

WSB HOLDINGS, INC.
CODE OF CONDUCT AND ETHICS

For Directors, Officers and Employees

I. Introduction

WSB Holdings, Inc., The Washington Savings Bank, F.S.B., and their respective subsidiaries (individually and collectively, the “Company”) strive to ensure that all of their directors, officers and employees act with honesty, integrity and fairness in their capacities as directors, officers or employees of the Company. When fulfilling their duties and responsibilities in their positions with the Company, such persons shall always operate under the guidelines provided by this Code of Conduct and Ethics.

The Company recognizes that the actions of its directors, officers and employees can affect the Company’s customers, stockholders and business partners. The Company expects that its directors, officers and employees will always conduct themselves in a manner consistent with the highest standards of honesty, integrity and fairness when carrying out their responsibilities to the Company.

Depending upon a person’s particular position with the Company, some of the provisions of this Code will not be applicable to every person. Directors, officers and employees should be aware that other Company policies, as well as applicable laws, rules and regulations, may govern their actions in addition to this Code of Conduct and Ethics (this “Code”).

All directors, officers and employees shall familiarize themselves with this Code. Upon your receipt of this Code, and also from time to time as we deem necessary, we may require you to sign an acknowledgement confirming that you have read and understand the Code and agree to comply with its provisions. We reserve the right to monitor your continuing compliance with the provisions of this Code and to investigate any suspected violations.

You should address any questions about the Code or its application to your immediate supervisor or an appropriate member of management or the President of the Company

II. Ethical Conduct

In fulfilling their duties to the Company, all directors, officers and employees shall, at all times, within the scope of their duties: (i) conduct themselves honestly and ethically, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; (ii) ensure full, fair, accurate, timely and understandable disclosure in the Company’s communications to the public and reports and other documents that are filed with or submitted to the Securities and Exchange Commission (“SEC”), the Office of Thrift Supervision, or other regulators within the scope of their position; (iii) promptly report violations of this Code to the appropriate person identified in this Code; (iv) maintain confidentiality with respect to information learned during the course of employment; (v) act responsibly when using the Company’s assets or other resources; (vi) hold themselves accountable for adherence to this

Code; (vii) maintain complete and accurate business records, within the scope of their position; and (viii) comply with and ensure the Company's compliance with all applicable federal, state and local rules and regulations.

III. Conflicts of Interest

You should conduct your personal and professional affairs in a way that avoids both real and apparent conflicts between your interest and those of the Company. A conflict of interest arises when a person's private, personal interests interfere, or even just appear to interfere, with the interests of the Company. A conflict of interest may also arise if you take action or have personal interests that make it difficult for you to effectively perform your duties to the Company. Further, you should not take any action that directly benefits you or a third party if that action is inconsistent with the interests of the Company.

When faced with a potential conflict of interest, you should ask yourself whether a reasonable, objective observer would believe that the interests of the Company conflict with your interests. As soon as reasonably possible, you must report any transaction that could reasonably result in a conflict of interest to your supervisor or the Chair of the Audit Committee of the Board of Directors, and must obtain written approval from such person before taking part in the transaction.

Examples of situations that may create a conflict of interest include: (i) conducting business on behalf of the Company on the basis of friendship, family connections or gift giving; (ii) making a personal, monetary investment that might affect your ability to make objective business judgments; (iii) accepting employment or a directorship position with another bank or a company doing business with the Company (directors may serve on the boards of other banks if such position does not compromise their service to the Company), or engaging in any activity that would comprise your ability to carry out your duties to the Company; and (iv) causing the Company to conduct business with a company with which you or a member of your family have an interest or from which you or a family member may derive a benefit.

At all times, you should avoid relationships that interfere with (or may interfere with) your ability to act independently, objectively and in the best interests of the Company. Each employee is required to disclose in writing any outside activities of a business nature or other employment to the Company's Human Resources department on at least a yearly basis.

A. Gifts and Business Entertainment

You may not accept gifts, gratuities, free trips, personal property or other items from an outside person or organization as an inducement to provide products or services. You may not, without the Company's approval, solicit, accept or agree to accept anything of value for the benefit of any person from anyone doing or seeking to do business with the Company, including borrowing money, purchasing property or furnishing property or services to the Company, except as expressly permitted by this Code.

The purpose of business entertainment and gifts in a commercial setting is to create good

will and sound working relationships, not to gain unfair advantage with customers. No such gift, entertainment or payment should be offered, given, provided or accepted by any employee, director or family member of an employee or director unless it: (i) is not a cash gift; (ii) is consistent with customary business practices; (iii) is valued at \$100 or less; (iv) cannot be construed as a bribe or payoff; and (v) does not violate any laws or regulations.

Exceptions to the general prohibition regarding the acceptance of things of value include:

- Acceptance of gifts, gratuities, amenities or favors based upon family or personal relationships (e.g., from a parent, child, or spouse) when the circumstances make it clear that those relationships, rather than the business of the Company, are the motivating factors.
- Acceptance of meals, refreshments, travel arrangements, accommodations or entertainment, all of reasonable value, in the regular course of a meeting or other occasion, the purpose of which is to hold bona fide business discussions or to foster better business relationships; provided that any such expenses would have been a legitimate business expense paid by the Company if not paid by another party.
- Acceptance of loan and other services from other banks or financial institutions on customary terms for usual activities, such as home mortgage loans, automobile loans or other consumer purpose loans and financial advisory services except where prohibited by law.
- Acceptance of advertising or promotional material of nominal value, such as pens, pencils, note pads, key chains, calendars and similar items.
- Acceptance of discounts or rebates on merchandise or services that do not exceed those available to other customers.
- Acceptance of gifts of reasonable value related to commonly recognized events or occasions, such as promotion, new job, wedding, births, retirement, Christmas or bar mitzvah; provided that the total value of all such gifts given by the same person or organization to any employee does not exceed \$250 during any calendar year.
- Acceptance of civic, charitable, educational, or religious organizational awards for recognition of service and accomplishment.

On a case-by case basis, the Company may approve of other circumstances, not identified above, in which a director or employee may accept something of value in connection with the Company's business, provided that such approval is made in writing on the basis of a full written disclosure of all relevant facts and is consistent with the applicable laws and regulations. Any director or employee of the Company may seek permission to accept something of value in connection with the Company's business under circumstances other than the exceptions identified above. If you are uncertain as to the propriety of a gift, you must seek the written approval of the CEO or President before accepting it. Requests should be made to the Compliance Officer accompanied by a written disclosure of all relevant facts.

Any director or employee of the Company who is offered or receives something of value

beyond what is authorized in this section shall disclose that fact to the Compliance Officer.

B. Corporate Opportunity

You may not personally take advantage of an opportunity that the Company could take advantage of, nor shall you take advantage for yourself personally of an opportunity discovered through your position with the Company. You may not compete with the Company or use the Company's property or information for your own personal gain.

IV. Books and Records

Accurate and reliable business records are of critical importance in meeting our financial, legal and business obligations. It is our policy that all business communications and records be clear, truthful, accurate and complete. You must, within the scope of your employment, report all information related to the Company in an accurate, honest and timely manner. If you are responsible for creating and maintaining our financial and other business records, you must do so in accordance with applicable legal requirements, and ensure that such records accurately record and reasonably reflect the activity associated with the record; financial records must additionally be maintained in accordance with generally accepted accounting principles. Misleading, false or deceptive entries shall not be made for any reason. If you become aware of any omission, inaccuracy or falsification regarding our financial or other business records or the information supporting such records, bring the situation to the attention of your supervisor or an appropriate member of senior management.

V. Corporate Communications and SEC Reporting

It is our policy to make full, fair, accurate, timely and understandable public disclosure of all information relating to the Company as required by law, the SEC, the Nasdaq Stock Market LLC, other applicable rules and regulations, and/or business policy. It is further our policy to comply with all securities and other laws that prohibit "selective disclosure," including SEC Regulation Fair Disclosure ("Regulation FD"). In order to ensure that all disclosure of information relating to the Company, including but not limited to financial performance, material contracts and other information that may be material to investors, regulators and the general public, is accurate and in full compliance with applicable laws and regulations, it is our policy that all such disclosures will be made only through established channels. Unless you have been specifically authorized to do so, you may not discuss Company business with securities analysts, media representatives, investors, government officials, pension plan or similar fund administrators or other outside persons. If you are contacted by any such persons about the Company, even if such information is not proprietary or confidential, you should refer them to the Executive Offices (301-352-3120).

All employees are expected to comply with our disclosure controls and procedures to ensure that material information relating to the Company is timely recorded, processed, summarized and reported in accordance with all applicable SEC and other rules and regulations. If the scope of your employment involves the reporting of material information, you will be trained in these controls and procedures. When called upon to do so, within the scope of your

employment you shall provide the information necessary to complete public reports completely and fairly and in accordance with applicable requirements. All employees are expected to report to their supervisor information they believe might be material about the Company, but which they believe is not known at higher levels of the Company.

VI. Compliance with Laws and Procedures

At all times, you shall comply with all applicable laws, rules, regulations and Company procedures. Some of the most material of these laws, rules, regulations and procedures are discussed briefly below. You should remember, however, that you are responsible for knowing and are expected to comply with all laws, rules, regulations and procedures that apply to your particular position with the Company including ones that may not be discussed in this Code. You should discuss any questions or concerns regarding this matter with your supervisor or an appropriate member of the Company's management or, the Compliance Officer.

A. Banking Laws

You must at all times, within the scope of your duties, comply with laws, rules and regulations applicable to federal savings banks, including the rules and regulations of the Office of Thrift Supervision and anti-money laundering rules and regulations.

B. Insider Trading

Directors, officers and employees are prohibited from trading in the Company's securities while in possession of material, non-public information. You are required at all times to comply with the Company's insider trading policy.

C. Unfair Competition

Antitrust and competition laws protect free enterprise by prohibiting agreements and practices that reduce competition. You shall always comply with applicable competition and antitrust laws and otherwise act honestly and ethically. The Company strives to succeed through the outstanding performance of its employees, and never by taking part in dishonest or unethical actions. You shall never steal or misuse a competitor's confidential information, deceive or manipulate others, misrepresent material facts or take part in any other type of unfair dealing. These fairness principles apply to your interactions with customers, competitors, business associates and fellow employees.

D. Political Activities

Federal and state law prohibits companies from making political contributions in connection with elections. It is our policy to comply with any laws regarding political contributions. You must not make any political contribution in our name or on behalf of the Company without prior approval from the CEO or the President. This can include not only direct contributions to candidates, but also other activities such as buying tickets to a political event, providing goods or services, or paying for advertisements and other campaign expenses.

Further, the Company may not require you to contribute to or support a particular political group or candidate.

Personal political activities are permitted, of course. However, you must never use Company time, property or equipment for your personal political activities.

E. Equal Employment Opportunity; Discrimination

It is Company policy, in compliance with applicable federal, state and local laws, to recruit, hire, promote, transfer, assign job responsibilities, demote and terminate employees in compliance with all applicable equal opportunity and anti-discrimination laws and without regard to race, color, religion, ancestry, age, national origin, place of birth, gender, sexual orientation, disability or any other category protected by Federal, state or local law.

F. Harassment

The Company strictly prohibits sexual harassment or any other form of harassment or intimidation and will comply with all state, local and federal laws regarding harassment of employees in the workplace. This includes harassment or intimidation directed by or toward fellow co-workers, supervisors, customers or vendors. We will not tolerate any type of harassment or discrimination, including harassment or discrimination based upon an individual's race, gender, color, religion, sexual orientation or other trait or characteristic.

If you believe that you or any other person has been the target of sexual or other unlawful harassment or discrimination, you should report such conduct immediately to your supervisor, to the Compliance Officer or to the Human Resources Director. The Company will promptly investigate the allegations and take appropriate remedial action to end any harassment or discrimination that may have occurred. All complaints will be kept confidential to the maximum extent possible. The Company will not retaliate against any employee who reports allegations of unlawful harassment or who participates in the investigation of such allegations.

If you believe that you or any other person has been the target of sexual or other unlawful harassment or discrimination by management, you should report such conduct immediately to the Human Resources Director or to Chairman of the Audit Committee.

G. Drug-Free Environment

It is the Company's policy to comply with all laws prohibiting or controlling the manufacture, sale, prohibition, use and possession of drugs and alcohol and we strive to create a work environment that is free from the effects of substance abuse. You shall not be under the influence of any substance including drugs, legal or illegal, that adversely affects your ability to perform your duties in any way. The use of such substances can have a harmful effect on your health and/or create a dangerous work environment for you and your co-workers.

VII. Confidentiality

You shall respect the confidentiality of all information entrusted to you by the Company and its customers and other business partners, and shall not such disclose confidential information to anyone except when necessary and appropriate in the course of fulfilling your responsibilities to the Company or otherwise legally required. You are **never** to use confidential information acquired through your position with the Company for ethical or illegal advantage, either personally or indirectly through others. You shall endeavor to avoid inadvertent disclosure of confidential information by not discussing confidential information when you could be overheard, such as in hallways and on speakerphones, or otherwise in the presence of unauthorized persons.

These obligations continue after your separation from the Company, whether through termination or otherwise. After termination, you may not take any material or media from the Company without permission from an executive officer.

VIII. Use of Company Equipment

Telephones (including cellular phones), computers, the electronic mail system (e-mail), the Internet and other equipment provided by the Company are property of the Company and should be used for business purposes. However, the Company acknowledges that employees may have the need or desire to use Company equipment for personal reasons from time-to-time. You may use Company equipment for personal use, provided that the use of Company equipment does not interfere with the performance of your duties to the Company or the Company's business needs or become excessive. Your use of Company equipment, including e-mail and the Internet, may be monitored. If you abuse the privilege of using Company equipment, you will be disciplined accordingly, up to and including termination of employment. Below are some additional conditions that concern the use of the Internet and e-mail:

Employees are prohibited from visiting websites or circulating e-mail that contain the following content: pornography; hate group content; casinos; or day-trading activities. In addition, there is to be no display, downloading or other transmission of material that is discriminatory, defamatory, harassing, disruptive or pornographic. In using the Company's computer system, including e-mail and the Internet, employees must not disclose confidential material or violate copyright law.

In addition, you are responsible for ensuring that all Company equipment issued to you is properly used and maintained, and to exercise reasonable care to prevent theft, damage or misuse. You should report to your supervisor any destruction or misuse of Company property.

IX. Implementation of the Code

A. Director/Employee Responsibility

You are responsible for being familiar with, and following, the Code and all the laws, rules, regulations, and policies that apply to your position with the Company and your level of responsibility. All executive officers and directors will receive a copy of the Code and will be required to confirm in writing that they (i) have received a copy of the Code and (ii) have read and understand the Code, including their duty to report violations or other questionable conduct. The required confirmation form is attached to this copy of the Code. Please sign and return it to the Executive Offices. Additionally the Code will be made a part of the Employee Handbook which all employees are required to sign a confirmation form. New employees and directors will be provided a copy of the Code and required to execute the confirmation at the commencement of their employment

We may make periodic updates or other changes to the Code. When there are material changes, you will be provided with an updated copy of the Code or directed to the revised version of the Code on the Company's website. You may also be required to execute a new confirmation.

B. Management Responsibilities

It is the responsibility of Company management to fully support the Code and its implementation by: (i) requiring the development, execution and maintenance of this Code; (ii) fully complying with the Code; (iii) ensuring that subordinates understand and adhere to the Code; (iv) providing clear leadership through example; and (v) being accountable for adherence of the Code by all employees through appropriate enforcement mechanisms.

X. Reporting and Investigation

If you become aware of any violation or potential violation of this Code, whether by you or by someone else, you must immediately report such violation or potential violation to your immediate supervisor. If you do not feel comfortable discussing the matter with your supervisor or feel that he or she has not taken appropriate action, you may make such reports to the Chair of the Audit Committee. Supervisory personnel who receive such reports or otherwise become aware of violations of the Code should report them to the Chair of the Audit Committee, who is responsible for presenting information relating to any potential violations to the Board of Directors.

No disciplinary or other retaliatory action will be taken against any person as a result of making a good faith report of any violations or suspected violations of the Code, even if the report turns out to be in error. Any such retaliatory conduct is a violation of the Code. Failure to report a known violation of the Code, however, is itself a violation and may result in disciplinary action as discussed below.

We will keep all such reports confidential to the maximum extent possible.

The Board of Directors or a committee thereof shall promptly investigate any potential violations. On a case-by-case basis, the Board of Directors shall determine and use the investigative methods that are most likely to result in a fair and accurate decision as to whether a violation has occurred.

XI. Amendment & Waiver

This Code may only be amended by the Board of Directors of the Company. Waivers of the Code must be made in writing and may only be granted by the Board of Directors, or, for other than executive officers and directors of the Company, by the CEO and the President, or another committee or individual who has been authorized by the Board of Directors to grant a waiver. The Company will adhere to applicable disclosure laws, rules and regulations if there is a waiver or amendment of any of the provisions of the Code.

XII. Accountability

The Company will take appropriate administrative actions against individuals when an allegation of a Code violation or other misconduct has been substantiated. Violations of the Code may result in disciplinary measures, up to and including termination, depending on the individual circumstances including the level of the employee's involvement and knowledge and the severity of the violation.

Disciplinary measures may be taken against an employee for: (i) directly violating the Code, internal company policies or any applicable law, rule or regulation; (ii) directing others to violate the Code, internal company policies, or any applicable law, rule or regulation; (iii) failing to cooperate with an investigation of a Code violation, including being untruthful or withholding relevant information; (iv) knowingly falsely accusing another employee of a violation of the Code, another internal Company policy, or of an applicable law, rule or regulation; and (v) retaliating against a person who reports a violation or suspected or potential violation of the Code, or directly or indirectly encouraging others to do so.

Disciplinary action will also apply to supervisors or managers who, with respect to those employees reporting to them, know that prohibited conduct is contemplated by such employees and do nothing to prevent it, or know that prohibited conduct has been engaged in by such employees and fail to take appropriate corrective action. Supervisors and managers may also be subject to disciplinary action for their failure to effectively monitor the actions of their subordinates. In addition, violations of legal and regulatory requirements may carry their own civil and criminal penalties, including fines and imprisonment.

XIII. Important Disclaimer

This Code is not intended to address every conceivable kind of business practice and behavior and, of necessity, cannot address every law or other rule and regulation applicable to the Company or every specific situation in which we may find it appropriate to take disciplinary action. However, the Code is intended to reflect general principles to guide you in making ethical decisions and complying with rules and regulations applicable to the Company. This

Code is not intended to create any contract (express or implied) with you, including without limitation any employment contract, or to constitute any promise that your employment will not be terminated except for cause.