

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

	For The Three Months Ended December 31,		For The Year Ended December 31,	
	2017	2016	2017	2016
	(In Thousands, except per share amounts)			
Interest income:				
Loans	\$ 15,746	14,574	60,824	57,185
Mortgage-related securities	625	677	2,646	3,048
Debt securities, federal funds sold and short-term investments	945	811	3,625	3,503
Total interest income	17,316	16,062	67,095	63,736
Interest expense:				
Deposits	2,125	1,887	7,739	7,364
Borrowings	1,867	2,204	8,623	12,928
Total interest expense	3,992	4,091	16,362	20,292
Net interest income	13,324	11,971	50,733	43,444
Provision for loan losses	-	40	(1,166)	380
Net interest income after provision for loan losses	13,324	11,931	51,899	43,064
Noninterest income:				
Service charges on loans and deposits	477	490	1,625	2,232
Increase in cash surrender value of life insurance	331	321	1,807	1,767
Loss on sale of available for sale securities	-	-	(107)	-
Mortgage banking income	27,270	29,923	120,044	121,069
Other	103	423	1,044	1,297
Total noninterest income	28,181	31,157	124,413	126,365
Noninterest expenses:				
Compensation, payroll taxes, and other employee benefits	23,352	24,088	97,084	95,056
Occupancy, office furniture, and equipment	2,591	2,273	10,178	9,347
Advertising	919	769	3,333	2,743
Data processing	585	623	2,439	2,520
Communications	390	374	1,560	1,462
Professional fees	703	649	2,656	2,135
Real estate owned	121	55	379	399
FDIC insurance premiums	133	115	499	615
Other	3,524	3,495	13,751	13,158
Total noninterest expenses	32,318	32,441	131,879	127,435
Income before income taxes	9,187	10,647	44,433	41,994
Income tax expense	6,072	4,248	18,469	16,462
Net income	\$ 3,115	6,399	25,964	25,532
Income per share:				
Basic	\$ 0.11	0.23	0.95	0.94
Diluted	\$ 0.11	0.23	0.93	0.93
Weighted average shares outstanding:				
Basic	27,522	27,217	27,467	27,037
Diluted	27,914	27,699	27,899	27,374

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

	December 31,	December 31,
	2017	2016
	(Unaudited)	
	(In Thousands, except per share amounts)	
Assets		
Cash	\$ 22,306	\$ 7,878
Federal funds sold	17,034	26,828
Interest-earning deposits in other financial institutions and other short term investments	9,267	12,511
Cash and cash equivalents	48,607	47,217
Securities available for sale (at fair value)	199,707	226,795
Loans held for sale (at fair value)	149,896	225,248
Loans receivable	1,291,814	1,177,884
Less: Allowance for loan losses	14,077	16,029
Loans receivable, net	1,277,737	1,161,855
Office properties and equipment, net	22,941	23,655
Federal Home Loan Bank stock (at cost)	16,875	13,275
Cash surrender value of life insurance	65,996	61,509
Real estate owned, net	4,558	6,118
Prepaid expenses and other assets	20,084	24,947
Total assets	\$ 1,806,401	\$ 1,790,619
Liabilities and Shareholders' Equity		
Liabilities:		
Demand deposits	\$ 129,597	\$ 120,371
Money market and savings deposits	148,804	162,456
Time deposits	688,979	666,584
Total deposits	967,380	949,411
Borrowings	386,285	387,155
Advance payments by borrowers for taxes	4,876	4,716
Other liabilities	35,756	38,647
Total liabilities	1,394,297	1,379,929
Shareholders' equity:		
Common stock	295	294
Additional paid-in capital	326,655	322,934
Retained earnings	183,358	184,565
Unearned ESOP shares	(18,991)	(20,178)
Accumulated other comprehensive loss, net of taxes	(477)	(378)
Cost of shares repurchased	(78,736)	(76,547)
Total shareholders' equity	412,104	410,690
Total liabilities and shareholders' equity	\$ 1,806,401	\$ 1,790,619
Share Information		
Shares Outstanding	29,501	29,430
Book Value per share	\$ 13.97	\$ 13.95
Closing market price	\$ 17.05	\$ 18.40
Price to book ratio	122.05%	131.85%

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

	At or For the Three Months Ended				
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
(Dollars in Thousands)					
Condensed Results of Operations:					
Net interest income	\$ 13,324	13,033	12,481	11,895	11,971
Provision for loan losses	-	20	25	(1,211)	40
Total noninterest income	28,181	33,054	37,241	25,937	31,157
Total noninterest expense	32,318	34,316	36,187	29,058	32,441
Income before income taxes	9,187	11,751	13,510	9,985	10,647
Income tax expense	6,072	4,362	4,622	3,413	4,248
Net income	\$ 3,115	7,389	8,888	6,572	6,399
Income per share – basic	\$ 0.11	0.27	0.32	0.24	0.23
Income per share – diluted	\$ 0.11	0.26	0.32	0.24	0.23
Dividends declared per share	\$ 0.12	0.12	0.62	0.12	0.12
Performance Ratios:					
Return on average assets - QTD	0.67%	1.56%	1.99%	1.54%	1.44%
Return on average equity - QTD	2.98%	7.12%	8.70%	6.44%	6.19%
Net interest margin - QTD	3.08%	2.95%	3.00%	2.97%	2.88%
Community Banking Segment					
Efficiency ratio - QTD	48.36%	47.78%	48.76%	55.69%	51.00%
Return on average assets - YTD	1.43%	1.70%	1.77%	1.54%	1.45%
Return on average equity - YTD	6.32%	7.42%	7.56%	6.44%	6.33%
Net interest margin - YTD	3.00%	2.97%	2.98%	2.97%	2.64%
Community Banking Segment					
Efficiency ratio - YTD	49.98%	50.56%	52.09%	55.69%	55.40%
Asset Quality Ratios:					
Past due loans to total loans	0.45%	0.71%	0.74%	0.71%	0.70%
Non accrual loans to total loans	0.47%	0.56%	0.70%	0.67%	0.84%
Non performing assets to total assets	0.59%	0.62%	0.71%	0.76%	0.89%

**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>