

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

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In Thousands, except per share amounts)			
Interest income:				
Loans	\$ 17,340	15,855	49,498	45,078
Mortgage-related securities	643	647	1,925	2,021
Debt securities, federal funds sold and short-term investments	1,063	951	2,949	2,680
Total interest income	19,046	17,453	54,372	49,779
Interest expense:				
Deposits	3,063	1,981	8,087	5,614
Borrowings	2,133	2,439	5,574	6,756
Total interest expense	5,196	4,420	13,661	12,370
Net interest income	13,850	13,033	40,711	37,409
Provision for loan losses	40	20	(1,060)	(1,166)
Net interest income after provision for loan losses	13,810	13,013	41,771	38,575
Noninterest income:				
Service charges on loans and deposits	442	300	1,332	1,148
Increase in cash surrender value of life insurance	695	688	1,496	1,476
Loss on sale of available for sale securities	-	-	-	(107)
Mortgage banking income	32,653	31,863	88,930	92,774
Other	272	203	805	941
Total noninterest income	34,062	33,054	92,563	96,232
Noninterest expenses:				
Compensation, payroll taxes, and other employee benefits	27,453	26,153	74,670	73,732
Occupancy, office furniture, and equipment	2,751	2,533	7,995	7,587
Advertising	1,224	821	3,084	2,414
Data processing	809	623	2,057	1,854
Communications	412	394	1,229	1,170
Professional fees	583	629	1,930	1,953
Real estate owned	(128)	(20)	63	258
FDIC insurance premiums	131	129	361	366
Other	3,191	3,054	9,921	10,227
Total noninterest expenses	36,426	34,316	101,310	99,561
Income before income taxes	11,446	11,751	33,024	35,246
Income tax expense	2,743	4,362	7,948	12,397
Net income	\$ 8,703	7,389	25,076	22,849
Income per share:				
Basic	\$ 0.32	0.27	0.91	0.83
Diluted	\$ 0.31	0.26	0.90	0.82
Weighted average shares outstanding:				
Basic	27,451	27,532	27,488	27,449
Diluted	27,680	27,953	27,765	27,927

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

	September 30, 2018	December 31, 2017
	(Unaudited)	
	(In Thousands, except per share amounts)	
Assets		
Cash	\$ 32,966	\$ 22,306
Federal funds sold	18,352	17,034
Interest-earning deposits in other financial institutions and other short term investments	<u>7,538</u>	<u>9,267</u>
Cash and cash equivalents	58,856	48,607
Securities available for sale (at fair value)	179,076	199,707
Loans held for sale (at fair value)	192,674	149,896
Loans receivable	1,357,656	1,291,814
Less: Allowance for loan losses	<u>13,226</u>	<u>14,077</u>
Loans receivable, net	1,344,430	1,277,737
Office properties and equipment, net	22,417	22,941
Federal Home Loan Bank stock (at cost)	19,575	16,875
Cash surrender value of life insurance	67,198	65,996
Real estate owned, net	2,170	4,558
Prepaid expenses and other assets	<u>33,007</u>	<u>20,084</u>
Total assets	<u>\$ 1,919,403</u>	<u>\$ 1,806,401</u>
Liabilities and Shareholders' Equity		
Liabilities:		
Demand deposits	\$ 130,969	\$ 129,597
Money market and savings deposits	159,742	148,804
Time deposits	<u>713,739</u>	<u>688,979</u>
Total deposits	1,004,450	967,380
Borrowings	451,132	386,285
Advance payments by borrowers for taxes	30,460	4,876
Other liabilities	<u>28,717</u>	<u>35,756</u>
Total liabilities	1,514,759	1,394,297
Shareholders' equity:		
Common stock	291	295
Additional paid-in capital	329,743	326,655
Retained earnings	184,697	183,358
Unearned ESOP shares	(18,101)	(18,991)
Accumulated other comprehensive loss, net of taxes	(3,808)	(477)
Cost of shares repurchased	<u>(88,178)</u>	<u>(78,736)</u>
Total shareholders' equity	404,644	412,104
Total liabilities and shareholders' equity	<u>\$ 1,919,403</u>	<u>\$ 1,806,401</u>
Share Information		
Shares Outstanding	29,050	29,501
Book Value per share	\$ 13.93	\$ 13.97
Closing market price	\$ 17.15	\$ 17.05
Price to book ratio	123.12%	122.05%

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

	At or For the Three Months Ended				
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
	<u>2018</u>	<u>2018</u>	<u>2018</u>	<u>2017</u>	<u>2017</u>

(Dollars in Thousands)

Condensed Results of Operations:

Net interest income	\$ 13,850	\$ 13,720	13,141	13,324	13,033
Provision for loan losses	40	(220)	(880)	-	20
Total noninterest income	34,062	33,318	25,183	28,181	33,054
Total noninterest expense	36,426	34,737	30,147	32,318	34,316
Income before income taxes	11,446	12,521	9,057	9,187	11,751
Income tax expense	2,743	3,101	2,104	6,072	4,362
Net income	<u>\$ 8,703</u>	<u>\$ 9,420</u>	<u>6,953</u>	<u>3,115</u>	<u>7,389</u>
Income per share – basic	\$ 0.32	\$ 0.34	0.25	0.11	0.27
Income per share – diluted	\$ 0.31	\$ 0.34	0.25	0.11	0.26
Dividends declared per share	\$ 0.12	\$ 0.12	0.62	0.12	0.12

Performance Ratios:

Return on average assets - QTD	1.80%	2.02%	1.57%	0.67%	1.56%
Return on average equity - QTD	8.48%	9.40%	6.90%	2.98%	7.12%
Net interest margin - QTD	3.07%	3.14%	3.18%	3.08%	2.95%
Return on average assets - YTD	1.80%	1.80%	1.57%	1.43%	1.70%
Return on average equity - YTD	8.25%	8.13%	6.90%	6.32%	7.42%
Net interest margin - YTD	3.13%	3.16%	3.18%	3.00%	2.97%

Asset Quality Ratios:

Past due loans to total loans	0.67%	0.54%	0.53%	0.45%	0.71%
Non accrual loans to total loans	0.48%	0.46%	0.50%	0.47%	0.56%
Non performing assets to total assets	0.45%	0.45%	0.54%	0.59%	0.62%

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

	At or For the Three Months Ended				
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
	(Dollars in Thousands)				
Condensed Results of Operations:					
Net interest income	\$ 14,121	\$ 13,747	13,304	13,375	13,120
Provision for loan losses	-	(250)	(900)	-	-
Total noninterest income	1,312	1,137	939	974	1,161
Total noninterest expense	6,800	6,588	7,682	6,939	6,824
Income before income taxes	8,633	8,546	7,461	7,410	7,457
Income tax expense	2,003	1,970	1,668	5,570	2,597
Net income	<u>\$ 6,630</u>	<u>\$ 6,576</u>	<u>5,793</u>	<u>1,840</u>	<u>4,860</u>
Efficiency ratio - QTD	44.06%	44.27%	53.94%	48.36%	47.78%
Efficiency ratio - YTD	47.28%	49.00%	53.94%	49.98%	50.56%

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

	At or For the Three Months Ended				
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
	(Dollars in Thousands)				
Condensed Results of Operations:					
Net interest income	\$ (286)	\$ (40)	(192)	(72)	(102)
Provision for loan losses	40	30	20	-	20
Total noninterest income	33,165	32,547	24,731	27,645	32,318
Total noninterest expense	30,036	28,493	22,941	25,791	27,882
Income before income taxes	2,803	3,984	1,578	1,782	4,314
Income tax expense	737	1,133	435	509	1,767
Net income	<u>\$ 2,066</u>	<u>\$ 2,851</u>	<u>1,143</u>	<u>1,273</u>	<u>2,547</u>
Efficiency ratio - QTD	91.35%	87.65%	93.49%	93.54%	86.55%
Efficiency ratio - YTD	90.60%	90.16%	93.49%	86.93%	85.00%
Loan Originations	761,206	721,184	516,020	600,265	684,500
Purchase	92.1%	92.6%	85.1%	86.7%	89.6%
Refinance	7.9%	7.4%	14.9%	13.3%	10.4%