

WATERSTONE FINANCIAL, INC.  
WATERSTONE BANK  
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**FOR IMMEDIATE RELEASE**

**Waterstone Financial, Inc. Announces Results of Operations for the Quarter and Year Ended December 31, 2020**

**WAUWATOSA, Wis. – 01/28/2021** – Waterstone Financial, Inc. (NASDAQ: WSBF), holding company for WaterStone Bank, reported net income of \$27.8 million, or \$1.17 per diluted share for the quarter ended December 31, 2020 compared to \$8.8 million, or \$0.34 per diluted share for the quarter ended December 31, 2019. Net income per diluted share was \$3.30 for the year ended December 31, 2020 compared to net income per diluted share of \$1.37 for the year ended December 31, 2019.

“Our financial results continue to be outstanding, as we have just completed our third consecutive quarter of record profits”, said Douglas Gordon, Chief Executive Officer of Waterstone Financial, Inc. “The turbulent environment of 2020 demonstrated the synergies, and profitability, a community bank and its mortgage subsidiary can achieve working in harmony. Waterstone’s entire team navigated the rocky seas presented by a pandemic, achieving record results, and enhancing shareholders with dividends of \$1.28 per share paid during the year.”

**Highlights of the Quarter Ended December 31, 2020**

**Waterstone Financial, Inc. (Consolidated)**

- Consolidated net income of Waterstone Financial, Inc. totaled \$27.8 million for the quarter ended December 31, 2020, compared to \$8.8 million for the quarter ended December 31, 2019.
- Consolidated return on average assets was 4.96% for the quarter ended December 31, 2020 compared to 1.75% for the quarter ended December 31, 2019.
- Consolidated return on average equity was 27.11% for the quarter ended December 31, 2020 and 8.91% for the quarter ended December 31, 2019.
- Dividends declared totaled \$0.50 per share, which included a quarterly dividend of \$0.20 per share and a special dividend of \$0.30 per share. The quarterly dividend declared during the quarter represents an increase of \$0.08, or 66.7%, compared to quarterly dividend rate paid in previous quarters during 2020.
- We repurchased approximately 203,000 shares at a cost of \$3.5 million during the quarter ended December 31, 2020.

## Community Banking Segment

- Pre-tax income totaled \$8.7 million for the quarter ended December 31, 2020, which represents a 4.8% increase compared to \$8.3 million for the quarter ended December 31, 2019.
- Net interest income totaled \$14.5 million for the quarter ended December 31, 2020, which represents an 8.0% increase compared to \$13.5 million for the quarter ended December 31, 2019.
- Average loans held for investment totaled \$1.40 billion during the quarter ended December 31, 2020, which represents an increase of \$21.6 million, or 1.6%, compared to \$1.38 billion for the quarter ended December 31, 2019. The Paycheck Protection Program (PPP) loans originated during the year ended December 31, 2020, contributed to the growth. Average loans held for investment decreased \$26.6 million, or 7.5% annualized, compared to \$1.43 billion for the quarter ended September 30, 2020 as PPP loans started to pay off during the fourth quarter.
- The PPP loans totaled \$18.1 million as of December 31, 2020.
- Net interest margin decreased six basis points to 2.73% for the quarter ended December 31, 2020 compared to 2.79% for the quarter ended December 31, 2019, which was a result of the decrease in yield of interest-earning assets as rates on loans, investments, and cash decreased. Net interest margin increased 10 basis points compared to 2.63% for the quarter ended September 30, 2020, driven by lower average rates on deposits.
- The segment had no provision for loan losses for the quarter ended December 31, 2020 compared to a negative provision for loan losses of \$200,000 for the quarter ended December 30, 2019. Net charge-offs totaled \$51,000 for the quarter ended December 31, 2020, compared to net recoveries of \$10,000 for the quarter ended December 31, 2019.
- The efficiency ratio was 46.15% for the quarter ended December 31, 2020, compared to 46.23% for the quarter ended December 31, 2019.
- Average deposits (excluding escrow accounts) totaled \$1.19 billion during the quarter ended December 31, 2020, an increase of \$137.9 million, or 13.1%, compared to \$1.06 billion during the quarter ended December 31, 2019. Average deposits increased \$13.0 million, or 4.4% annualized compared to the \$1.18 billion for the quarter ended September 30, 2020.
- Nonperforming assets as percentage of total assets was 0.27% at December 31, 2020, 0.31% at September 30, 2020, and 0.39% at December 31, 2019.
- Past due loans as percentage of total loans was 0.57% at December 31, 2020, 0.39% at September 30, 2020, and 0.47% at December 31, 2019.
- The Company held approximately \$9.2 million in loans, representing 0.7% of the total loan portfolio as of December 31, 2020, which had been modified as either a deferment of principal or principal and interest since the beginning of the pandemic. Of the \$9.2 million in loans, \$1.2 million qualify as modifications under the CARES Act. The remaining \$8.0 million represents three loans that are classified as troubled debt restructurings.

## Mortgage Banking Segment

- Pre-tax income totaled \$28.3 million for the quarter ended December 31, 2020, compared to \$3.4 million for the quarter ended December 31, 2019.
- Loan originations increased \$505.2 million, or 65.0%, to \$1.28 billion during the quarter ended December 31, 2020, compared to \$777.1 million during the quarter ended December 31, 2019. Origination volume relative to purchase activity accounted for 59.2% of originations for the quarter

ended December 31, 2020 compared to 72.1% of total originations for the quarter ended December 31, 2019.

- Mortgage banking income increased \$36.1 million, or 111.2%, to \$68.5 million for the quarter ended December 31, 2020, compared to \$32.4 million for the quarter ended December 31, 2019.
- Gross margin on loans sold increased to 5.40% for the quarter ended December 31, 2020, compared to 4.27% for the quarter ended December 31, 2019.

## **Recent Developments:**

### **COVID-19 Pandemic and the CARES Act**

The Coronavirus Aid, Relief and Economic Security (“CARES”) Act, signed into law at the end of March 2020, allowed for a temporary delay in the adoption of accounting guidance under Accounting Standards Codification Topic 326, “Financial Instruments – Credit Losses (“CECL”) until the earlier of December 31, 2020 or the end of the COVID-19 national emergency. During the quarter ended March 31, 2020, pursuant to the CARES Act and guidance from the Securities and Exchange Commission (“SEC”) and Financial Accounting Standards Board (“FASB”), we elected to delay adoption of CECL. On December 27, 2020, the Consolidated Appropriations Act, 2021 was signed into law. Among other provisions, this Act extended the temporary delay on the adoption of CECL until the earlier of January 1, 2022 or the end of the COVID-19 national emergency. We have elected to delay adoption of CECL. As a result, our financial statements for the quarter and year ended December 31, 2020 include an allowance for loan losses that was prepared under the existing incurred loss methodology.

### **About Waterstone Financial, Inc.**

Waterstone Financial, Inc. is the savings and loan holding company for WaterStone Bank. WaterStone Bank was established in 1921 and offers a full suite of personal and business banking products. The Bank has branches in Wauwatosa/State St, Brookfield, Fox Point/North Shore, Franklin/Hales Corners, Germantown/Menomonee Falls, Greenfield/Loomis Rd, Milwaukee/Oklahoma Ave, Oak Creek/27th St, Oak Creek/Howell Ave, Oconomowoc/Lake Country, Pewaukee, Waukesha, West Allis/Greenfield Ave, and West Allis/National Ave, Wisconsin. WaterStone Bank is the parent company to Waterstone Mortgage, which has the ability to lend in 48 states. For more information about WaterStone Bank, go to <http://www.wsbonline.com>.

### **Forward-Looking Statements**

This press release contains statements or information that may constitute forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include, without limitation, statements regarding expected financial and operating activities and results that are preceded by, followed by, or that include words such as “may,” “expects,” “anticipates,” “estimates” or “believes.” Any such statements are based upon current expectations that involve a number of risks and uncertainties and are subject to important factors that could cause actual results to differ materially from those anticipated by the forward-looking statements. Factors that might cause such a difference include changes in interest rates; demand for products and services; the degree of competition by traditional and nontraditional competitors; changes in banking regulation or actions by bank

regulators; changes in tax laws; the impact of technological advances; governmental and regulatory policy changes; the outcomes of contingencies; trends in customer behavior as well as their ability to repay loans; changes in local real estate values; changes in the national and local economies, including significant disruption to financial market and other economic activity caused by the outbreak of COVID-19; and other factors, including risk factors referenced in Item 1A. Risk Factors in Waterstone's most recent Annual Report on Form 10-K and as may be described from time to time in Waterstone's subsequent SEC filings, which factors are incorporated herein by reference. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect only Waterstone's belief as of the date of this press release.

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

|  | <b>For The Three Months<br/>Ended December 31,</b> |             | <b>For The Year Ended<br/>December 31,</b> |             |
|--|--|-------------|--|-------------|
|  | <b>2020</b>  | <b>2019</b> | <b>2020</b>                                | <b>2019</b> |
| (In Thousands, except per share amounts)                       |  |             |  |             |
| Interest income:   |  |             |  |             |
| Loans  | \$ 18,229  | \$ 18,547   | \$ 72,633                                  | \$ 72,235   |
| Mortgage-related securities                                    | 528  | 718         | 2,488                                      | 2,978       |
| Debt securities, federal funds sold and short-term investments | 870  | 1,013       | 3,363                                      | 4,528       |
| Total interest income  | 19,627   | 20,278      | 78,484                                     | 79,741      |
| Interest expense:  |  |             |  |             |
| Deposits   | 2,605  | 4,465       | 14,365                                     | 17,278      |
| Borrowings   | 2,706  | 2,687       | 10,619                                     | 10,266      |
| Total interest expense   | 5,311  | 7,152       | 24,984                                     | 27,544      |
| Net interest income  | 14,316   | 13,126      | 53,500                                     | 52,197      |
| Provision for loan losses                                      | 30   | (170)       | 6,340                                      | (900)       |
| Net interest income after provision for loan losses            | 14,286   | 13,296      | 47,160                                     | 53,097      |
| Noninterest income:  |  |             |  |             |
| Service charges on loans and deposits                          | 1,078  | 1,091       | 4,462                                      | 2,363       |
| Increase in cash surrender value of life insurance             | 318  | 356         | 1,905                                      | 1,935       |
| Mortgage banking income  | 66,953   | 32,140      | 233,245                                    | 125,666     |
| Other  | 1,537  | 222         | 4,405                                      | 786         |
| Total noninterest income                                       | 69,886   | 33,809      | 244,017                                    | 130,750     |
| Noninterest expenses:  |  |             |  |             |
| Compensation, payroll taxes, and other employee benefits       | 38,351   | 26,491      | 139,046                                    | 101,718     |
| Occupancy, office furniture, and equipment                     | 2,479  | 2,521       | 10,223                                     | 10,606      |
| Advertising  | 1,066  | 1,051       | 3,691                                      | 3,885       |
| Data processing  | 918  | 989         | 3,941                                      | 3,630       |
| Communications   | 335  | 320         | 1,329                                      | 1,359       |
| Professional fees  | 471  | 1,167       | 8,118                                      | 3,605       |
| Real estate owned  | (63)   | (221)       | (8)  | (146)       |
| Loan processing expense  | 1,026  | 746         | 4,646                                      | 3,288       |
| Other  | 2,580  | 2,273       | 12,075                                     | 8,328       |
| Total noninterest expenses                                     | 47,163   | 35,337      | 183,061                                    | 136,273     |
| Income before income taxes                                     | 37,009   | 11,768      | 108,116                                    | 47,574      |
| Income tax expense   | 9,174  | 2,974       | 26,971                                     | 11,671      |
| Net income   | \$ 27,835  | \$ 8,794    | \$ 81,145                                  | \$ 35,903   |
| Income per share:  |  |             |  |             |
| Basic  | \$ 1.17  | \$ 0.34     | \$ 3.32                                    | \$ 1.38     |
| Diluted  | \$ 1.17  | \$ 0.34     | \$ 3.30                                    | \$ 1.37     |
| Weighted average shares outstanding:                           |  |             |  |             |
| Basic  | 23,703   | 25,586      | 24,464                                     | 26,021      |
| Diluted  | 23,877   | 25,852      | 24,607                                     | 26,247      |

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

|  | December 31,<br>2020                     | December 31,<br>2019 |
|--|--|----------------------|
|  | (Unaudited)                              |                      |
|  | (In Thousands, except per share amounts) |                      |
| <b>Assets</b>  |  |                      |
| Cash   | \$ 56,190                                | \$ 52,814            |
| Federal funds sold   | 18,847                                   | 12,704               |
| Interest-earning deposits in other financial institutions and other short term investments | 19,730                                   | 8,782                |
| Cash and cash equivalents  | 94,767                                   | 74,300               |
| Securities available for sale (at fair value)  | 159,619                                  | 178,476              |
| Loans held for sale (at fair value)  | 402,003                                  | 220,123              |
| Loans receivable   | 1,375,137                                | 1,388,031            |
| Less: Allowance for loan losses  | 18,823                                   | 12,387               |
| Loans receivable, net  | 1,356,314                                | 1,375,644            |
| Office properties and equipment, net   | 23,722                                   | 25,028               |
| Federal Home Loan Bank stock (at cost)   | 26,720                                   | 21,150               |
| Cash surrender value of life insurance   | 63,573                                   | 69,665               |
| Real estate owned, net   | 322                                      | 748                  |
| Prepaid expenses and other assets  | 57,547                                   | 31,213               |
| Total assets   | \$ 2,184,587                             | \$ 1,996,347         |
| <b>Liabilities and Shareholders' Equity</b>  |  |                      |
| Liabilities:   |  |                      |
| Demand deposits  | \$ 188,225                               | \$ 130,063           |
| Money market and savings deposits  | 295,317                                  | 197,942              |
| Time deposits  | 701,328                                  | 739,771              |
| Total deposits   | 1,184,870                                | 1,067,776            |
| Borrowings   | 508,074                                  | 483,562              |
| Advance payments by borrowers for taxes  | 3,522                                    | 4,212                |
| Other liabilities  | 75,003                                   | 47,111               |
| Total liabilities  | 1,771,469                                | 1,602,661            |
| Shareholders' equity:  |  |                      |
| Preferred stock  | -  | -                    |
| Common stock   | 251                                      | 271                  |
| Additional paid-in capital   | 180,684                                  | 211,997              |
| Retained earnings  | 245,287                                  | 197,393              |
| Unearned ESOP shares   | (15,430)                                 | (16,617)             |
| Accumulated other comprehensive income, net of taxes                                       | 2,326                                    | 642                  |
| Total shareholders' equity   | 413,118                                  | 393,686              |
| Total liabilities and shareholders' equity   | \$ 2,184,587                             | \$ 1,996,347         |
| <b>Share Information</b>   |  |                      |
| Shares outstanding   | 25,088                                   | 27,148               |
| Book value per share   | \$ 16.47                                 | \$ 14.50             |
| Closing market price   | \$ 18.82                                 | \$ 19.03             |
| Price to book ratio  | 114.27%                                  | 131.24%              |

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

|  | At or For the Three Months Ended |                       |                  |                   |                      |
|--|----------------------------------|-----------------------|------------------|-------------------|----------------------|
|  | December 31,<br>2020             | September 30,<br>2020 | June 30,<br>2020 | March 31,<br>2020 | December 31,<br>2019 |
| (Dollars in Thousands, except per share amounts) |                                  |                       |                  |                   |                      |
| <b>Condensed Results of Operations:</b>          |                                  |                       |                  |                   |                      |
| Net interest income                              | \$ 14,316                        | \$ 13,409             | \$ 13,249        | \$ 12,526         | \$ 13,126            |
| Provision for loan losses                        | 30                               | 1,025                 | 4,500            | 785               | (170)                |
| Total noninterest income                         | 69,886                           | 75,763                | 66,904           | 31,464            | 33,809               |
| Total noninterest expense                        | 47,163                           | 53,001                | 47,689           | 35,208            | 35,337               |
| Income before income taxes                       | 37,009                           | 35,146                | 27,964           | 7,997             | 11,768               |
| Income tax expense                               | 9,174                            | 8,853                 | 7,016            | 1,928             | 2,974                |
| Net income                                       | \$ 27,835                        | \$ 26,293             | \$ 20,948        | \$ 6,069          | \$ 8,794             |
| Income per share – basic                         | \$ 1.17                          | \$ 1.08               | \$ 0.86          | \$ 0.24           | \$ 0.34              |
| Income per share – diluted                       | \$ 1.17                          | \$ 1.08               | \$ 0.85          | \$ 0.24           | \$ 0.34              |
| Dividends declared per share                     | \$ 0.50                          | \$ 0.12               | \$ 0.12          | \$ 0.62           | \$ 0.12              |
| <b>Performance Ratios (annualized):</b>          |                                  |                       |                  |                   |                      |
| Return on average assets - QTD                   | 4.96%                            | 4.78%                 | 3.87%            | 1.21%             | 1.75%                |
| Return on average equity - QTD                   | 27.11%                           | 26.30%                | 22.39%           | 6.24%             | 8.91%                |
| Net interest margin - QTD                        | 2.73%                            | 2.63%                 | 2.62%            | 2.68%             | 2.79%                |
| Return on average assets - YTD                   | 3.77%                            | 3.35%                 | 2.59%            | 1.21%             | 1.82%                |
| Return on average equity - YTD                   | 20.18%                           | 18.02%                | 14.03%           | 6.24%             | 9.14%                |
| Net interest margin - YTD                        | 2.67%                            | 2.64%                 | 2.65%            | 2.68%             | 2.83%                |
| <b>Asset Quality Ratios:</b>                     |                                  |                       |                  |                   |                      |
| Past due loans to total loans                    | 0.57%                            | 0.39%                 | 0.45%            | 0.78%             | 0.47%                |
| Nonaccrual loans to total loans                  | 0.40%                            | 0.42%                 | 0.39%            | 0.48%             | 0.51%                |
| Nonperforming assets to total assets             | 0.27%                            | 0.31%                 | 0.28%            | 0.36%             | 0.39%                |
| Allowance for loan losses to loans receivable    | 1.37%                            | 1.31%                 | 1.24%            | 0.94%             | 0.89%                |

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

|  | At or For the Three Months Ended |                       |                  |                   |                      |
|--|----------------------------------|-----------------------|------------------|-------------------|----------------------|
|  | December 31,<br>2020             | September 30,<br>2020 | June 30,<br>2020 | March 31,<br>2020 | December 31,<br>2019 |
| <b>Average balances</b>  | (Dollars in Thousands)           |                       |                  |                   |                      |
| Interest-earning assets  |                                  |                       |                  |                   |                      |
| Loans receivable and held for sale                             | \$ 1,775,455                     | \$ 1,766,715          | \$ 1,759,970     | \$ 1,562,097      | \$ 1,573,190         |
| Mortgage related securities                                    | 91,199                           | 96,529                | 105,727          | 112,089           | 110,426              |
| Debt securities, federal funds sold and short term investments | 217,356                          | 166,160               | 164,306          | 206,485           | 183,447              |
| Total interest-earning assets                                  | 2,084,010                        | 2,029,404             | 2,030,003        | 1,880,671         | 1,867,063            |
| Noninterest-earning assets                                     | 147,573                          | 160,526               | 147,342          | 132,283           | 125,904              |
| Total assets   | \$ 2,231,583                     | \$ 2,189,930          | \$ 2,177,345     | \$ 2,012,954      | \$ 1,992,967         |
| Interest-bearing liabilities                                   |                                  |                       |                  |                   |                      |
| Demand accounts  | \$ 53,771                        | \$ 50,590             | \$ 45,289        | \$ 39,886         | \$ 38,650            |
| Money market, savings, and escrow accounts                     | 304,467                          | 282,349               | 252,500          | 218,942           | 215,332              |
| Certificates of deposit  | 726,132                          | 741,265               | 730,573          | 734,147           | 737,726              |
| Total interest-bearing deposits                                | 1,084,370                        | 1,074,204             | 1,028,362        | 992,975           | 991,708              |
| Borrowings   | 546,070                          | 531,588               | 609,863          | 495,595           | 485,482              |
| Total interest-bearing liabilities                             | 1,630,440                        | 1,605,792             | 1,638,225        | 1,488,570         | 1,477,190            |
| Noninterest-bearing demand deposits                            | 128,665                          | 129,911               | 115,605          | 92,627            | 85,815               |
| Noninterest-bearing liabilities                                | 64,001                           | 56,451                | 47,140           | 40,609            | 38,580               |
| Total liabilities  | 1,823,106                        | 1,792,154             | 1,800,970        | 1,621,806         | 1,601,585            |
| Equity   | 408,477                          | 397,776               | 376,375          | 391,148           | 391,382              |
| Total liabilities and equity                                   | \$ 2,231,583                     | \$ 2,189,930          | \$ 2,177,345     | \$ 2,012,954      | \$ 1,992,967         |
| <b>Average Yield/Costs (annualized)</b>                        |                                  |                       |                  |                   |                      |
| Loans receivable and held for sale                             | 4.08%                            | 4.10%                 | 4.23%            | 4.55%             | 4.68%                |
| Mortgage related securities                                    | 2.30%                            | 2.42%                 | 2.55%            | 2.52%             | 2.58%                |
| Debt securities, federal funds sold and short term investments | 1.59%                            | 1.75%                 | 1.71%            | 2.07%             | 2.19%                |
| Total interest-earning assets                                  | 3.75%                            | 3.83%                 | 3.93%            | 4.16%             | 4.31%                |
| Demand accounts  | 0.07%                            | 0.09%                 | 0.08%            | 0.08%             | 0.10%                |
| Money market and savings accounts                              | 0.53%                            | 0.67%                 | 0.74%            | 0.78%             | 0.66%                |
| Certificates of deposit  | 1.20%                            | 1.62%                 | 1.91%            | 2.13%             | 2.20%                |
| Total interest-bearing deposits                                | 0.96%                            | 1.29%                 | 1.54%            | 1.75%             | 1.79%                |
| Borrowings   | 1.97%                            | 1.98%                 | 1.76%            | 2.12%             | 2.20%                |
| Total interest-bearing liabilities                             | 1.30%                            | 1.52%                 | 1.62%            | 1.87%             | 1.92%                |



**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, |
|  | 2020                             | 2020          | 2020      | 2020      | 2019         |
|  | (Dollars in Thousands)           |               |           |           |              |
| <b>Condensed Results of Operations:</b>                  |                                  |               |           |           |              |
| Net interest income                                      | \$ 14,546                        | \$ 13,461     | \$ 13,701 | \$ 12,908 | \$ 13,472    |
| Provision for loan losses                                | -                                | 1,000         | 4,325     | 750       | (200)        |
| Total noninterest income                                 | 1,655                            | 3,104         | 2,936     | 1,028     | 1,645        |
| Noninterest expenses:                                    |                                  |               |           |           |              |
| Compensation, payroll taxes, and other employee benefits | 5,159                            | 5,000         | 4,906     | 5,168     | 4,693        |
| Occupancy, office furniture and equipment                | 934                              | 874           | 866       | 1,014     | 894          |
| Advertising  | 244                              | 252           | 297       | 248       | 317          |
| Data processing  | 511                              | 490           | 678       | 605       | 583          |
| Communications   | 110                              | 113           | 91        | 97        | 93           |
| Professional fees  | 5                                | 266           | 226       | 198       | 162          |
| Real estate owned  | (63)                             | 11            | 33        | 11        | (251)        |
| Loan processing expense                                  | -                                | -             | -         | -         | -            |
| Other  | 577                              | 818           | 532       | 580       | 498          |
| Total noninterest expense                                | 7,477                            | 7,824         | 7,629     | 7,921     | 6,989        |
| Income before income taxes                               | 8,724                            | 7,741         | 4,683     | 5,265     | 8,328        |
| Income tax expense                                       | 1,926                            | 1,565         | 574       | 1,154     | 2,033        |
| Net income   | \$ 6,798                         | \$ 6,176      | \$ 4,109  | \$ 4,111  | \$ 6,295     |
| Efficiency ratio - QTD                                   | 46.15%                           | 47.23%        | 45.86%    | 56.84%    | 46.23%       |
| Efficiency ratio - YTD                                   | 48.71%                           | 49.59%        | 50.86%    | 56.84%    | 47.74%       |

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

| At or For the Three Months Ended |                       |                  |                   |                      |
|----------------------------------|-----------------------|------------------|-------------------|----------------------|
| December 31,<br>2020             | September 30,<br>2020 | June 30,<br>2020 | March 31,<br>2020 | December 31,<br>2019 |

(Dollars in Thousands)

**Condensed Results of Operations:**

|  |           |           |           |          |          |
|--|-----------|-----------|-----------|----------|----------|
| Net interest income                                      | \$ (223)  | \$ (58)   | \$ (511)  | \$ (379) | \$ (399) |
| Provision for loan losses                                | 30        | 25        | 175       | 35       | 30       |
| Total noninterest income                                 | 68,500    | 73,143    | 64,218    | 30,798   | 32,440   |
| Noninterest expenses:                                    |           |           |           |          |          |
| Compensation, payroll taxes, and other employee benefits | 33,347    | 34,559    | 32,139    | 19,387   | 21,975   |
| Occupancy, office furniture and equipment                | 1,545     | 1,595     | 1,668     | 1,727    | 1,627    |
| Advertising  | 822       | 609       | 567       | 652      | 734      |
| Data processing  | 402       | 426       | 413       | 395      | 402      |
| Communications   | 225       | 226       | 226       | 241      | 227      |
| Professional fees  | 441       | 4,465     | 850       | 1,620    | 1,000    |
| Real estate owned  | -         | -         | -         | -        | 30       |
| Loan processing expense                                  | 1,026     | 1,336     | 1,208     | 1,076    | 746      |
| Other  | 2,110     | 2,444     | 3,239     | 2,552    | 1,918    |
| Total noninterest expense                                | 39,918    | 45,660    | 40,310    | 27,650   | 28,659   |
| Income before income taxes                               | 28,329    | 27,400    | 23,222    | 2,734    | 3,352    |
| Income tax expense                                       | 7,252     | 7,284     | 6,440     | 768      | 921      |
| Net income   | \$ 21,077 | \$ 20,116 | \$ 16,782 | \$ 1,966 | \$ 2,431 |

|                        |        |        |        |        |        |
|------------------------|--------|--------|--------|--------|--------|
| Efficiency ratio - QTD | 58.46% | 62.48% | 63.27% | 90.90% | 89.44% |
| Efficiency ratio - YTD | 65.20% | 67.95% | 72.70% | 90.90% | 87.47% |

|   |              |              |              |            |            |
|---|--------------|--------------|--------------|------------|------------|
| Loan originations                         | \$ 1,282,321 | \$ 1,296,725 | \$ 1,142,683 | \$ 708,840 | \$ 777,073 |
| Purchase                                  | 59.2%        | 64.1%        | 55.5%        | 68.3%      | 72.1%      |
| Refinance                                 | 40.8%        | 35.9%        | 44.5%        | 31.7%      | 27.9%      |
| Gross margin on loans sold <sup>(1)</sup> | 5.40%        | 5.44%        | 5.45%        | 4.08%      | 4.27%      |

(1) - Gross margin on loans sold equals mortgage banking income (excluding the change in interest rate lock value) divided by total loan originations