

WAUWATOSA SAVINGS BANK
11200 WEST PLANK CT.
WAUWATOSA, WISCONSIN 53226

AND

WATERSTONE MORTGAGE CORPORATION
1155 QUAIL COURT
PEWAUKEE, WISCONSIN 53072

For Immediate Release/ January 23, 2006

Wauwatosa Savings Bank to Acquire Waterstone Mortgage Corporation

Wauwatosa, WI, January 23, 2006 – Wauwatosa Savings Bank, a financial institution headquartered in Wauwatosa, Wisconsin, and Waterstone Mortgage Corporation, a mortgage lender based in Pewaukee, Wisconsin, announced today that Wauwatosa Savings has entered into a definitive agreement to acquire Waterstone Mortgage. Following completion of the acquisition, which is subject to regulatory approval and customary closing conditions, Waterstone Mortgage will operate as a wholly-owned subsidiary of Wauwatosa Savings, which is a unit of Wauwatosa Holdings, Inc. (NASDAQ: WAUW). Additional terms of the transaction were not disclosed.

Douglas S. Gordon, President and Chief Operating Officer of Wauwatosa Savings, says that there are many reasons why Waterstone Mortgage is a good fit for the bank's growth plans. "The most important aspect of the acquisition is the presence of Waterstone's strong management team who can grow the operation," he says. "Their key people bring a combined 45 years of experience in the real estate and mortgage lending industries."

Mr. Gordon says that the Waterstone staff will remain in place with Eric J. Egenhoefer continuing in his position as company president. The company name will remain Waterstone Mortgage Corporation.

"The combination of Wauwatosa Savings and Waterstone Mortgage is a logical integration of mortgage lenders. It provides the ability for both companies to offer products that are unique to each," says Mr. Gordon.

"Another benefit is that Waterstone's offices in Pewaukee, Madison, Lake Geneva, and Sheboygan, Wisconsin, and Livonia, Michigan, offer the opportunity to grow statewide and nationally," he says.

Eric J. Egenhoefer, President of Waterstone Mortgage Corporation, says that becoming affiliated with Wauwatosa Savings brings benefits to Waterstone and its customers.

“With Wauwatosa Savings as our parent company, we will be provided with the means to grow the operation and add lending products for our customers,” he says. “The synergies are outstanding. Our companies complement each other and the results will make both companies stronger and more competitive.”

“Another benefit is the instant credibility we gain with the tremendous name recognition of Wauwatosa Savings, which has been well-known in mortgage lending since the 1920’s,” he says.

Profile: Waterstone Mortgage Corporation

Waterstone Mortgage Corporation began operating as a residential mortgage lender in 2001. The company employs 45 people with offices located in Pewaukee, Madison, Lake Geneva, and Sheboygan, Wisconsin, and Livonia, Michigan. Main phone number: (262) 691-9300. Website: www.WaterstoneMortgage.com. Waterstone Mortgage is an Equal Housing Lender.

For the past two years Waterstone Mortgage Corporation has earned a Milwaukee Metropolitan Association of Commerce Future 50 Award as a Top 50 Future Small Business. Waterstone Mortgage is also ranked by the Milwaukee Business Journal as one of the top 25 mortgage banking companies in Southeastern Wisconsin for the past three years, most recently as the 13th largest in 2004.

Profile: Wauwatosa Savings Bank

Wauwatosa Savings Bank, a unit of Wauwatosa Holdings, Inc. (NASDAQ: WAUW) is a Wisconsin-chartered savings bank which was originally organized in 1921. Wauwatosa Savings conducts business from six offices in Wauwatosa, Oak Creek, Oconomowoc, Pewaukee, and Waukesha, Wisconsin, and employs over 200 people. As of June 30, 2005, Wauwatosa Savings Bank had \$1.4 billion in total assets, \$1.1 billion in deposits and \$133.4 million in retained earnings. Main phone number: (414) 761-1000. Website: www.WSBonline.com. The bank is FDIC-insured and an Equal Housing Lender.

Cautionary Statements

The discussions in this press release which are not historical statements contain forward-looking statements that involve risk and uncertainties. Statements which are not historical statements include those in the future tense or which use terms such as “believe,” “expect,” and “anticipate.” Actual future results could differ in important and material ways from those discussed. Many factors could cause or contribute to such differences. These factors include the ability of Wauwatosa Savings to integrate Waterstone Mortgage in an efficient and effective manner, changing interest rates, changes in demand for mortgage loans or other services, competition from other institutions or mortgage lenders, the results of Wauwatosa Savings’ and Waterstone Mortgage’s lending activities, general economic and political developments, and changes

in the regulatory environments in which Wauwatosa Savings and Waterstone Mortgage operate. We urge you to carefully review the filings that Wauwatosa Holdings, Inc. has made with the Securities and Exchange Commission for other factors which could affect Wauwatosa Savings' operations in the future. We undertake no obligation to update any forward-looking statements.

For more information, please contact
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