



INVESTOR PRESENTATION

AUGUST 2016

This presentation contains comments or information that may constitute forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on current expectations that involve a number of risks and uncertainties. These forward-looking statements are subject to a number of factors and uncertainties which could cause Waterstone Financial, Inc. (“WSBF”) actual results and experience to differ from the anticipated results and expectations expressed in such forward-looking statements. Forward-looking statements speak only as of the date they are made and WSBF does not assume any duty to update forward looking statements. These forward-looking statements include, but are not limited to, statements about WSBF’s plans, objectives, expectations and intentions and other statements contained in this presentation that are not historical facts. Statements identified by words such as “expects,” “anticipates,” “will,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “targets,” “positioned,” “projects” or words of similar meaning generally are intended to identify forward-looking statements. Management's determination of the provision and allowance for loan losses, goodwill, and the fair value of investment securities involve judgments that are inherently forward-looking. These statements are based upon the current beliefs and expectations of WSBF’s management and are inherently subject to significant business, economic and competitive risks and uncertainties, many of which are beyond their control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Actual results may differ materially from those indicated or implied in the forward-looking statements. Additional information concerning risks is contained in WSBF’s most recently filed Annual Report on Form 10-K, subsequent Quarterly Reports on Form 10-Q, recent Current Reports on Form 8-K and other SEC filings.

1921

Wauwatosa Savings &
Loan founded

2005

Initial Public Offering
of \$100 million

2006

Purchase Waterstone
Mortgage

2014

Complete \$253 million
second-step

MARKET CAPITALIZATION \$447.1 million

BOOK VALUE PER SHARE \$13.74

**CLOSING PRICE/
TANGIBLE BOOK VALUE** 111.8%

DIVIDEND YIELD 2.09%

TOTAL ASSETS \$1.8 billion

TOTAL LOANS \$1.1 billion

TOTAL DEPOSITS \$942.7 million

TOTAL EQUITY \$400.6

**TANGIBLE COMMON EQUITY/
TANGIBLE ASSETS** 22.63%

**TOTAL RISK BASED
CAPITAL RATIO** 33.17%



DOUG S. GORDON

*Chief Executive Officer & President
Waterstone Financial Inc.
WaterStone Bank SSB*

- Joined WaterStone Bank in 2005
- Chief Executive Officer since 2007
- More than 33 years of financial experience



REBECCA M. ARNDT

*Chief Retail Banking & Investment Services Officer &
Senior Vice President
WaterStone Bank SSB*

- Joined WaterStone Bank in 2006
- Head of Retail Banking & Investment Services
- More than 26 years of financial experience



WILLIAM F. BRUSS

*Chief Operating Officer, General Counsel & Secretary
Waterstone Financial Inc.
WaterStone Bank SSB*

- Joined WaterStone Bank in 1997
- Chief Operating Officer since 2013
- More than 19 years of financial experience



DON BRAY

*Chief Information Officer & Senior Vice President
WaterStone Bank SSB*

- Joined WaterStone Bank in 2007
- Chief Information Officer since 2007
- More than 17 years of financial experience



MARK R. GERKE

*Chief Financial Officer
Waterstone Financial Inc.
WaterStone Bank SSB*

- Joined WaterStone Bank in 2005
- Chief Financial Officer since 2016
- More than 18 years of financial experience



DAVID R. PROVANCHER

*Chief Credit Officer & Senior Vice President
WaterStone Bank SSB*

- Joined WaterStone Bank in 2008
- Chief Credit Officer since 2008
- More than 31 years of financial experience

CAPITAL DEPLOYMENT



- Repurchase Program ⁽¹⁾
- Organic Growth
- Acquisitions
- Dividends

ASSET / LIABILITY GROWTH & OPTIMIZATION



- Growth in C&I and CRE as we transition from residential lender
- Drive change in funding mix to lower cost of funds and increase franchise value

MORTGAGE BANKING



- Focus on high margin purchase product to add to franchise value
- Growth targeted on geographic diversification

(1) As of June 30, 2016, approximately 5.8 million shares have been repurchased to date at an average price of \$12.96 per share. This represents 17% of shares outstanding as of December 31, 2014.

INSTITUTIONAL INVESTORS 7.2% - Renaissance Technologies

5.7% - Arles Partners LP

WSBF INSIDERS 7.7% - Directors and Executives

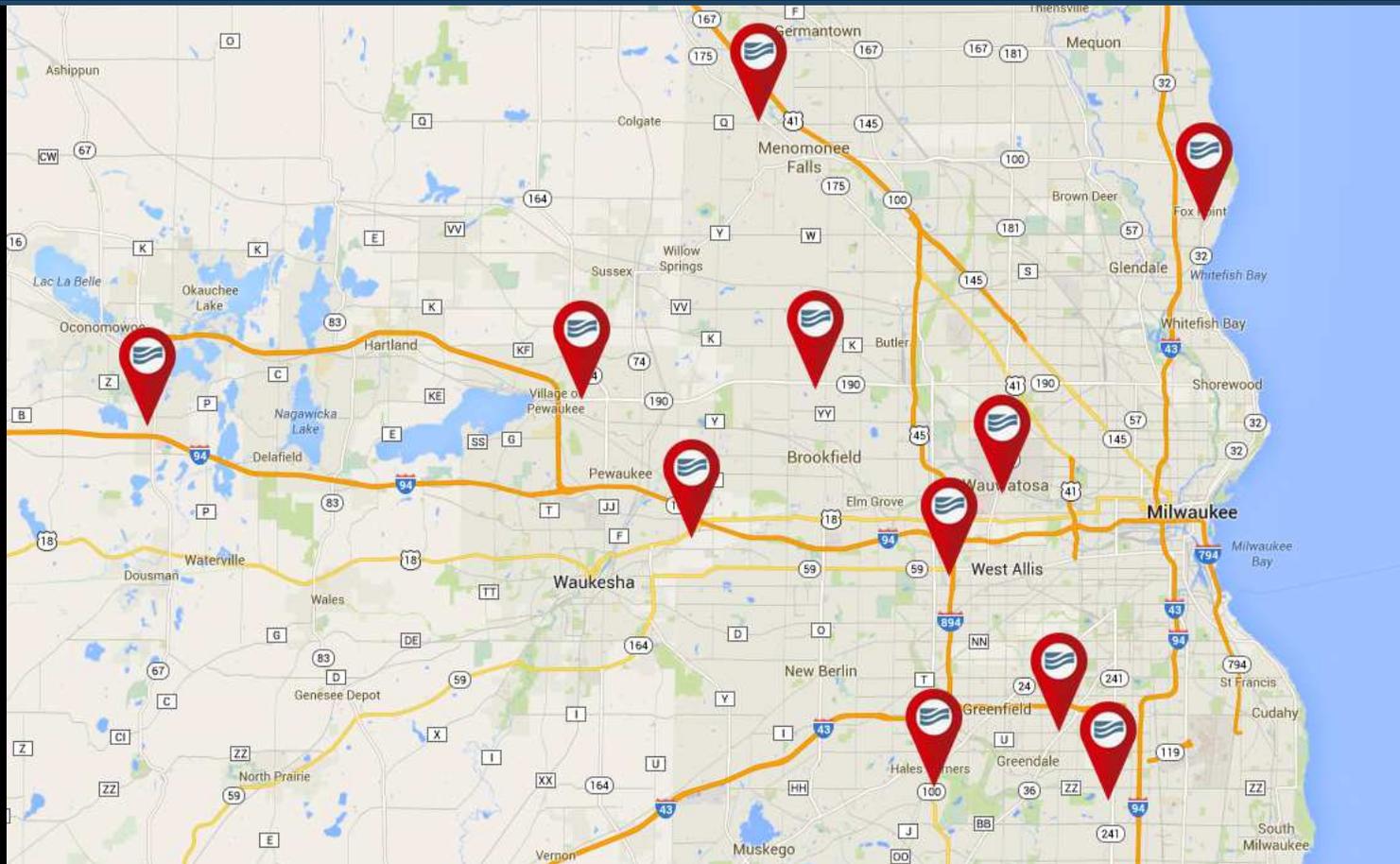
8.7% - WaterStone Bank SSB ESOP
and 401k Plans

	At or for the Year Ended			At or for the Six Months Ended	
	2013	2014	2015	2015	2016
Net Income	\$14,708	\$12,732	\$16,570	\$8,300	\$11,628
Return on Average Assets	0.90%	0.71%	0.94%	0.95%	1.34%
Return on Average Equity	7.01%	2.89%	3.99%	3.83%	5.89%
Return on Adjusted Average Equity*	10.57%	8.32%	11.10%	11.18%	15.81%
Earnings Per Diluted Shares	\$0.43	\$0.38	\$0.56	\$0.26	\$0.43
Earnings Per Diluted Share (TTM)	\$0.43	\$0.38	\$0.56	\$0.48	\$0.73
Closing Price per Share	\$10.12	\$13.15	\$14.10	\$13.20	\$15.33
Price Earnings Ratio (TTM)	23.5	34.6	25.2	27.5	21.0
Closing Price/Tangible Book	148.3%	100.7%	106.0%	101.1%	111.8%

*Assumes an equity ratio of 8.5%

ASSETS	\$1.8 billion
EMPLOYEES	179
RETAIL BRANCHES	11
LOANS	\$1.1 billion
CORE DEPOSITS TO TOTAL DEPOSITS	75%
TRANSACTION DEPOSITS TO TOTAL DEPOSITS	28%
EFFICIENCY RATIO	60.8%
TOTAL CAPITAL RATIO	21.06%
TOTAL RISK BASED CAPITAL RATIO	30.91%

	At or for the Year Ended			At or for the Six Months Ended	
	2013	2014	2015	2015	2016
Net Income	\$9,017	\$9,980	\$8,250	\$4,014	\$5,794
Average Balance of Loans	\$1,109,799	\$1,106,176	\$1,085,846	\$1,077,330	\$1,114,796
Average Non-interest Bearing Transaction Deposits	\$43,707	\$50,212	\$65,965	\$64,909	\$70,502
Average Interest-bearing Transaction Deposits	\$167,657	\$166,917	\$165,323	\$173,705	\$176,897
Core Deposits/Total Deposits	81%	77%	76%	77%	75%
Net Interest Margin	2.56%	2.44%	2.36%	2.38%	2.49%
Efficiency Ratio	55.8%	62.9%	67.8%	68.3%	60.8%
Retail Branches	8	9	11	9	11





POISED TO GROW MARKET SHARE

8th IN MARKET SHARE OUT OF INSTITUTIONS IN THE MILWAUKEE MSA

RANK	INSTITUTION	BRANCHES	DEPOSITS (\$ in Billions)	MARKET SHARE	DEPOSITS/BR ANCH (\$ in Millions)
1	U.S. Bank	53	\$25.97	40.48%	\$490.0
2	BMO Harris Bank	73	8.81	13.73%	120.6
3	JPMorgan Chase Bank	29	6.12	9.54%	211.1
4	Associated Bank	42	6.02	9.39%	143.4
5	Wells Fargo Bank	12	2.00	3.12%	166.5
6	PNC Bank	32	1.21	1.89%	37.9
7	North Shore Bank	26	0.95	1.48%	36.5
8	WaterStone Bank	11	0.92	1.43%	83.5
9	Tri City National Bank	31	0.87	1.36%	28.1
10	Town Bank	7	0.77	1.20%	110.4
11	Bank Mutual	24	0.75	1.17%	31.2
12	Park Bank	5	0.75	1.16%	149.0
13	Waukesha State Bank	20	0.74	1.15%	37.0
14	First Bank Financial Centre	12	0.72	1.13%	60.2
15	Guaranty Bank	35	0.72	1.11%	20.4
TOTAL FOR THE 52 INSTITUTIONS IN THE MARKET		550	\$64.15		

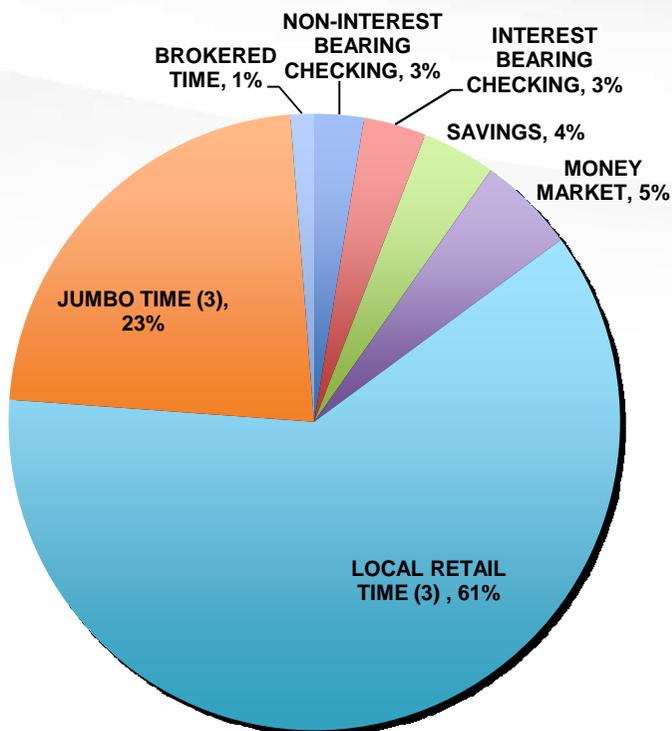
CAPACITY TO GROW IN OUR CURRENT MARKETS

YEAR ENDED	WSB BRANCHES	DEPOSITS/B RANCH (\$ in Millions)
2015	11	\$81.2
2013	8	\$107.0
NEW MARKETS ADDED DURING 2014 & 2015		
BROOKFIELD, WISCONSIN		
GREENFIELD, WISCONSIN		
FOX POINT, WISCONSIN		

MAINTAIN FOCUS ON CORE FUNDING | TRANSITION MIX TOWARDS TRANSACTION ACCOUNTS

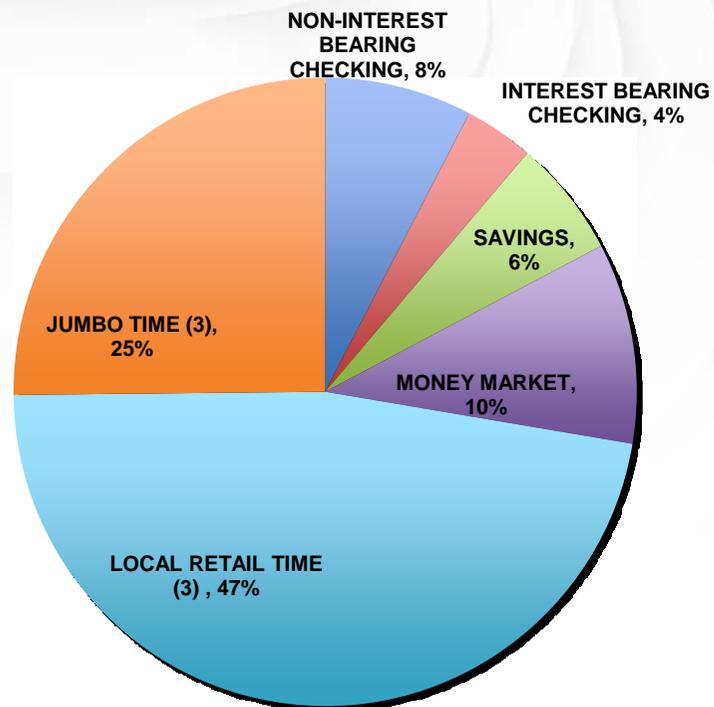
December 31, 2010

CORE DEPOSITS(1): 76%
TRANSACTION DEPOSITS(2): 15%



June 30, 2016

CORE DEPOSITS(1): 75%
TRANSACTION DEPOSITS(2): 28%



(1) Core deposits represent total deposits less brokered deposits and local jumbo time deposits.
 (2) Transaction deposits include total deposits less brokered deposits and time deposits.
 (3) Local retail time deposits are time deposits less than \$100,000. Jumbo time deposits are time deposits greater than or equal to \$100,000.



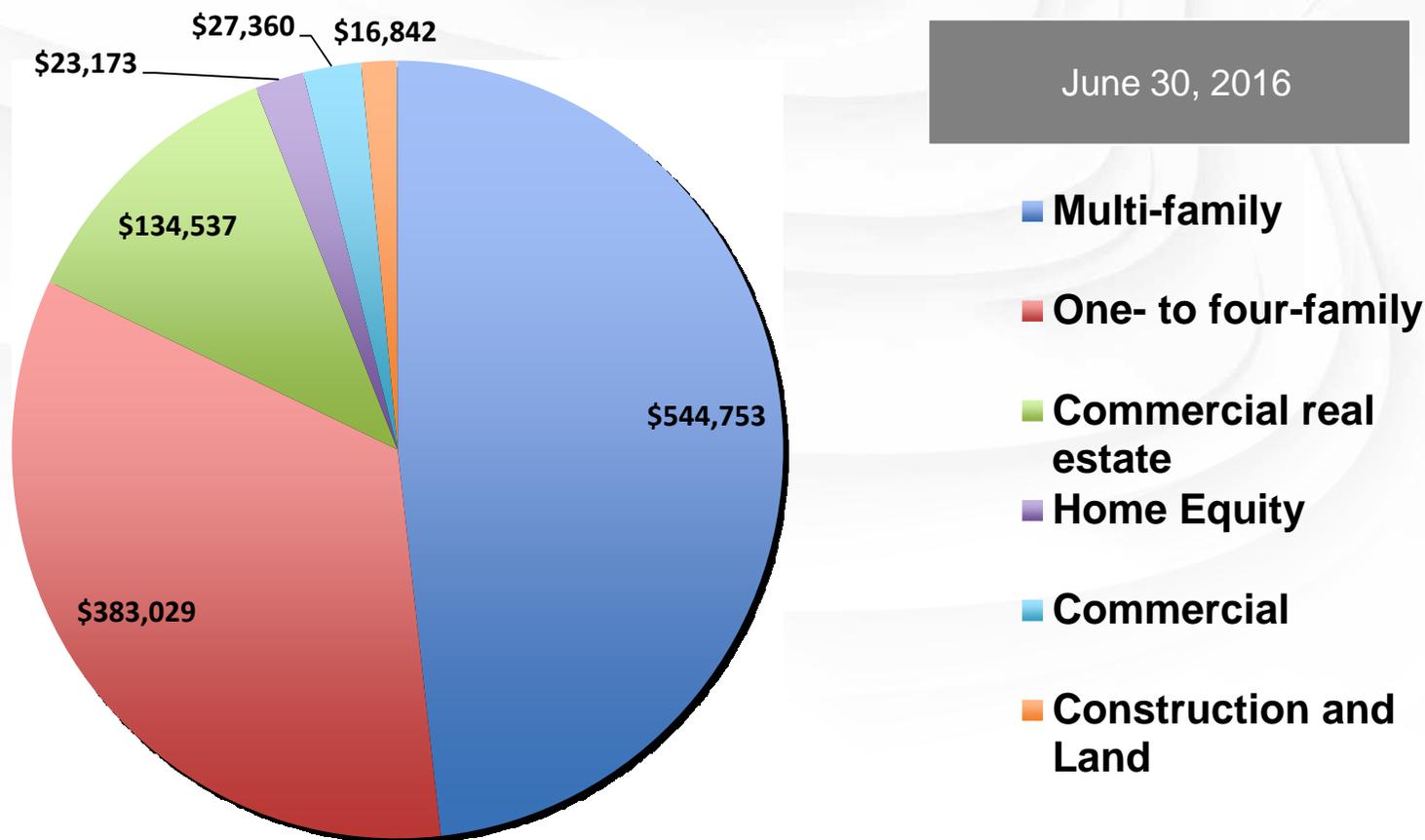
REFINANCE WHOLESALE FUNDING

Maturing wholesale funding presents an opportunity to reduce our cost of funds and drive an increase in net interest margin and profitability.

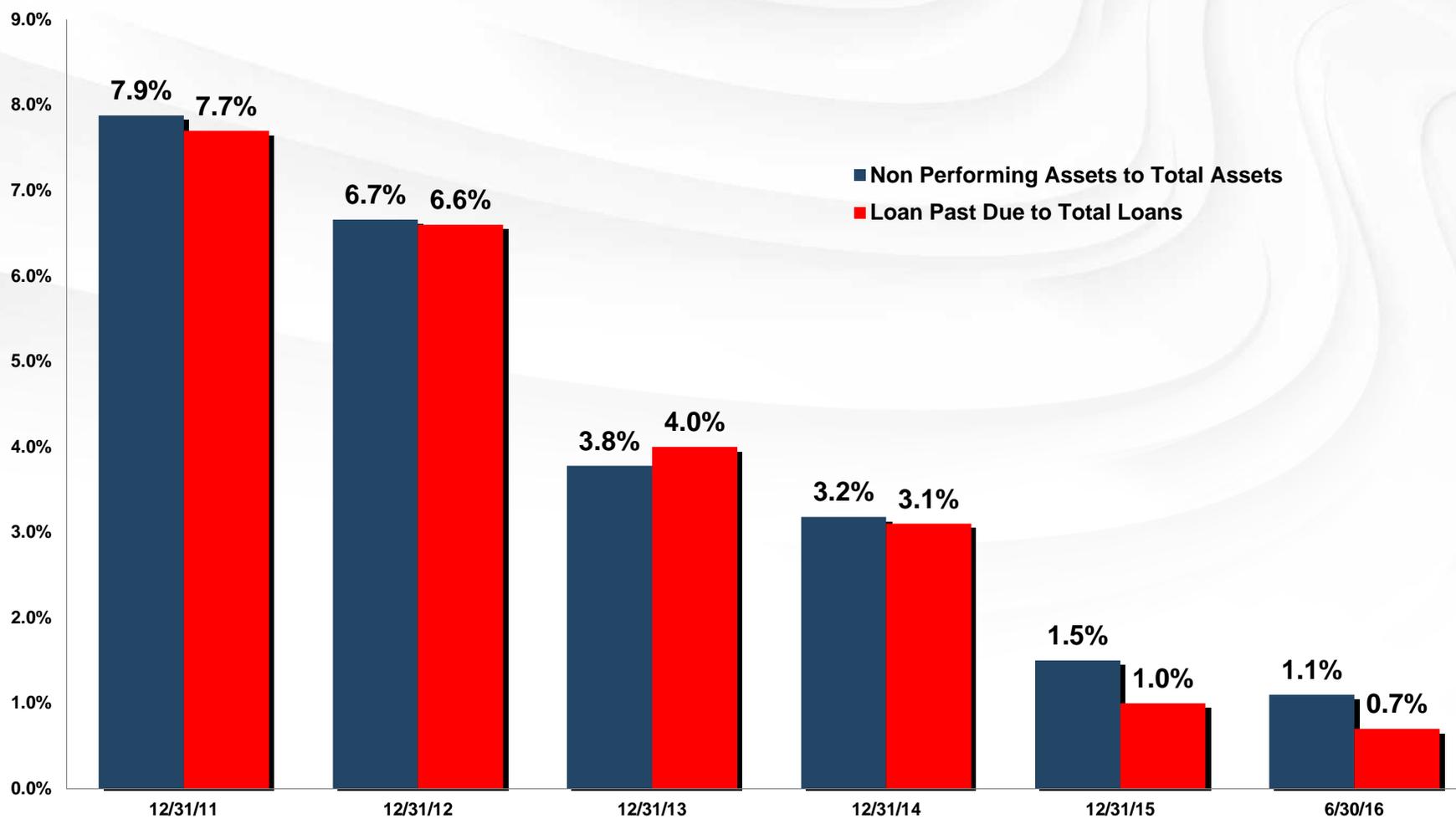
QUARTER	PRINCIPAL	RATE
<i>Matured</i>		
1Q 2016	\$50,000,000	4.01%
2Q 2016	<u>20,000,000</u>	4.49%
	70,000,000	4.15%
<i>Maturing</i>		
3Q 2016	150,000,000	4.44%
1Q 2017	24,000,000	4.21%
3Q 2017	45,000,000	4.19%
4Q 2017	80,000,000	3.14%
1Q 2018	15,000,000	2.73%
2Q 2018	<u>50,000,000</u>	3.04%
Totals	\$364,000,000	3.85%

<i>ESTIMATED IMPACT ON YEAR TO DATE 2016</i>	ACTUAL	1.00% REPLACEMENT RATE (1)	1.25% REPLACEMENT RATE (2)
NET INTEREST INCOME	\$20,148	\$25,270	\$23,020
NET INTEREST MARGIN	2.49%	3.19%	3.07%
BANK EFFICIENCY RATIO	60.8%	49.1%	53.6%

- (1) Assuming a replacement rate of 1.00% could have been obtained on maturing wholesale borrowings effective 1/1/2016. Replacement rate approximates our weighted average cost of time deposits on that date.
 (2) Assuming a replacement rate of 1.25% could have been obtained on maturing wholesale borrowings effective 1/1/2016. Replacement rate approximates 2 to 5 year FHLB term rates on that date.



Total Bank Capital of approximately \$384 million provides capacity to grow multi-family and commercial real estate portfolios.



- (1) Non-Performing Assets peaked at \$149 million (8.8%) during 1Q 2012.
- (2) Past Due Loans peaked at \$159 million (10.4%) during 2Q 2009.

TOTAL EMPLOYEES	645
BRANCH LOCATIONS	45
WAREHOUSE CAPACITY	\$250 million – WaterStone Bank \$35 million – UBS
DELEGATED PRODUCTS	Conventional FHA/VA, USDA Portfolio Various State Bond Programs
DELEGATED MI	MGIC, UG, Radian, Essent
AGENCY APPROVALS	FNMA, FHLMC, GNMA, VA, HUD, USDA
PRODUCTION BREAKDOWN	99.5% Retail / 0.5% TPO



ERIC J. EGENHOEFER

*Chief Executive Officer & President
Waterstone Mortgage Corporation*

- Founded Waterstone Mortgage in 2000
- Chief Executive Officer since 2000
- More than 17 years mortgage banking experience



KEVIN P. GILLESPIE

*Chief Operating Officer
Waterstone Mortgage Corporation*

- Joined Waterstone Mortgage in 2014
- Chief Operating Officer since 2014
- More than 33 years mortgage banking experience



KEVIN B. ALLEN

*Senior Vice President – National Sales Manager
Waterstone Mortgage Corporation*

- Joined Waterstone Mortgage in 2011
- Senior Vice President since 2012
- More than 30 years mortgage banking experience



THOMAS J. KNAPP

*Senior Vice President – Chief Information Officer
Waterstone Mortgage Corporation*

- Joined Waterstone Mortgage in 2012
- Chief Information Officer since 2012
- More than 39 years information services experience



KERRY M. WIRTH

*Senior Vice President – Loan Operations
Waterstone Mortgage Corporation*

- Joined Waterstone Mortgage in 2009
- Senior Vice President since 2012
- More than 28 years mortgage banking experience



ROBERT B. SELINGO

*Senior Vice President – Secondary Marketing
Waterstone Mortgage Corporation*

- Joined Waterstone Mortgage in 2013
- Senior Vice President since 2013
- More than 34 years financial experience

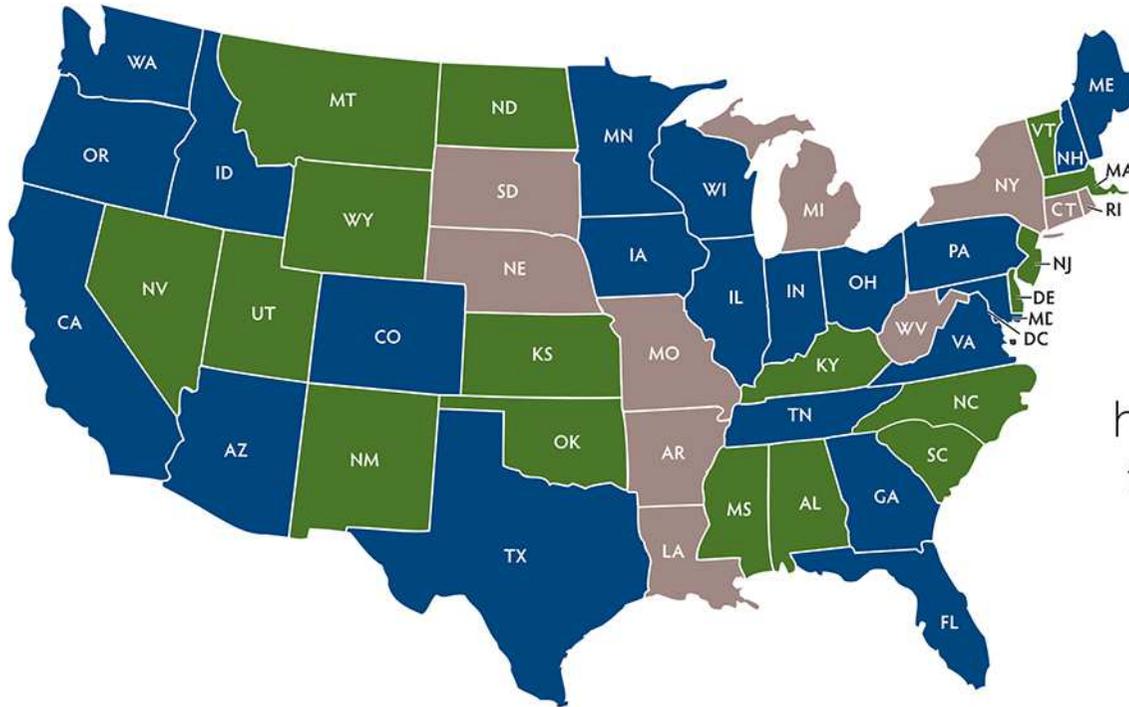


DENNIS J. CREEGAN

*Director – Mortgage Banking Finance
Waterstone Mortgage Corporation*

- Joined Waterstone Mortgage in 2010
- Director – Mortgage Banking Finance since 2013
- More than 34 years financial experience

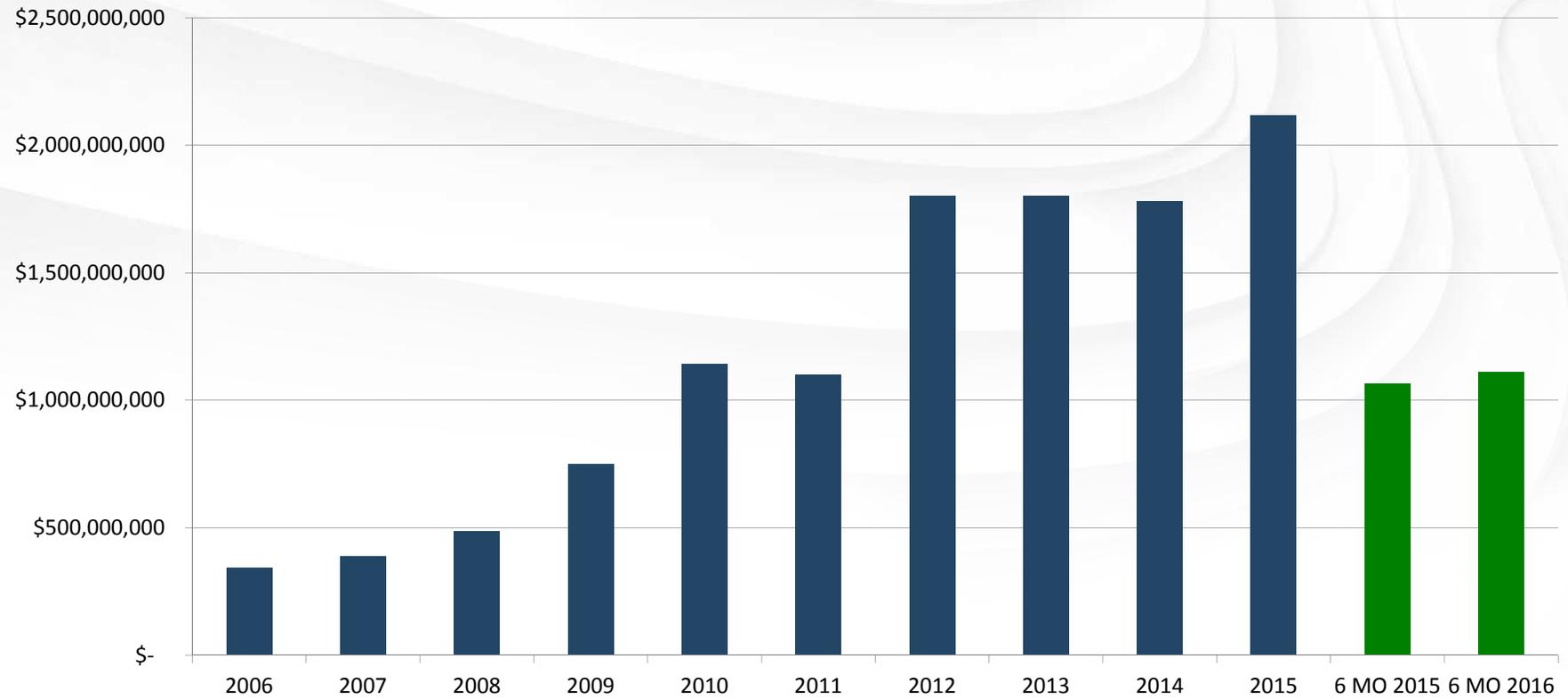
	At or for the Year Ended			At or for the Six Months Ended	
	2013	2014	2015	2015	2016
NET INCOME	\$5,451	\$2,442	\$8,261	\$4,310	\$5,800
LOANS FUNDED	\$1,751,054	\$1,661,376	\$1,986,147	\$995,131	\$1,046,354
% PURCHASE	68%	87%	84%	82%	87%
MORTGAGE BANKING INCOME	\$80,260	\$77,982	\$99,318	\$50,616	\$55,594
MORTGAGE BANKING INCOME AS A % OF LOANS FUNDED	4.6%	4.7%	5.0%	5.1%	5.3%
EFFICIENCY RATIO	89.2%	94.6%	86.0%	85.4%	82.5%
STATES WITH OFFICE(S)	22	16	18	16	21



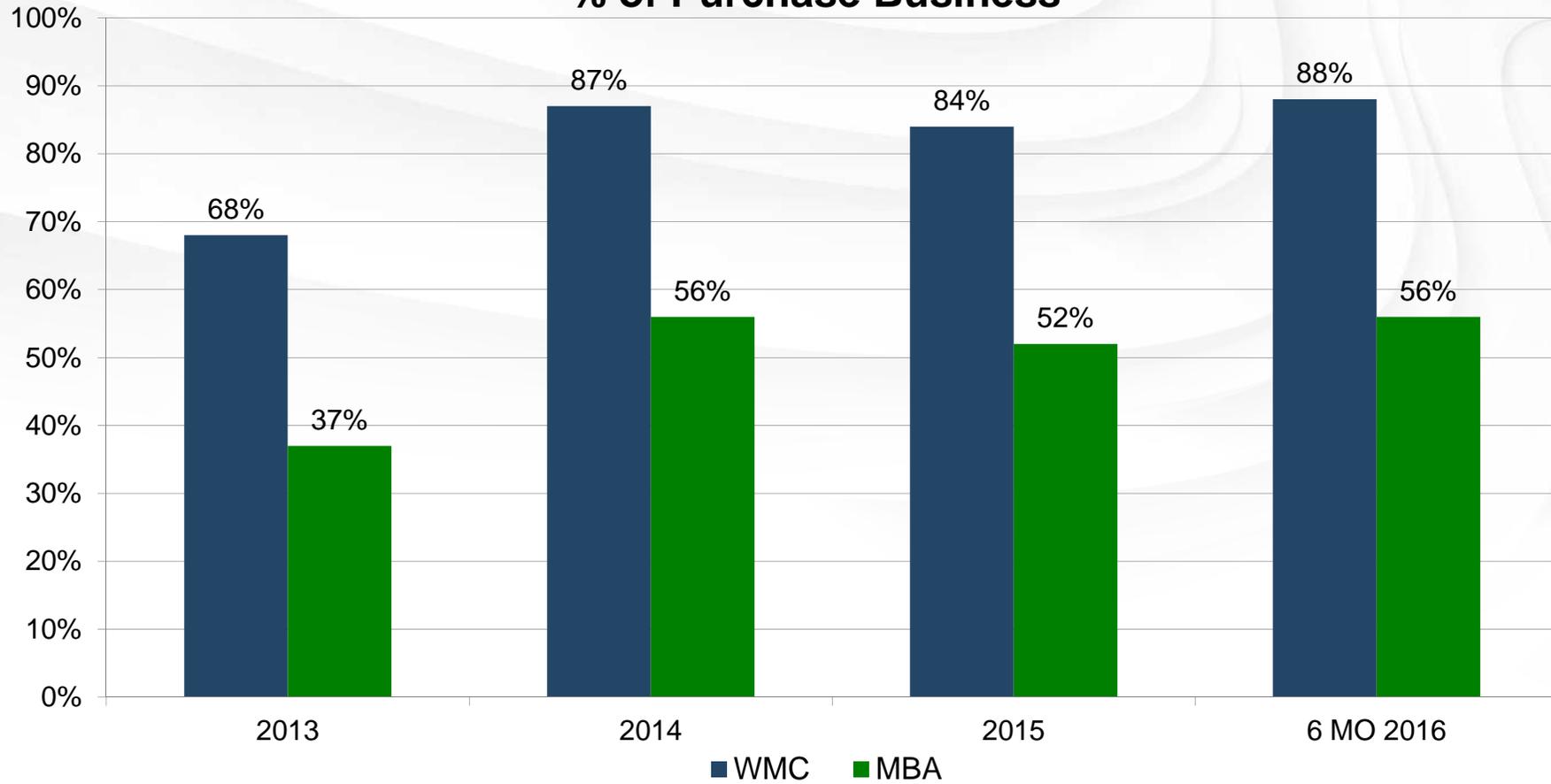
Waterstone Mortgage
has locations in 21 states and
the ability to lend 38 states.

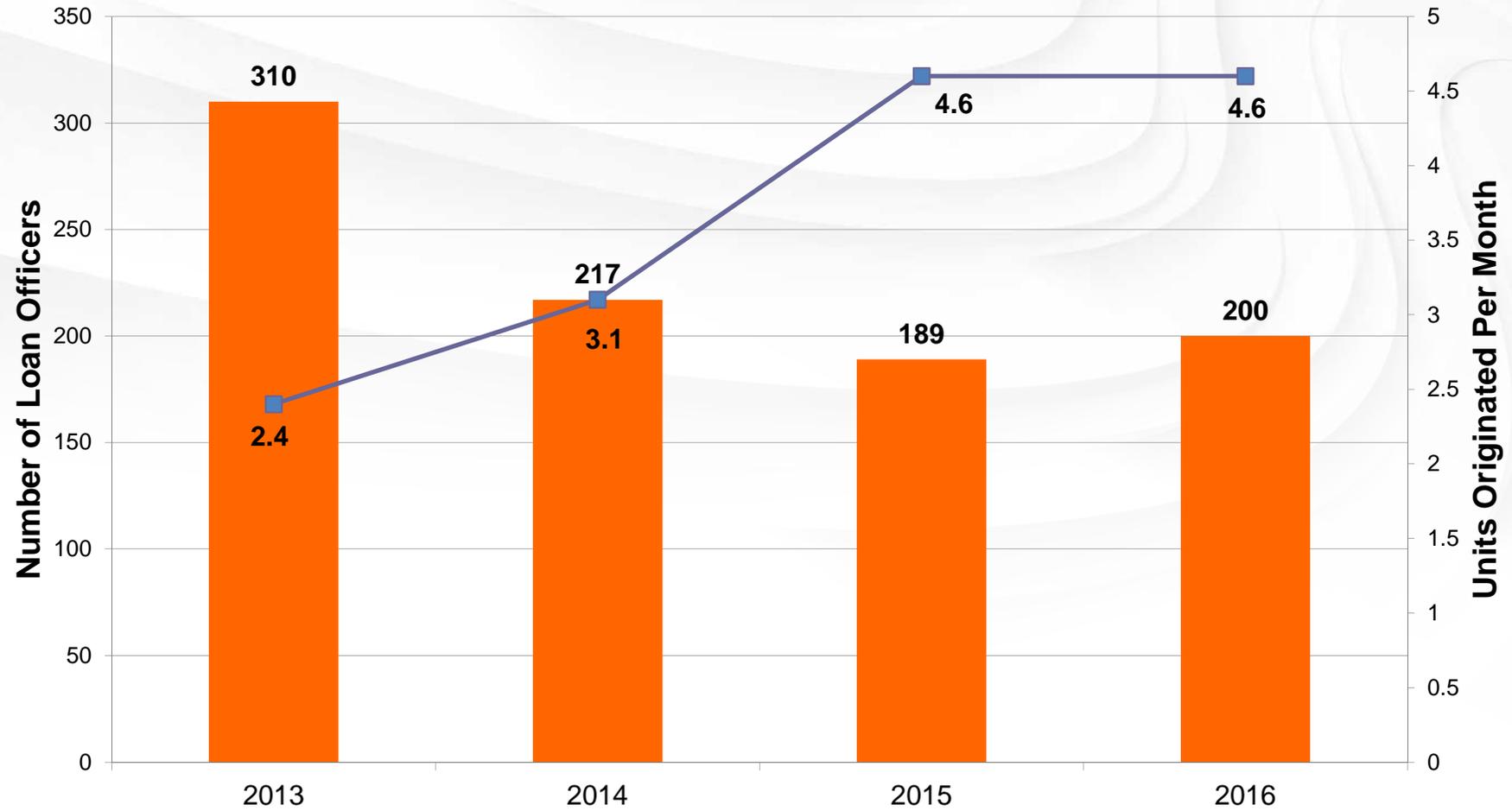
-  States with branch locations
-  States in which Waterstone Mortgage currently lends
-  States in which Waterstone Mortgage does not currently lend



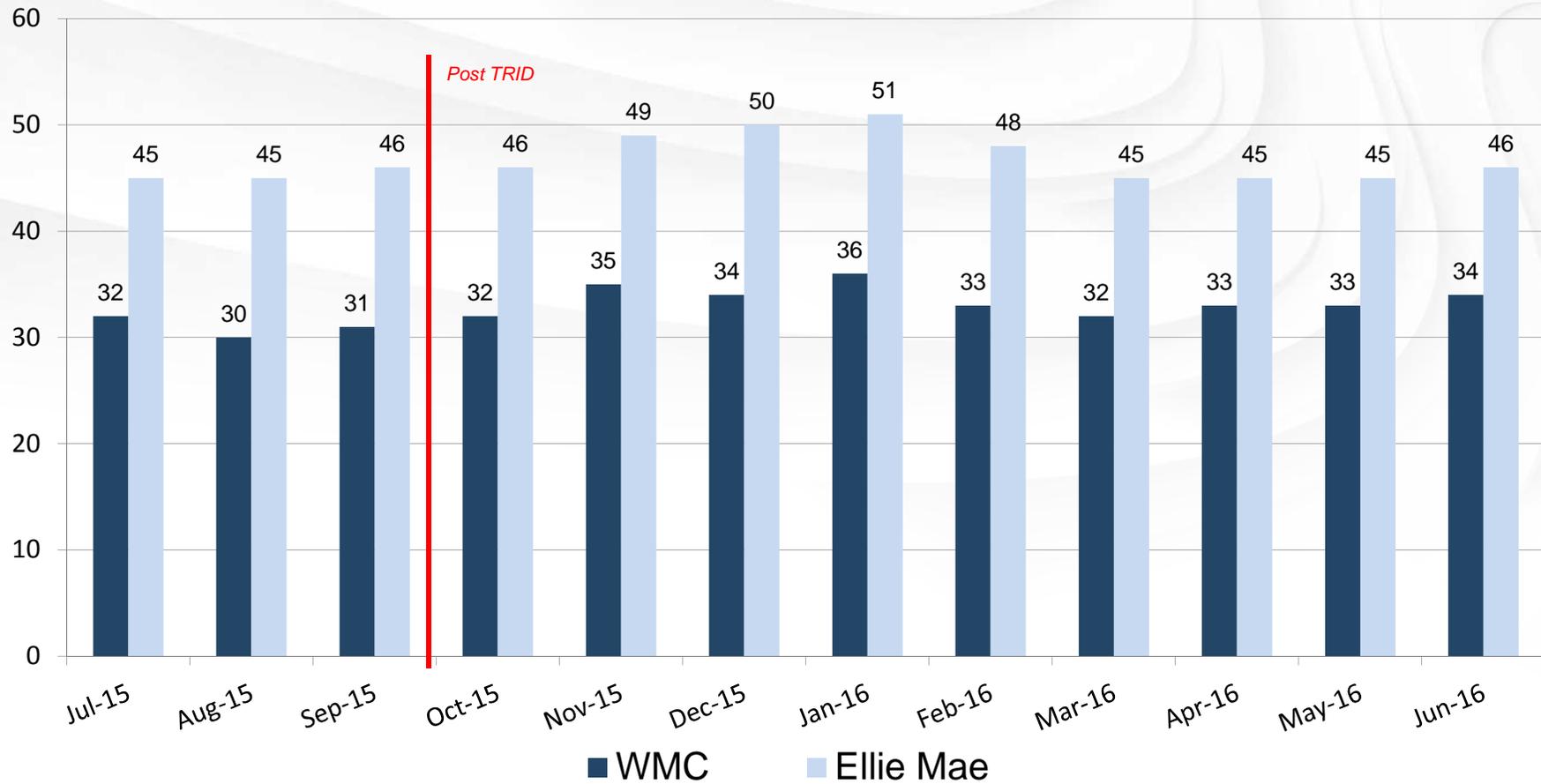


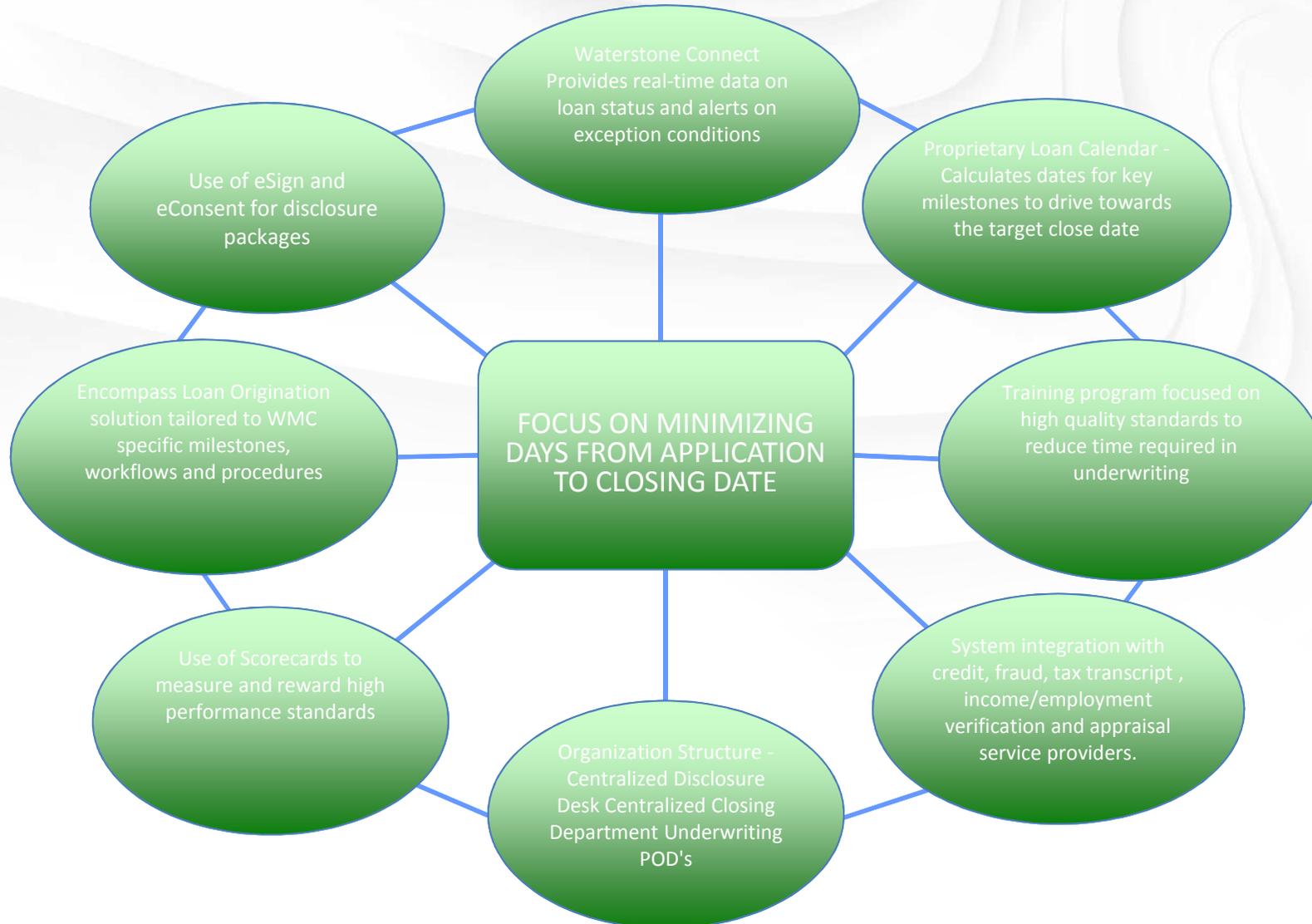
% of Purchase Business



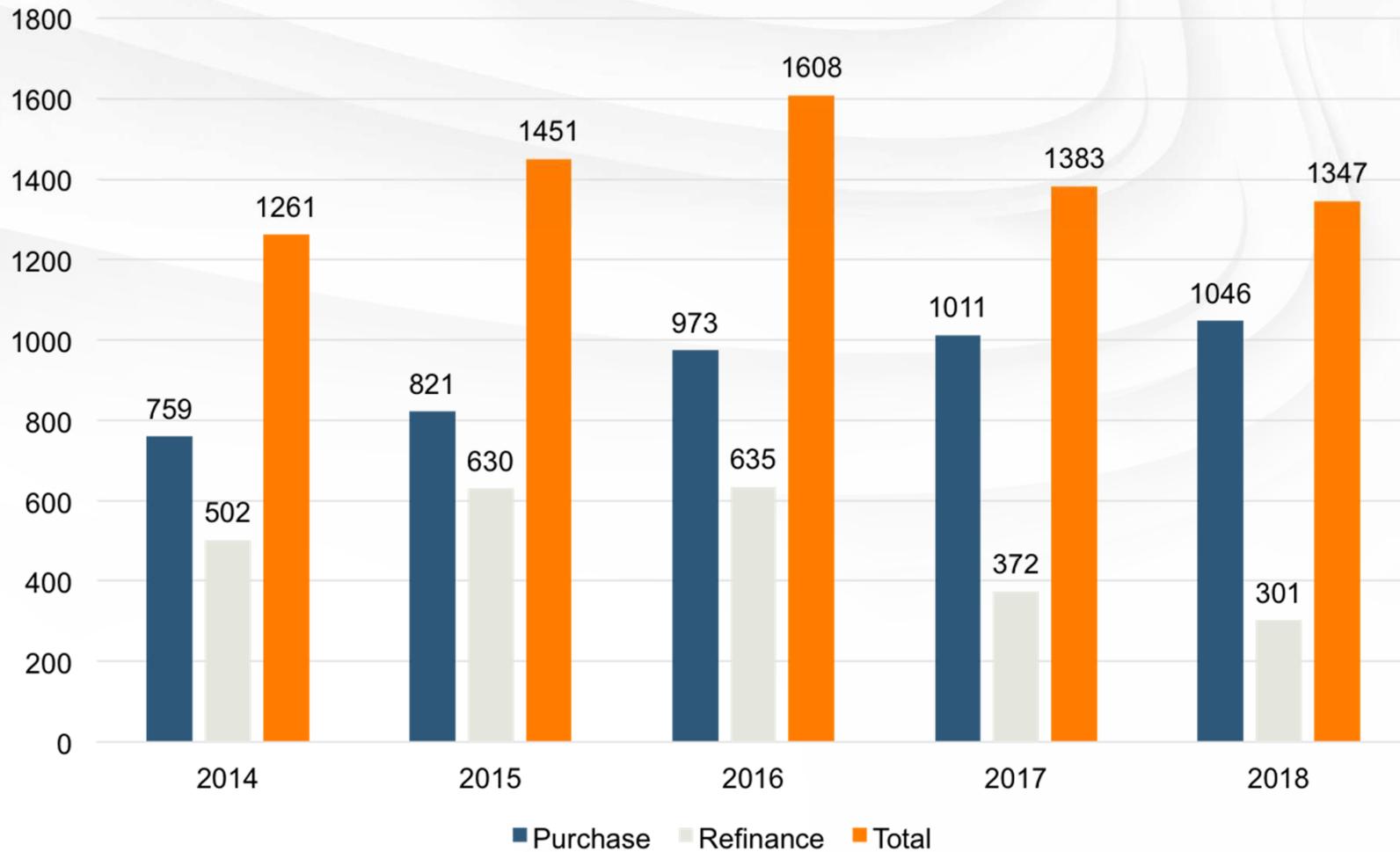


PURCHASE – AVERAGE DAYS APP TO CLOSE





2014-2018 Total Volume



The logo for Waterstone Financial, Inc. features the word "Waterstone" in a large, blue, serif font. Below it, the words "FINANCIAL, INC." are written in a smaller, blue, sans-serif font. The text is centered within a white rectangular area that is flanked by two dark blue horizontal bars.

Waterstone
FINANCIAL, INC.

DOUG S. GORDON

*Chief Executive Officer & President
WaterStone Bank SSB*

414.459.4100

DouglasGordon@WSBonline.com

