

**WATERSTONE FINANCIAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Unaudited)

	<b>For The Three Months Ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
	(In Thousands, except per share amounts)	
Interest income:		
Loans	\$ 15,458	14,238
Mortgage-related securities	638	696
Debt securities, federal funds sold and short-term investments	867	852
Total interest income	<u>16,963</u>	<u>15,786</u>
Interest expense:		
Deposits	2,314	1,795
Borrowings	1,508	2,096
Total interest expense	<u>3,822</u>	<u>3,891</u>
Net interest income	<u>13,141</u>	<u>11,895</u>
Provision for loan losses	<u>(880)</u>	<u>(1,211)</u>
Net interest income after provision for loan losses	14,021	13,106
Noninterest income:		
Service charges on loans and deposits	399	367
Increase in cash surrender value of life insurance	328	318
Mortgage banking income	24,187	24,687
Other	269	565
Total noninterest income	<u>25,183</u>	<u>25,937</u>
Noninterest expenses:		
Compensation, payroll taxes, and other employee benefits	20,983	19,995
Occupancy, office furniture, and equipment	2,639	2,527
Advertising	860	724
Data processing	625	598
Communications	382	379
Professional fees	700	607
Real estate owned	317	411
FDIC insurance premiums	125	120
Other	3,516	3,697
Total noninterest expenses	<u>30,147</u>	<u>29,058</u>
Income before income taxes	<u>9,057</u>	<u>9,985</u>
Income tax expense	<u>2,104</u>	<u>3,413</u>
Net income	<u>\$ 6,953</u>	<u>6,572</u>
Income per share:		
Basic	\$ 0.25	0.24
Diluted	\$ 0.25	0.24
Weighted average shares outstanding:		
Basic	27,509	27,323
Diluted	27,802	27,867

**WATERSTONE FINANCIAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
	<b>(Unaudited)</b>	
	(In Thousands, except per share amounts)	
<b>Assets</b>		
Cash	\$ 53,000	\$ 22,306
Federal funds sold	27,143	17,034
Interest-earning deposits in other financial institutions and other short term investments	3,264	9,267
Cash and cash equivalents	83,407	48,607
Securities available for sale (at fair value)	186,983	199,707
Loans held for sale (at fair value)	127,638	149,896
Loans receivable	1,314,672	1,291,814
Less: Allowance for loan losses	13,190	14,077
Loans receivable, net	1,301,482	1,277,737
Office properties and equipment, net	22,592	22,941
Federal Home Loan Bank stock (at cost)	18,675	16,875
Cash surrender value of life insurance	66,324	65,996
Real estate owned, net	3,374	4,558
Prepaid expenses and other assets	28,789	20,084
Total assets	\$ 1,839,264	\$ 1,806,401
<b>Liabilities and Shareholders' Equity</b>		
Liabilities:		
Demand deposits	\$ 131,520	\$ 129,597
Money market and savings deposits	145,506	148,804
Time deposits	697,198	688,979
Total deposits	974,224	967,380
Borrowings	434,365	386,285
Advance payments by borrowers for taxes	12,004	4,876
Other liabilities	21,252	35,756
Total liabilities	1,441,845	1,394,297
Shareholders' equity:		
Common stock	293	295
Additional paid-in capital	327,748	326,655
Retained earnings	173,163	183,358
Unearned ESOP shares	(18,694)	(18,991)
Accumulated other comprehensive loss, net of taxes	(2,631)	(477)
Cost of shares repurchased	(82,460)	(78,736)
Total shareholders' equity	397,419	412,104
Total liabilities and shareholders' equity	\$ 1,839,264	\$ 1,806,401
<b>Share Information</b>		
Shares Outstanding	29,324	29,501
Book Value per share	\$ 13.55	\$ 13.97
Closing market price	\$ 17.30	\$ 17.05
Price to book ratio	127.68%	122.05%

**WATERSTONE FINANCIAL, INC. AND SUBSIDIARIES**  
**SUMMARY OF KEY QUARTERLY FINANCIAL DATA**  
(Unaudited)

	At or For the Three Months Ended				
	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
(Dollars in Thousands)					
<b>Condensed Results of Operations:</b>					
Net interest income	\$ 13,141	13,324	13,033	12,481	11,895
Provision for loan losses	(880)	-	20	25	(1,211)
Total noninterest income	25,183	28,181	33,054	37,241	25,937
Total noninterest expense	30,147	32,318	34,316	36,187	29,058
Income before income taxes	9,057	9,187	11,751	13,510	9,985
Income tax expense	2,104	6,072	4,362	4,622	3,413
Net income	\$ 6,953	3,115	7,389	8,888	6,572
Income per share – basic	\$ 0.25	0.11	0.27	0.32	0.24
Income per share – diluted	\$ 0.25	0.11	0.26	0.32	0.24
Dividends declared per share	\$ 0.62	0.12	0.12	0.62	0.12
<b>Performance Ratios:</b>					
Return on average assets - QTD	1.57%	0.67%	1.56%	1.99%	1.54%
Return on average equity - QTD	6.90%	2.98%	7.12%	8.70%	6.44%
Net interest margin - QTD	3.18%	3.08%	2.95%	3.00%	2.97%
Community Banking Segment					
Efficiency ratio - QTD	53.94%	48.36%	47.78%	48.76%	55.69%
Return on average assets - YTD	1.57%	1.43%	1.70%	1.77%	1.54%
Return on average equity - YTD	6.90%	6.32%	7.42%	7.56%	6.44%
Net interest margin - YTD	3.18%	3.00%	2.97%	2.98%	2.97%
Community Banking Segment					
Efficiency ratio - YTD	53.94%	49.98%	50.56%	52.09%	55.69%
<b>Asset Quality Ratios:</b>					
Past due loans to total loans	0.53%	0.45%	0.71%	0.74%	0.71%
Non accrual loans to total loans	0.50%	0.47%	0.56%	0.70%	0.67%
Non performing assets to total assets	0.54%	0.59%	0.62%	0.71%	0.76%