

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

	For The Three Months		For The Year Ended	
	Ended December 31,		December 31,	
	2018	2017	2018	2017
(In Thousands, except per share amounts)				
Interest income:				
Loans	\$ 17,468	15,746	66,966	60,824
Mortgage-related securities	723	625	2,648	2,646
Debt securities, federal funds sold and short-term investments	1,137	945	4,086	3,625
Total interest income	19,328	17,316	73,700	67,095
Interest expense:				
Deposits	3,540	2,125	11,627	7,739
Borrowings	2,322	1,867	7,896	8,623
Total interest expense	5,862	3,992	19,523	16,362
Net interest income	13,466	13,324	54,177	50,733
Provision for loan losses	-	-	(1,060)	(1,166)
Net interest income after provision for loan losses	13,466	13,324	55,237	51,899
Noninterest income:				
Service charges on loans and deposits	348	477	1,680	1,625
Increase in cash surrender value of life insurance	352	331	1,848	1,807
Loss on sale of available for sale securities	-	-	-	(107)
Mortgage banking income	24,221	27,270	113,151	120,044
Other	715	103	1,520	1,044
Total noninterest income	25,636	28,181	118,199	124,413
Noninterest expenses:				
Compensation, payroll taxes, and other employee benefits	23,114	23,352	97,784	97,084
Occupancy, office furniture, and equipment	2,860	2,591	10,855	10,178
Advertising	1,039	919	4,123	3,333
Data processing	735	585	2,792	2,439
Communications	382	390	1,611	1,560
Professional fees	397	703	2,327	2,656
Real estate owned	(62)	121	1	379
Loan processing expense	643	766	3,372	3,062
Other	2,738	2,891	10,291	11,188
Total noninterest expenses	31,846	32,318	133,156	131,879
Income before income taxes	7,256	9,187	40,280	44,433
Income tax expense	1,578	6,072	9,526	18,469
Net income	\$ 5,678	3,115	30,754	25,964
Income per share:				
Basic	\$ 0.21	0.11	1.12	0.95
Diluted	\$ 0.21	0.11	1.11	0.93
Weighted average shares outstanding:				
Basic	26,994	27,522	27,363	27,467
Diluted	27,218	27,914	27,634	27,899

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

	December 31,	December 31,
	2018	2017
	(Unaudited)	
	(In Thousands, except per share amounts)	
Assets		
Cash	\$ 48,234	\$ 22,306
Federal funds sold	25,100	17,034
Interest-earning deposits in other financial institutions and other short term investments	12,767	9,267
Cash and cash equivalents	86,101	48,607
Securities available for sale (at fair value)	185,720	199,707
Loans held for sale (at fair value)	141,616	149,896
Loans receivable	1,379,148	1,291,814
Less: Allowance for loan losses	13,249	14,077
Loans receivable, net	1,365,899	1,277,737
Office properties and equipment, net	24,524	22,941
Federal Home Loan Bank stock (at cost)	19,350	16,875
Cash surrender value of life insurance	67,550	65,996
Real estate owned, net	2,152	4,558
Prepaid expenses and other assets	22,469	20,084
Total assets	\$ 1,915,381	\$ 1,806,401
Liabilities and Shareholders' Equity		
Liabilities:		
Demand deposits	\$ 139,111	\$ 129,597
Money market and savings deposits	163,511	148,804
Time deposits	735,873	688,979
Total deposits	1,038,495	967,380
Borrowings	435,046	386,285
Advance payments by borrowers for taxes	4,371	4,876
Other liabilities	37,790	35,756
Total liabilities	1,515,702	1,394,297
Shareholders' equity:		
Common stock	285	295
Additional paid-in capital	330,327	326,655
Retained earnings	187,153	183,358
Unearned ESOP shares	(17,804)	(18,991)
Accumulated other comprehensive loss, net of taxes	(2,361)	(477)
Cost of shares repurchased	(97,921)	(78,736)
Total shareholders' equity	399,679	412,104
Total liabilities and shareholders' equity	\$ 1,915,381	\$ 1,806,401
Share Information		
Shares Outstanding	28,463	29,501
Book Value per share	\$ 14.04	\$ 13.97
Closing market price	\$ 16.76	\$ 17.05
Price to book ratio	119.37%	122.05%

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

	At or For the Three Months Ended				
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
	(Dollars in Thousands)				
Condensed Results of Operations:					
Net interest income	\$ 13,466	13,850	13,720	13,141	13,324
Provision for loan losses	-	40	(220)	(880)	-
Total noninterest income	25,636	34,062	33,318	25,183	28,181
Total noninterest expense	31,846	36,426	34,737	30,147	32,318
Income before income taxes	7,256	11,446	12,521	9,057	9,187
Income tax expense	1,578	2,743	3,101	2,104	6,072
Net income	<u>\$ 5,678</u>	<u>8,703</u>	<u>9,420</u>	<u>6,953</u>	<u>3,115</u>
Income per share – basic	\$ 0.21	0.32	0.34	0.25	0.11
Income per share – diluted	\$ 0.21	0.31	0.34	0.25	0.11
Dividends declared per share	\$ 0.12	0.12	0.12	0.62	0.12
Performance Ratios:					
Return on average assets - QTD	1.18%	1.80%	2.02%	1.57%	0.67%
Return on average equity - QTD	5.58%	8.48%	9.40%	6.90%	2.98%
Net interest margin - QTD	2.99%	3.07%	3.14%	3.18%	3.08%
Return on average assets - YTD	1.64%	1.80%	1.80%	1.57%	1.43%
Return on average equity - YTD	7.60%	8.25%	8.13%	6.90%	6.32%
Net interest margin - YTD	3.09%	3.13%	3.16%	3.18%	3.00%
Asset Quality Ratios:					
Past due loans to total loans	0.50%	0.67%	0.54%	0.53%	0.45%
Non accrual loans to total loans	0.48%	0.48%	0.46%	0.50%	0.47%
Non performing assets to total assets	0.45%	0.45%	0.45%	0.54%	0.59%

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WATERSTONE FINANCIAL, INC. AND SUBSIDIARIES
SUMMARY OF QUARTERLY AVERAGE BALANCES AND YIELD/COSTS
(Unaudited)

	At or For the Three Months Ended				
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
	(Dollars in Thousands)				
Average balances					
Interest earning assets					
Loans receivable and held for sale	1,496,125	1,507,632	1,451,507	1,398,043	1,402,271
Mortgage related securities	111,004	106,047	109,879	113,688	115,414
Debt securities, federal funds sold and short term investments	179,232	176,733	192,422	165,863	199,006
Total interest earning assets	1,786,361	1,790,412	1,753,808	1,677,594	1,716,691
Non interest earning assets	119,715	122,575	119,291	113,317	120,943
Total assets	1,906,076	1,912,987	1,873,099	1,790,911	1,837,634
Interest bearing liabilities					
Demand accounts	36,941	37,936	37,291	37,384	37,600
Money market and savings accounts	184,873	185,864	166,587	153,226	170,262
Certificates of deposit	722,774	707,970	707,758	697,644	686,266
Total interest-bearing deposits	944,588	931,770	911,636	888,254	894,128
Borrowings	439,601	444,570	445,064	379,115	406,821
Total interest-bearing liabilities	1,384,189	1,376,340	1,356,700	1,267,369	1,300,949
Noninterest bearing demand deposits	97,677	100,804	96,108	91,806	93,735
Noninterest bearing liabilities	20,219	28,632	18,266	22,828	28,188
Total liabilities	1,502,085	1,505,776	1,471,074	1,382,003	1,422,872
Equity	403,991	407,211	402,025	408,908	414,762
Total liabilities and equity	1,906,076	1,912,987	1,873,099	1,790,911	1,837,634
Average Yield/Costs					
Loans receivable and held for sale	4.63%	4.56%	4.61%	4.48%	4.45%
Mortgage related securities	2.58%	2.41%	2.35%	2.28%	2.15%
Debt securities, federal funds sold and short term investments	2.52%	2.39%	2.12%	2.12%	1.88%
Total interest earning assets	4.29%	4.22%	4.20%	4.10%	4.00%
Demand accounts	0.09%	0.10%	0.09%	0.08%	0.08%
Money market and savings accounts	0.47%	0.35%	0.30%	0.24%	0.20%
Certificates of deposit	1.82%	1.62%	1.46%	1.29%	1.17%
Total interest-bearing deposits	1.49%	1.30%	1.19%	1.06%	0.94%
Borrowings	2.10%	1.90%	1.74%	1.61%	1.82%
Total interest-bearing liabilities	1.68%	1.50%	1.37%	1.22%	1.22%

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COMMUNITY BANKING SEGMENT
SUMMARY OF KEY QUARTERLY FINANCIAL DATA
(Unaudited)

	At or For the Three Months Ended				
	December 31,	September 30,	June 30,	March 31,	December 31,
	2018	2018	2018	2018	2017
	(Dollars in Thousands)				
Condensed Results of Operations:					
Net interest income	\$ 13,774	14,121	13,747	13,304	13,375
Provision for loan losses	-	-	(250)	(900)	-
Total noninterest income	911	1,312	1,137	939	974
Noninterest expenses:					
Compensation, payroll taxes, and other employee benefits	4,761	4,435	4,301	4,888	4,531
Occupancy, office furniture and equipment	842	826	813	826	771
Advertising	185	183	241	140	144
Data processing	422	414	400	435	399
Communications	92	112	121	100	101
Professional fees	339	257	180	191	173
Real estate owned	(62)	(128)	(126)	317	121
Loan processing expense	-	-	-	-	-
Other	571	701	658	785	699
Total noninterest expense	<u>7,150</u>	<u>6,800</u>	<u>6,588</u>	<u>7,682</u>	<u>6,939</u>
Income before income taxes	7,535	8,633	8,546	7,461	7,410
Income tax expense	<u>1,632</u>	<u>2,003</u>	<u>1,970</u>	<u>1,668</u>	<u>5,570</u>
Net income	<u>\$ 5,903</u>	<u>6,630</u>	<u>6,576</u>	<u>5,793</u>	<u>1,840</u>
Efficiency ratio - QTD	48.69%	44.06%	44.27%	53.94%	48.36%
Efficiency ratio - YTD	47.63%	47.28%	49.00%	53.94%	49.98%

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MORTGAGE BANKING SEGMENT
SUMMARY OF KEY QUARTERLY FINANCIAL DATA
(Unaudited)

	At or For the Three Months Ended				
	December 31,	September 30,	June 30,	March 31,	December 31,
	2018	2018	2018	2018	2017
	(Dollars in Thousands)				
Condensed Results of Operations:					
Net interest income	\$ (332)	(286)	(40)	(192)	(72)
Provision for loan losses	-	40	30	20	-
Total noninterest income	24,986	33,165	32,547	24,731	27,645
Noninterest expenses:					
Compensation, payroll taxes, and other employee benefits	18,499	23,164	22,078	16,241	18,943
Occupancy, office furniture and equipment	2,018	1,925	1,792	1,813	1,820
Advertising	854	1,041	759	720	775
Data processing	309	386	224	186	182
Communications	290	300	314	282	289
Professional fees	52	319	458	514	512
Real estate owned	-	-	-	-	-
Loan processing expense	643	837	904	988	766
Other	2,297	2,064	1,964	2,197	2,504
Total noninterest expense	24,962	30,036	28,493	22,941	25,791
Income before income taxes	(308)	2,803	3,984	1,578	1,782
Income tax expense	(62)	737	1,133	435	509
Net income	\$ (246)	2,066	2,851	1,143	1,273
Efficiency ratio - QTD	101.25%	91.35%	87.65%	93.49%	93.54%
Efficiency ratio - YTD	92.89%	90.60%	90.16%	93.49%	86.93%
Loan Originations	600,156	761,206	721,184	516,020	600,265
Purchase	91.1%	92.1%	92.6%	85.1%	86.7%
Refiance	8.9%	7.9%	7.4%	14.9%	13.3%

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**GAAP RECONCILIATION TO NON-GAAP
FINANCIAL MEASURES
(Unaudited)**

	For the Three Months Ended December 31, 2017	For the Year Ended December 31, 2017
	(In thousands, except per share amounts)	
Net income	\$ 3,115	25,964
Deferred tax asset revaluation	2,718	2,718
Net income excluding deferred tax asset revaluation	<u>\$ 5,833</u>	<u>\$ 28,682</u>
Diluted weighted average shares outstanding	27,914	27,899
Net income per diluted share	\$ 0.11	\$ 0.93
Deferred tax asset revaluation adjustment	<u>\$ 0.10</u>	<u>\$ 0.10</u>
Net income per diluted share excluding deferred tax asset revaluation	<u>\$ 0.21</u>	<u>\$ 1.03</u>
Net income excluding deferred tax asset revaluation	\$ 5,833	\$ 28,682
Average assets	1,837,634	1,810,234
Return on average assets	0.67%	1.43%
Deferred tax asset revaluation adjustment	<u>0.59%</u>	<u>0.15%</u>
Return on average assets excluding deferred tax asset revaluation	<u>1.26%</u>	<u>1.58%</u>
Net income excluding deferred tax asset revaluation	\$ 5,833	\$ 28,682
Average equity	414,762	410,937
Return on average equity	2.98%	6.32%
Deferred tax asset revaluation adjustment	<u>2.60%</u>	<u>0.66%</u>
Return on average equity excluding deferred tax asset revaluation	<u>5.58%</u>	<u>6.98%</u>

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