reported financial results include the accounting for the allowance for loan losses. Information concerning this policy is included in the "Critical Accounting Policies" section of Management's Discussion and Analysis in our Form 10-K for the year ended December 31, 2010 ("2010 Form 10-K"). There were no significant changes in this accounting policy during the three months ending March 31, 2011.

Consolidated Results of Operations

Net income for the three months ended March 31, 2011 was $236,000 or $0.03 per basic and diluted share, compared to net income of $254,000 or $0.03 per basic share and diluted share for the corresponding 2010 period. Net income for the three month period ended March 31, 2011, represents a decrease of $18,100, or 7%, over the same period last year.

The change in net income for the three month period ending March 31, 2011, is primarily the result a tax expense of $51,000 compared to a tax benefit of $194,00 for the same period last year and the increase in non-interest expenses of $259,810, or 7.6%, offset by an increase in non-interest income of $481,291, or 103.3%. Interest expense also decreased $925,000, or 36%, primarily due to the reduction in our cost of funds, primarily as a result of a decrease in the average yield on interest-bearing liabilities, offset by a decrease in interest income. The increase in non-interest income is primarily the result our gain on sale of loans and gain on the sale of available for sale MBS.

The tax expense for the period ending March 31, 2011 includes an exclusion of income for the bank owned life insurance and tax benefit attributable to our investment portfolio which consists of callable investments backed by U.S. Agencies ("U.S. Agencies"). The tax benefit for the period ending March 31, 2010 was primarily attributable to the reversal of a portion of a reserve established for an uncertain tax position resulting from a settlement of an IRS examination and, to a lesser extent, the exclusion of income for the bank owned life insurance and a tax benefit attributable to our investment portfolio which consists of U.S. Agencies. See our 2010 Form 10-K for further details regarding the settlement.

The increase in non-interest expense is primarily the result of increased salaries and benefits. Non-interest expenses increased $260,000 for the three month period ending March 31, 2011, primarily as a result in the expansion of our mortgage lending department. The expansion included hiring experience loan officers during the fourth quarter of 2010 who primarily originate loans sold in the secondary market.

Interest Income/Expense

Total interest income decreased $920,000, or 16.5%, for the three month period ending March 31, 2011, compared to the same period last year, due primarily to a decrease in the average volume and average yield on interest-earning assets.

The average three month balance of interest-earning assets decreased to $365.3 million for the three months ending March 31, 2011 from $401.9 million for the three month ending March 31, 2010, due primarily to a decrease in MBS and loans held for investment, offsetting the increase in investment securities. The decrease on MBS is primarily the result of selling approximately $14.6 million of MBS and principal pay-downs since March 2010. The average yield on our interest-earning assets decreased to 5.08% during the three months ended March 31, 2011 from 5.56% during the same period in 2010. The decrease is primarily the result of lower interest rates on our MBS and investment securities compared to the same period last year due to a lower interest rate environment. In addition, we had more restructured loans in the 2011 period compared to the same period last year, which also negatively impacted the yield on our interest-earning assets.

Total interest expense decreased $925,000 or 36.1% for the three month period ended March 31, 2011, compared to the same period in the prior year. The decrease was attributable to both a decrease in both the average balance, resulting from our repayment of $30 million of reverse repurchase agreements in June 2010, and the average interest rate on our interest-bearing liabilities. For the three month period ended March 31, 2011, our average interest-bearing liabilities were $338.9 million with an average rate of 1.96%, compared to $371.7 million with an average rate of 2.79% for the corresponding period last year.

Net interest income increased $5,000, or .2%, for the three month period ended March 31, 2011, compared to the same period in the prior year. Due to a lower average cost of our interest-bearing liabilities, our net interest rate spread increased to 3.12% for the three month period ended March 31, 2011 from 2.77% for the same period in the prior year. The ratio of our interest-earning assets to interest-bearing liabilities decreased to 107.79% from 108.13%.

We continue to experience pressure on the compression of our interest rate margins due to slowing demand for loans and lower yields on loan originations and investment security offerings, however, the effects of this have been minimized by our ability to decrease interest rate expense through lower deposit costs. This lower interest rate environment for loans and investment securities compresses the interest rate spread by reducing interest income. Interest rate margins may be further enhanced when and if economic conditions begin to become more favorable to lending and funds currently held in investment securities can be redirected back into the loan portfolio.

Allowance for Loan Losses

Our loan portfolio is subject to varying degrees of credit risk. Credit risk is mitigated through portfolio diversification and limiting exposure to any single customer or industry. We maintain an allowance for loan losses (the "allowance") to absorb losses inherent in the loan portfolio. The allowance is based on careful, continuous review and evaluation of the loan portfolio, along with ongoing, quarterly assessments of the probable losses inherent in that portfolio. The methodology for assessing the appropriateness of the allowance includes: (1) a formula allowance reflecting historical losses by credit category; (2) the specific allowance for risk rated credits on an individual or portfolio basis; and (3) a nonspecific allowance which accounts for risks not reflected by the other two components of the methodology. The amount of the allowance is reviewed monthly by our Loan Committee, and reviewed and approved monthly by the Board of Directors.

The allowance is increased by provisions for loan losses, which are an expense. Charge-offs of loan amounts determined by management to be uncollectible or impaired decrease the allowance, while recoveries of loans previously charged-off are added back to the allowance. We make provisions for loan losses in amounts necessary to maintain the allowance at an appropriate level, as established by use of the allowance methodology.

Under the methodology, we consider trends in credit risk against broad categories of homogenous loans, as well as a loan by loan review of loans criticized or classified by management. Classified loans exceeding $300,000 are individually evaluated quarterly as part of the calculation of the adequacy of the allowance.

The allowance for loans losses is very subjective in nature, relying significantly on historical loss experience, collateral valuations available to management on specific loans, and economic conditions. The challenges caused by the recent recession and continuing high unemployment levels and uncertain real estate valuations, have resulted in the Bank shortening its loss history look back period used for the allowance for loan losses from 36 months to 12 months. We continue to be mindful of the continued problems within the economy and its impact on our loan portfolio as well as the inherent risk within the portfolio, and management will make adjustments to the allowance and loan loss provision as necessary. The shortened loss history component of our calculation of the allowance for loan losses was due, in part, to recent recommendations from our regulators. Based on our review, no provision was necessary for the period ending March 31, 2011.

During the three months ended March 31, 2011, the allowance decreased in net by $458,000 or 4.5%, to $9.8 million at March 31, 2011 from $10.2 million at December 31, 2010, as a result of net charge-offs of approximately $458,000 during the three months ending March 31, 2011. At March 31, 2011, the allowance was 4.15% of total loans held-for-investment, compared to 4.37% of total loans held-for-investment at December 31, 2010.

Our determination of the adequacy of the allowance requires significant judgment, and estimates of probable losses inherent in the loans held-for-investment portfolio can vary significantly from the amounts actually observed. See Critical Accounting Policies in the 2010 Form 10-K. While we use available information to recognize probable losses, future additions to the allowance may be necessary based on changes in the credits comprising the portfolios, changes in the financial condition of borrowers, such as may result from changes in economic conditions, or other considerations determined by management to be appropriate.

In addition, various regulatory agencies, as an integral part of their examination process, periodically review the loan portfolio and the allowance. Such review may result in additional provisions based upon their judgments of information available at the time of each examination. As previously reported, an examination was completed by the Office of Thrift Supervision, our primary regulator, in November 2010. At the conclusion of the examination, the examiners recommended a change in our methodology of our calculation of the allowance for loan losses which has been applied and resulted in no provision for the period ending March 31, 2011.

We experienced a decrease in charge-offs in our loan portfolio during the three months ending March 31, 2011 compared to the same period last year. During the three months ending March 31, 2011 we recorded loan charge-offs of $466,000 and recoveries of previous charged-off loans of approximately $8,000 compared to charge-offs of $1.0 million during the quarter ended March 31, 2010.

Assets subject to our Loan Committee review include loans which meet our criteria for classification as sub-standard due to collateral deficiencies that may reflect inherent losses. Based on the review of the individual loans involved, management estimates inherent losses. We continue to assess the allowance as new and relevant data is obtained.

We believe that the allowance reflects our best estimate of the probable inherent losses existing in our $235.6 million loans-held for investment portfolio as of March 31, 2011. The $4.9 million loan held-for-sale portfolio has been committed to be purchased by investors at March 31, 2011 and will be settled subsequent to that date.

We have developed a comprehensive review process to monitor the adequacy of the allowance. The review process and guidelines were developed utilizing guidance from federal banking regulatory agencies and relies on relevant observable data. The observable data considered in the determination of the allowance is modified as more relevant data becomes available. The results of this review process support management's view that the allowance reflects probable losses within the loan portfolio as of March 31, 2011.

Changes in the estimation valuations may take place based on the status of the economy and the estimate of the value of the property securing loans, and as a result, the allowance may increase or decrease. Future adjustments could substantially affect the amount of the allowance.

The following occurred during the three months ending March 31, 2011, which impacted the allowance analysis:

- We experienced defaults in 1-4 family residential loans of approximately $423,000.
- We experienced defaults in lot loans of approximately $36,000.
- We experienced no defaults in commercial loans.

All of the above-referenced loan defaults were charged off to the allowance during the three months ended March 31, 2011. The amounts indicated reflect charge-offs, net of recoveries.

We believe our evaluation as to the adequacy of the allowance as of March 31, 2011 is appropriate, and caution the reader that the provisioning for the three month period is not necessarily indicative of future provisioning. Subjective judgment is significant in the determination of the provision and allowance, manifested in the valuation of collateral, a borrower's prospects of repayment, and in establishing allowance factors and components for the formula allowance for homogeneous loans. The establishment of allowance factors is a continuing exercise, based on management's assessment of the factors and their impact on the portfolio, and that allowance factors may change from period to period, resulting in an increase or decrease in the amount of the provision or allowance, based upon the same volume and classification of loans. A time lag between the recognition of loss exposure in the evaluation of the adequacy of the allowance and a loan's ultimate resolution and/or charge-off is normal and to be expected. See above for discussion of some of the factors that have had a significant impact in the evaluation of the adequacy of our allowance.

We review on a monthly basis the adequacy of the allowance, and make provisions accordingly to meet the deemed losses within the portfolio. Based on this review, no provision was deemed necessary for the period ending March 31, 2011. For a better understanding and a more complete description of the allowance and the evaluation process, refer to the 2010 Form 10-K.

As shown below in tabular format, there was a decrease in charge-offs compared to the comparable period last year. While there has been a decrease in loan charge-offs, we believe there are additional, unidentified, probable losses within the portfolio, which may be reflected as charge-offs against the allowance in future quarters as these losses manifest themselves and loan collection efforts continue.

	2011 1st Qtr	2010 1st Qtr
Provision for loan losses	$ 0	$ 0
Loan charge-offs	$ 466,104	$ 1,024,081
Loan recoveries	7,755	3,929
Net Charge-offs	$ 458,349	$ 1,020,152
Allowance for loan losses at period end	$ 9,761,442	$ 7,161,535
Total loans held for investment at at period end	$ 235,551,909	$ 248,337,943
Allowance to total loans held for investment at period end	4.14%	2.88%

The fair value of impaired loans is estimated using one of several methods, including the collateral value, market value of similar debt, enterprise value, liquidation value and discounted cash flows. Those impaired loans not requiring a specific allowance represent loans for which the fair value of expected repayments or collateral exceed the recorded investment in such loans. At March 31, 2011, substantially all of the impaired loans were evaluated based upon the fair value of the collateral. Management's analysis of our impaired loans represents a level of reserves of approximately $5.8 million for the period ending March 31, 2011 compared to approximately $5.7 million at December 31, 2010.

At March 31, 2011, total impaired loans were $34.6 million, or 14.68% of total loans held for investment, compared to $38.8 million, or 16.57% of total loans held-for-investment, at December 31, 2010. Non-performing loans consisted of $22.0 million that were non-accrual loans at March 31, 2011 and approximately $12.6 million of troubled debt restructured loans. Significant variation in this ratio may occur from period to period because the amount of non-performing loans depends largely on the condition of a small number of individual credits and borrowers relative to the total loan and lease portfolio.

	At March 31, 2011	At December 31, 2010
	(dollars in thousands)	
Loans accounted for on a non-accrual basis:		
Mortgage loans:		
Single family	$ 7,414	$ 9,164
Land	5,744	5,947
Construction	-	1,648
Non-mortgage loans:		
Consumer	1	3
Commercial	6,762	10,298
Non-residential	2,043	-
Total non-accrual loans	21,964	27,060
Foreclosed real estate	5,926	6,056
Total non-performing assets	$ 27,890	$ 33,116
Total non-performing loans to total loans held-for-investment	9.32%	11.54%
Allowance for loan losses to total non-performing loans	44.44%	37.77%
Total non-performing loans to total assets	5.37%	6.83%
Total non-performing assets to total assets	6.81%	8.36%

Our policy is to charge off all or that portion of our investment in an impaired loan upon a determination that it is probable the full amount will not be collected. Impaired loans totaled $34.6 million at March 31, 2011 and $38.8 million at December 31, 2010.

A troubled debt restructuring ("TDR") means that, due to a borrower's current financial difficulties, we have granted a concession to the borrower that we would not otherwise have considered. We do this when we believe the borrower may default on the loan without such concession and we believe the concession will increase the borrower's ability to remain current on the loan, in order to maximize recovery of our investment. The majority of our TDRs involve a restructuring of loan terms such as a temporary reduction in the payment amount to require only interest and escrow (if required), lowering of the interest rate and/or extending the maturity date of the loan. All TDRs are reported as "impaired" but not reported as non-performing loans unless the restructured loans are more than 90 days delinquent or on non-accrual status. As of March 31, 2011, we had $14.8 million in TDRs, of which $1.0 million were on non-accrual status, compared to $13.8 million in TDRs, of which $1.0 million were on non-accrual status, as of December 31, 2010.

As previously reported, there has been an increase in court caseloads resulting in delays in ratification of foreclosure sale actions by the courts affecting mortgage lenders, including us. This has resulted in both a lengthening of the curing time for delinquent loans and the possibility of an increase in non-performing asset levels. Recent Maryland legislation intended to provide extended notice periods and other protections to defaulting mortgagors will further delay the resolution of defaulting loans secured by residential properties, both owner and non-owner occupied. We are also experiencing increased short sales and resales of bank owned properties in the marketplace, which is having a negative impact on real estate values and collateral on loans, in general. We are continuing our practice of working with borrowers to resolve delinquencies, with foreclosure action being the remedy of last resort when reasonable means to cure deficiencies in the best interest of both the Bank and the borrower, consistent with sound banking considerations, are exhausted.

Non-Interest Income

Total non-interest income increased $481,000, or 103.3%, for the three month period ended March 31, 2011, compared to the same period in the prior year. The increase for the three month period is primarily the result gain on the sale of loans sold in the secondary market and gain on the sale of investments.

Gain on the sale of $7.9 million in MBS available for sale for the three month period ending March 31, 2011, included approximately $183,000 pretax, $111,000 net of tax, compared to no gains for the same period last year. We believed there was a good opportunity to receive a premium on the MBS during the quarter and therefore decided to sell the MBS that generated this gain. We did not sell any MBS during the quarter ended March 31, 2010.

Gain on the sale of loans increased $241,000 for the three months ending March 31, 2011, compared to the same period last year. The increase is primarily due to an increase in number of originations and the premiums associated with loans sold in the secondary market. Our ability to realize gains in future periods will depend largely on interest rates and the demand for mortgage loans.

While production of loans held-for-sale has been negatively impacted nationally by the current market constriction as to non-conforming and non-traditional mortgage offerings, and overall credit tightening, the Bank continues to offer traditional mortgage financing through its mortgage banking operations. Because loans we sell in the secondary market are with recourse, and we could be required to repurchase such loans if the purchasers turn out to be not creditworthy, we continue to monitor the anticipated negative impact and/or exposure of many of the larger secondary market investors, and as such have further reduced or eliminated the selling of loans to investors where liquidity or financial capacity is in question.

The gain on the sale of real estate acquired in settlement of loans for the three month period ending March 31, 2011 is the result of the sale of two properties for a net gain of $13,000 compared to a net loss of $36,000 on the sale of four properties during the same period last year. In the current economic environment, property values have a material result in our selling these properties. Management may determine it in our best interests to sell the properties at a lower price than the value we had assigned to them as real estate owned in settlement of loans in order to avoid the ongoing expense associated with maintaining these properties in our portfolio, including maintenance, costs and property taxes, and with selling the properties at a later date**.**

Non-Interest Expenses

Non-interest expenses increased $260,000, or 7.6% for the three month period ending March 31, 2011, as compared to the corresponding prior year period.

The increase in non-interest expenses for the three month period was primarily due to increases of $399,000 in salaries and benefits and $114,000 in other expenses, partially offset by decreases of $132,000 in professional services. $82,000 in FDIC insurance and $28,000 in provision for losses on real estate acquired in settlement of loans compared to the same period last year.

The increase in salaries and benefits is primarily associated with the growth of the mortgage lending department as well as annual increases and increased employee benefits expenses as compared with the same period last year. Benefit costs increased due to higher medical and life insurance premiums.

We recognized an expense of $32,000 for the three month period ending March 31, 2011 for the provision for losses on real estate acquired in settlement of loans. We obtained updated appraisals and/or evaluations on the properties that have been classified as real estate owned, which resulted in additional write downs of certain properties as a result of continuing declines in real estate prices.

The increase in other expenses is primarily the result of costs associated with foreclosure of loans as a result of higher taxes we had to pay in connection with foreclosures during the 2011 period.

The decrease in deposit insurance premiums is primarily the result of an overall decrease in FDIC assessment rates based on our reduced brokered deposits and our borrowings as compared to the same period last year.

Professional services decreased $132,000 for the three month period ended March 31, 2011, as a result of a reduction in fees paid in the prior year due to the IRS litigation that was pending last year and settled in May 2010.

Income Taxes

A tax expense of $51,000 was recorded for the three months ended March 31, 2011, compared to a tax benefit of $194,000 for the same period last year. The tax expense for the period ending March 31, 2011 includes an exclusion of income for the bank owned life insurance and tax benefit attributable to our investment portfolio which consists of U.S. Agencies. The tax benefit for the period ending March 31, 2010 was primarily attributable to the reversal of a portion of a reserve established for an uncertain tax position resulting from a settlement of an IRS examination and, to a lesser extent, the exclusion from taxable income for the bank owned life insurance and a tax benefit attributable to our investment portfolio which consists of U.S. Agencies. The effective tax rates were 17.7% and (325.4%) for the respective three month periods ended March 31, 2011 and 2010.

Liquidity and Capital Resources

Total assets were $409.4 million and $395.9 million at March 31, 2011 and December 31, 2010, respectively. The increase in assets at March 31, 2011, compared to December 31, 2010, was primarily attributable to increases in the available for sale investment securities and federal funds sold, offset by decrease in loans held for sale. Loans classified as held for sale fluctuate based on the outstanding balance of money due us from the investors that the loans were sold to. At December 31, 2010, we had $24.2 million to be funded compared to $4.8 million at March 31, 2011. The excess funds received from these sales were used to purchase investment securities available for sale and federal funds sold.

Deposits were $279.1 million at March 31, 2011, compared to $266.6 million at December 31, 2010. The increase in deposits at March 31, 2011, compared to December 31, 2010, was primarily due to an increase in our savings accounts. During this period, our rates on money fund accounts were slightly higher than the Bank's competitors, resulting in an increase in deposits. Management anticipates continuing to utilize excess funding liquidity to offset a runoff of higher cost certificates of deposit ("CDs") which were previously originated to fund loan production.

Borrowings at March 31, 2011 and December 31, 2010 are as follows:

	Balance as of			
	March 31, 2011	**Weighted Avg Rate**	**December 31, 2010**	**Weighted Avg Rate**
FHLB-advances -fixed	$ 76,000,000	2.64%	$ 76,000,000	2.64%
Reverse Repurchase Agreement	-		-	
	$ 76,000,000		$ 76,000,000	

Total borrowings are $76.0 million as of March 31, 2011. We maintain funding activities with correspondent banks and the Federal Home Loan Bank of Atlanta, which are cancelable by the lender and subject to lender discretion. To the extent we do not or cannot use FHLB borrowings, we would expect to rely on alternative funding sources, including our deposit base and correspondent bank lines of credit. Our remaining credit availability for additional FHLB advances at March 31, 2011 is $42.1 million. We currently have unused lines of credit with our correspondent banks in the amount of $16.0 million.

As a member of the FHLB system, and in order to maintain insurance with the FDIC, we must maintain sufficient liquidity to ensure a safe and sound operation. Liquid assets are defined as cash, Federal Reserve deposits, time and savings deposits in certain institutions, obligations of states and political subdivisions thereof, highly rated corporate debt, mortgage loans and MBS, and accrued interest receivable and principal on certain qualified unpledged assets payable within five years. Internal sources of liquidity used by the Bank are various short-term investments, MBS, and short-term borrowings.

Funding requirements are impacted by loan originations and maturities of CDs and borrowings. We comply with regulatory guidelines regarding required liquidity levels and monitor our liquidity position. In an effort to reduce exposure to liquidity risk, the Board's Asset and Liability Committee monitors our sources of funds and our assets and liabilities, which may result in a change of our asset, liability, and off-balance sheet positions. Long-term liquidity is generated through growth in our deposits and long-term debt, while short-term liquidity is generated though federal funds and securities sold under agreement to repurchase. We maintain sufficient liquidity to fund routine loan demand and routine deposit withdrawal activity. Liquidity is managed by maintaining sufficient liquid assets in the form of investment securities. Funding and cash flows can also be realized by the sale of securities available for sale, principal pay-downs on loans and MBS and proceeds realized from loans held for sale.

Current regulations require subsidiaries of a financial institution to be separately capitalized and require investments in and extensions of credit to any subsidiary engaged in activities not permissible for a bank to be deducted in the computation of the institution's regulatory capital. The Bank's regulatory capital and regulatory assets below also reflect decreases of $54,000 and $90,000, respectively, which represents unrealized gains (after-tax for capital deductions and pre-tax for asset deductions, respectively) on MBS and investment securities classified as available for sale. In addition, the Bank's risk-based capital reflects an increase of $3.0 million in the general loan loss reserve. The loan loss reserve factor represents 1.25% of the Bank's risk-weighted assets. The following table shows regulatory thrift capital ratios required, the Bank's actual ratios, and the amount by which the Bank's ratios exceed required capital ratios, as of March 31, 2011.

Capital Category	Regulatory Ratios Required	Bank's Amount and Ratio	Bank's Excess of Requirements	Calculations	Based Upon
Leverage	$15,996,550	$41,567,459	$25,570,909	$41,567,459	Regulatory Capital
	4.00%	10.39%	6.39%	$399,913,738	Regulatory Assets
Tangible	$5,998,706	$41,567,459	$35,568,753	$41,567,459	Regulatory Capital
	1.50%	10.39%	8.89%	$399,913,738	Regulatory Assets
Risk-Based	$19,043,064	$44,554,379	$25,511,315	$44,554,379	Regulatory Capital
	8.00%	18.72%	10.72%	$238,038,305	Risk-Weighted Assets

Our management believes that, under current regulations, and eliminating the assets of WSB Holdings, the Bank remains well capitalized and will continue to meet its minimum capital requirements in the foreseeable future. However, events beyond our control, such as a shift in interest rates or a continued downturn or slower recovery in the economy in areas where we extend credit, could adversely affect future earnings and, consequently, our ability to meet minimum capital requirements in the future.

The Qualified Thrift Lender Test currently requires that "qualified thrift investments" be at least 65% of portfolio assets as defined by the Office of Thrift Supervision (“OTS”). At March 31, 2011, our ratio was approximately 85% of defined portfolio assets.

Off-Balance Sheet Transactions

We are a party to financial instruments with off-balance sheet risk including commitments to extend credit under existing lines of credit and commitments to sell loans. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated Statement of Financial Condition.

Off-balance sheet financial instruments whose contract amounts represent credit and interest rate risk are summarized as follows:

	Commitments to originate new loans	$	1,488,439
	Unfunded commitments to extend credit under existing		
	construction, equity line and commercial lines of credit		16,916,635
	Standby letters of credit		692,524
	Commitments to sell loans held-for-sale		4,853,800

We do not have any unconsolidated special purpose entities or other similar forms of off-balance sheet financing arrangements.

Commitments to originate new loans or to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Loan commitments generally expire within 90 days. Most equity line commitments for the unfunded portion of equity lines are for a term of 12 months, and commercial lines of credit are generally renewable on an annual basis. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. We evaluate each customer’s creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on management’s credit evaluation of the borrower.

Commitments to sell loans held-for-sale are agreements to sell loans to third parties at an agreed upon price.

Information Regarding Forward-Looking Statements

This report contains forward-looking statements within the meaning of and pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. A forward-looking statement encompasses any estimate, prediction, opinion or statement of belief contained in this report and the underlying management assumptions, including those identified by terminology such as “may,” “will,” “believe,” “expect,” “estimate,” “anticipate,” “continue,” or similar expressions. The statements presented herein with respect to, among other things, the impact of recent accounting pronouncements, our expectations regarding diversifying our loan portfolio when our nonresidential loan demand picks up, the impact of future potential economic conditions, future interest rates and their impact on us, the allowance for loan losses, the collectability of non-accrual loans, the Bank’s continuing to meet its capital requirements and future sources of liquidity are forward-looking.

Forward-looking statements are based on our current expectations and assessments of potential developments affecting market conditions, interest rates and other economic conditions and assumptions and results may ultimately vary from the statements made in this report. Our future results and prospects may be dependent upon a number of factors that could cause our performance to differ from the performance anticipated or projected in these forward-looking statements or to compare unfavorably to prior periods. Among these factors are: (a) changes we make as a result of our ongoing review of our business and operations; (b) implementation of changes in lending practices and lending operations; (c) changes made as a result of the Board of Directors' ongoing review of our capital management plan; (d) changes in accounting principles; (e) government legislation and regulation, including regulations adopted pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010; (f) changes in interests rates; (g) further deterioration of economic conditions or a slowing recovery; (h) credit or other risks of lending activity, such as changes in real estate values and changes in the quality or composition of our loan portfolio; (i) the impact of any legal or regulatory proceedings; and (j) other expectations, assessments and risks that are specifically mentioned in this report and in such other reports filed with the Securities and Exchange Commission. We wish to caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made, and to advise readers that various factors, including those described above, could affect our financial performance and could cause our actual results or circumstances for future periods to differ materially from those anticipated or projected. Unless required by law, we do not undertake, and specifically disclaim any obligation, to publicly update or revise any forward- looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable

Item 4. Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective as of March 31, 2011.

During the period covered by this report, there were no changes (including corrective actions with regard to significant or material weaknesses) in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II.

Item 1. Legal Proceedings

From time to time we may be involved in ordinary routine litigation incidental to our business. At March 31, 2011, we were not involved in any legal proceedings the outcome of which, in management's opinion, would be material to our financial condition or results of operations.

Item 1A. Risk Factors

There have been no material changes in the risk factors from those disclosed in Item 1A "Risk Factors" in our 2010 Form 10-K.

Item 6. Exhibits

10.9 Letter to Phillip C. Bowman outlining offer of at-will employment dated April 27, 2011.

31.1 Rule 13a-14(a) Certification of Principal Executive Officer (Filed herewith).

31.2 Rule 13a-14(a) Certification of Principal Financial Officer (Filed herewith).

32.1 Section 1350 Certification of Principal Executive Officer and Principal Financial Officer (Furnished herewith).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WSB HOLDINGS, INC.

By:/s/ Phillip C. Bowman
Phillip C. Bowman
Chief Executive Officer

By:/s/ Carol A. Ramey
Carol A. Ramey
Senior Vice President and Chief Financial Officer

Date: May 12, 2011

Exhibit 10.9

April 27, 2011

Philip Bowman
636 Cove Road
Arnold, Maryland 21012

Hand Delivered

Dear Mr. Bowman.

Based on your desire to retire from the company in the future, this letter is to confirm the employment arrangement discussed with you by Director Charles McPherson. The Board of Directors of The Washington Savings Bank ("Bank") has voted not to renew the Amended and Restated Employment Agreement ("Agreement") dated June 11, 2010 between you and the Bank. This letter also constitutes notice pursuant to Section 3(h) of the Agreement that the Bank releases you from the provisions of Section 3(b) of the Agreement. Consequently, pursuant to the Agreement, you are deemed to have waived and released any right to severance under Section 3(h) of the Agreement. The Agreement will expire on April 30, 2011 and after that date you and the Bank will have no liability or duties owed to each other under the Agreement. Your signature below also constitutes your resignation from all offices and positions you hold at the Bank and WSB Holdings, Inc. ("Holdings") and any affiliates and/or subsidiaries thereof and also constitutes your resignation as a director of the Bank and Holdings and any affiliates and/or subsidiaries thereof both effective upon termination of your employment with the Bank.

The Board has also voted to offer you employment effective May 1, 2011 as an at-will employee at the pleasure and discretion of the Board. Under this offer you will continue to be the Chief Executive Officer of the Bank and WSB Holdings, Inc. During the time you are employed by the Bank, you will: (1) be paid the base annual salary you were paid on April 30, 2011; (2) be eligible to participate in the employee benefit plans described in Section 3(d) of the Agreement pursuant to the terms contained therein; (3) receive paid vacation and reasonable sick leave and the other benefits as provided in Section 2(f) of the Agreement In the event your employment is terminated by the Bank for any reason other than cause (as defined in Section 3(e) of the Agreement) or your death or disability, you will receive a payment equal to one week's base salary for every year you have worked at the Bank conditioned upon your execution of a release that is reasonably satisfactory to the Bank.

You agree that during your employment with the Bank and for a period of nine months after termination of employment with the Bank, you will not (except on behalf of or with the prior written consent of the Bank), within the Washington, DC metropolitan area which is defined to include but not be limited to the Maryland counties of Anne Arundel, Prince Georges and Montgomery, on your own behalf or in the service or on behalf of others: (1) solicit, divert or appropriate or attempt to solicit, divert or appropriate, directly or by assisting others, any business from any of the Bank's customers, including actively sought prospective customers, with whom you have or had material contact during the last two (2) years of your employment, for purposes of providing products or services that are competitive with those provided by the Bank or (2) solicit, recruit or hire away or attempt to solicit, recruit or hire away, directly or by assisting others, any employee of the Bank, whether or not such employee is a full-time employee or a temporary employee of the Bank and whether or not such employment is pursuant to written agreement and whether or not such employment is for a determined period or is at will. An individual or entity acting as an independent contractor for the Bank is not an employee of the Bank.

Very truly yours,

By:/s/ William J. Harnett

William J. Harnett
Chairman of the Board of Directors
The Washington Savings Bank

Accepted:

By:/s/ Phillip C. Bowman 04/27/2011
Phillip C. Bowman Date

EXHIBIT 31.1

RULE 13a-14(a)/15d – 14(a)
CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER

I, Phillip C. Bowman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of WSB Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2011

By: /s/ Phillip C. Bowman
Phillip C. Bowman
Chief Executive Officer

EXHIBIT 31.2

RULE 13a-14(a)/15d – 14(a)
CERTIFICATIONS OF CHIEF FINANCIAL OFFICER

I, Carol A. Ramey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of WSB Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2011

By: /s/ Carol A. Ramey
Carol A. Ramey
Chief Financial Officer

EXHIBIT 32.1

Written Statement of Chief Executive Officer and Chief Financial Officer
Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002
(18 U.S.C. Section 1350)

The undersigned, the Chief Executive Officer and the Principal Financial Officer of WSB Holdings, Inc. (the "**Company**"), each hereby certifies that, to his or her knowledge on the date hereof:

(a) the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2011 (the "**Report**") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Phillip C. Bowman
Phillip C. Bowman
Chief Executive Officer
May 12, 2011

By: /s/ Carol A. Ramey
Carol A. Ramey
Sr. Vice President/Chief Financial Officer
May 12, 2011

This certification is made solely for the purpose of 18 U.S.C. Section 1350, and is not being filed as part of the Form 10-Q or as a separate disclosure document, and may not be disclosed, distributed or used by any person for any reason other than as specifically required by law.