Nominating Committee Charter

The Nominating and Corporate Governance Committee (the "Committee") of the Board of Directors (the "Board") of Waterstone Financial, Inc. (the "Company") shall have the following authority, duties and responsibilities.

Authority

The Committee is responsible for determining the slate of director nominees for election to the Company's Board and nominees to fill vacancies occurring between annual meetings of shareholders.

All Company employees are directed to cooperate in the nomination process as may be required by the Committee. The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate and approve the fees and other retention terms of special counsel or other experts or consultants as it deems appropriate, without seeking approval of the Board or management. With respect to consultants or search firms used to identify director candidates, this authority shall be vested solely in the Committee.

Responsibilities

In addition to any other role to which the Board may from time to time assign, in carrying out its responsibilities, the Committee shall:

1. Identify individuals believed to be qualified to become Board members, and to determine the nominees to stand for election as directors at the annual meeting of shareholders or, if applicable, at a special meeting of shareholders.
2. In the case of a vacancy in the office of a director (including a vacancy created by an increase in the size of the Board), determine a nominee to fill such vacancy either through appointment by the Board or through election by shareholders.
3. In the case of a director nominee to fill a Board vacancy created by an increase in the size of the Board, make a recommendation to the Board as to the class of directors in which the individual should serve.
4. Make recommendations to the Board from time to time as to changes that the Committee believes to be desirable to the size of the Board or any committee thereof.
5. Determine the extent to which nominations or suggestions by shareholders and other parties will be considered as director nominees.
6. Develop and propose to the Board standards for qualifications for persons nominated to and serving on the Board.
7. Consider from time to time, and advise the Board regarding, the types of relationships between the Company or its subsidiaries and a person which may interfere with the exercise of independent judgment by such a person in carrying out the responsibilities of a director.
8. Evaluate, as requested by the Board, whether Board members meet "independence," "disinterested director" or other requirements which may apply to membership on various Board committees.
9. Recommend processes, and changes in those processes, for communications between the shareholders and the Board.
10. Review periodically, in accordance with SEC and Nasdaq requirements, and recommend to the Board any appropriate extensions or changes in the duties of the Committee and/or changes to this Charter.
11. Update the Board, through minutes, reports and/or presentations as may be necessary or appropriate, but at least once per year, of significant developments in the course of performing these responsibilities.
12. Assist management in preparation of the disclosure in the Company's annual proxy statement regarding the operations of the Committee.

Considerations

In nominating candidates, the Committee shall act in a way calculated to encourage, reinforce and demonstrate the Board's role as an independent and informed monitor of the conduct of the Company's affairs and the performance of its management. In determining nominees for election to the Board, the Committee shall consider the personal qualities and business experience of the individual Directors, and the overall mix of experience, independence and diversity of backgrounds likely to make the Board, as a body, most effective in monitoring the performance of the Company. The Board and/or the Committee may develop further criteria for director candidates, which may be amended from time to time. Those criteria, as in effect from time to time, shall be set forth as an Appendix to this Charter.

The Committee shall consider candidates proposed by shareholders in the manner discussed in the Company's proxy materials. The Committee may consider candidates proposed by management, but is not required to do so.

Administrative Matters

Membership

The Committee shall consist of three or more directors. The Committee members shall meet the independence requirements, if any, of law and the rules of the SEC and the Nasdaq Stock Market, subject to any exceptions provided for therein. The Committee shall determine whether additional standards for membership shall be established, so as to assure adequate independence and experience on the Committee.

The members of the Committee shall be appointed by the Board. Candidates to fill subsequent vacancies in the Committee shall be appointed by the Board based on nominations by the Committee. Members of the Committee shall serve at the pleasure of the Board and for such terms as the Board may determine.

The Committee shall elect one of its members as the Committee Chairman. The Committee may authorize the Chairman to act on behalf of the Committee between meetings in appropriate circumstances, but shall not delegate to the Chairman any duties which are required by law, or SEC or Nasdaq rules, to be performed by the Committee as a whole.

The Committee shall regularly evaluate the experience and performance of its members. The Committee also shall assist the Board in its determinations as to the independence of the members of the Board and as to special expertise of members of the Board or Committee which may be required and/or required to be disclosed by the Company.

Meetings

The Committee is to meet at least one time per year, and as many other times as it deems necessary to permit the Committee to adequately perform its responsibilities hereunder. The mandatory meeting shall occur in advance of the preparation of the materials for the annual meeting of shareholders so as to permit the Committee to consider the nominees for election as directors at that meeting. The Chairman may call a meeting at any time he or she believes is necessary or appropriate.

Attendance

A majority of the members of the Committee constitute a quorum for the transaction of Committee business and the act of a majority of a quorum shall be the act of the Committee. As necessary or desirable, the Chairman may request that members of management and/or other Directors be present at meetings.

Minutes

The Committee shall arrange for the preparation of minutes of each meeting, and make them available to be sent to all Committee members and directors who are not members of the Committee. If the Company's corporate Secretary has not taken the minutes, they should be sent to him or her for inclusion in the minute books.

Appendix to Nominating Committee Charter

Qualifications of Director Candidates

Factors to be considered by the Committee in proposing nominees for election as Directors shall include strength of character, honesty and integrity, an inquiring and independent mind, judgment, skill, diversity, education, experience with businesses and other organizations, the interplay of the candidates' experience with the experience of other Board members, and the extent to which the candidate would be a desirable addition to the Board and any committees of the Board. Nominees must have a background which demonstrates an understanding of business and financial affairs and the complexities of a business organization. Although a career in business is not essential, the nominee should have a proven record of competence and accomplishments through leadership in industry, education, the professions or government. Areas of core competency that should be represented on the Board as a whole include: (a) accounting and finance; (b) business judgment; (c) management; (d) crisis response; (e) industry knowledge; (f) leadership; and (g) strategic vision. It is preferable that a first-time nominee be highly respected and active in his or her profession or be currently active as chief executive officer or other senior executive or director of a significant business enterprise or other institution, public or private, and is expected to be active in the future with a view to a long term relationship with the Company as a Director. A nominee shall be a shareholder of the Company, and a candidate's willingness to hold a significant position in Company stock during his or her tenure shall be considered. A nominee must be compatible and able to work well with other Directors and executives in a team effort. A nominee must have a genuine interest in representing the interests of the Company and its shareholders overall, not any particular interest group and must understand that it is a Director's responsibility to consider the impact of his or her decisions on the Company's employees,

shareholders, customers, and the communities it serves. A candidate for director must have the ability, and demonstrate a willingness, to spend the necessary time required to function effectively as a Director. Finally, a nominee should not have any conflicts of interest which would interfere with the duty of loyalty owed to the Company.