UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended September 30, 2024

OR

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File Number 001-36271

WATERSTONE FINANCIAL, INC.
(Exact name of registrant as specified in its charter)

Maryland	**90-1026709**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
11200 W. Plank Court Wauwatosa, Wisconsin	**53226**
(Address of principal executive offices)	(Zip Code)

(414) 761-1000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.01 Par Value	WSBF	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The number of shares outstanding of the issuer's common stock, $0.01 par value per share, was 19,373,139 at October 31, 2024.

WATERSTONE FINANCIAL, INC.

10-Q INDEX

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

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

	(Unaudited) September 30, 2024	December 31, 2023
	(Dollars In Thousands, except share and per share data)	
Assets		
Cash	$ 35,770	$ 30,667
Federal funds sold	5,359	5,493
Interest-earning deposits in other financial institutions and other short term investments	278	261
Cash and cash equivalents	41,407	36,421
Securities available for sale, at fair value (cost: 2024—$ 232,076; 2023—$227,716)	213,164	204,907
Loans held for sale, at fair value	155,846	164,993
Loans receivable	1,695,403	1,664,215
Less: Allowance for credit losses ("ACL") - loans	18,198	18,549
Loans receivable, net	1,677,205	1,645,666
Office properties and equipment, net	19,450	19,995
Federal Home Loan Bank stock, at cost	21,681	20,880
Cash surrender value of life insurance	69,601	67,859
Real estate owned, net	145	254
Prepaid expenses and other assets	45,837	52,414
Total assets	$ 2,244,336	$ 2,213,389
Liabilities and Shareholders' Equity		
Liabilities:		
Demand deposits	$ 180,449	$ 187,107
Money market and savings deposits	279,188	273,233
Time deposits	804,204	730,284
Total deposits	1,263,841	1,190,624
Borrowings	560,127	611,054
Advance payments by borrowers for taxes	27,847	6,607
Other liabilities	50,519	61,048
Total liabilities	1,902,334	1,869,333
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Preferred stock (par value $.01 per share) Authorized - 50,000,000 shares at September 30, 2024 and at December 31, 2023, no shares issued	-	-
Common stock (par value $.01 per share) Authorized - 100,000,000 shares at September 30, 2024 and at December 31, 2023, Issued and Outstanding - 19,456,939 at September 30, 2024 and 20,314,786 at December 31, 2023	194	203
Additional paid-in capital	92,789	103,908
Retained earnings	274,748	269,606
Unearned ESOP shares	(10,979)	(11,869)
Accumulated other comprehensive loss, net of taxes	(14,750)	(17,792)
Total shareholders' equity	342,002	344,056
Total liabilities and shareholders' equity	$ 2,244,336	$ 2,213,389

See accompanying notes to unaudited consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(In Thousands, except per share amounts)			
Interest income:				
Loans	$ 26,590	$ 23,825	$ 76,675	$ 65,860
Mortgage-related securities	1,137	1,060	3,360	2,972
Debt securities, federal funds sold and short-term investments	1,464	1,492	4,081	3,682
Total interest income	29,191	26,377	84,116	72,514
Interest expense:				
Deposits	10,477	7,442	29,163	17,485
Borrowings	7,197	6,946	21,620	16,570
Total interest expense	17,674	14,388	50,783	34,055
Net interest income	11,517	11,989	33,333	38,459
Provision (credit) for credit losses	(377)	445	(535)	1,091
Net interest income after provision (credit) for credit losses	11,894	11,544	33,868	37,368
Noninterest income:				
Service charges on loans and deposits	545	450	1,434	1,491
Increase in cash surrender value of life insurance	410	334	1,562	1,373
Mortgage banking income	21,294	21,172	66,200	59,856
Other	303	274	1,101	1,589
Total noninterest income	22,552	22,230	70,297	64,309
Noninterest expenses:				
Compensation, payroll taxes, and other employee benefits	21,017	21,588	62,655	64,035
Occupancy, office furniture, and equipment	1,857	1,993	5,994	6,302
Advertising	926	916	2,827	2,749
Data processing	1,297	1,229	3,745	3,441
Communications	232	243	698	719
Professional fees	569	745	2,070	1,779
Real estate owned	-	1	14	3
Loan processing expense	697	722	2,604	2,672
Other	1,965	2,584	5,762	8,350
Total noninterest expenses	28,560	30,021	86,369	90,050
Income before income taxes	5,886	3,753	17,796	11,627
Income tax expense	1,158	500	4,318	2,212
Net income	$ 4,728	$ 3,253	$ 13,478	$ 9,415
Income per share:				
Basic	$ 0.26	$ 0.16	$ 0.72	$ 0.46
Diluted	$ 0.26	$ 0.16	$ 0.72	$ 0.46
Weighted average shares outstanding:				
Basic	18,350	19,998	18,631	20,420
Diluted	18,445	20,022	18,677	20,473

See accompanying notes to unaudited consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	**2023**	**2024**	**2023**
	(In Thousands)			
Net income	$ 4,728	$ 3,253	$ 13,478	$ 9,415
Other comprehensive income (loss), net of tax:				
Net unrealized holding gain (loss) on available for sale securities:				
Net unrealized holding gain (loss) arising during the period, net of tax (expense) benefit of ($1,394), $1,101, ($855), and $485, respectively	4,965	(3,444)	3,042	(4,796)
Total other comprehensive income (loss)	4,965	(3,444)	3,042	(4,796)
Comprehensive income	$ 9,693	$ (191)	$ 16,520	$ 4,619

See accompanying notes to unaudited consolidated financial statements.

WATERSTONE FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	(In Thousands, except per share amounts)						
For the nine months ended September 30, 2023							
Balances at December 31, 2022	22,174	$ 222	$ 128,550	$ 274,246	$ (13,056)	$ (19,476)	$ 370,486
Comprehensive income:							
Net income	-	-	-	9,415	-	-	9,415
Other comprehensive loss	-	-	-	-	-	(4,796)	(4,796)
Total comprehensive income							4,619
ESOP shares committed to be released to plan participants	-	-	259	-	890	-	1,149
Cash dividend, $0.55 per share	-	-	-	(11,126)	-	-	(11,126)
Stock compensation activity, net of tax	86	1	818	-	-	-	819
Stock compensation expense	-	-	222	-	-	-	222
Purchase of common stock returned to authorized but unissued	(1,400)	(14)	(19,829)	-	-	-	(19,843)
Balances at September 30, 2023	20,860	$ 209	$ 110,020	$ 272,535	$ (12,166)	$ (24,272)	$ 346,326
	(In Thousands, except per share amounts)						
For the nine months ended September 30, 2024							
Balances at December 31, 2023	20,315	$ 203	$ 103,908	$ 269,606	$ (11,869)	$ (17,792)	$ 344,056
Comprehensive income:							
Net income	-	-	-	13,478	-	-	13,478
Other comprehensive income	-	-	-	-	-	3,042	3,042
Total comprehensive income							16,520
ESOP shares committed to be released to plan participants	-	-	141	-	890	-	1,031
Cash dividend, $0.45 per share	-	-	-	(8,336)	-	-	(8,336)
Stock compensation activity, net of tax	117	1	634	-	-	-	635
Stock compensation expense	-	-	211	-	-	-	211
Purchase of common stock returned to authorized but unissued	(975)	(10)	(12,105)	-	-	-	(12,115)
Balances at September 30, 2024	19,457	$ 194	$ 92,789	$ 274,748	$ (10,979)	$ (14,750)	$ 342,002

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
			(In Thousands, except per share amounts)				
For the three months ended September 30, 2023							
Balances at June 30, 2023	21,376	$ 214	$ 116,611	$ 272,229	$ (12,463)	$ (20,828)	$ 355,763
Comprehensive loss:							
Net income	-	-	-	3,253	-	-	3,253
Other comprehensive loss	-	-	-	-	-	(3,444)	(3,444)
Total comprehensive loss							(191)
							-
ESOP shares committed to be released to Plan participants	-	-	50	-	297	-	347
Cash dividend, $0.15 per share	-	-	-	(2,947)	-	-	(2,947)
Stock compensation activity, net of tax	-	-	-	-	-	-	-
Stock compensation expense	-	-	34	-	-	-	34
Purchase of common stock returned to authorized but unissued	(516)	(5)	(6,675)	-	-	-	(6,680)
Balances at September 30, 2023	20,860	$ 209	$ 110,020	$ 272,535	$ (12,166)	$ (24,272)	$ 346,326
			(In Thousands, except per share amounts)				
For the three months ended September 30, 2024							
Balances at June 30, 2024	19,479	195	92,964	272,778	(11,276)	(19,715)	334,946
Comprehensive income:							
Net income	-	-	-	4,728	-	-	4,728
Other comprehensive income	-	-	-	-	-	4,965	4,965
Total comprehensive income							9,693
ESOP shares committed to be released to Plan participants	-	-	84	-	297	-	381
Cash dividend, $0.15 per share	-	-	-	(2,758)	-	-	(2,758)
Stock compensation activity, net of tax	50	-	634	-	-	-	634
Stock compensation expense	-	-	105	-	-	-	105
Purchase of common stock returned to authorized but unissued	(72)	(1)	(998)	-	-	-	(999)
Balances at September 30, 2024	19,457	$ 194	$ 92,789	$ 274,748	$ (10,979)	$ (14,750)	$ 342,002

See accompanying notes to unaudited consolidated financial statements.

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

	Nine months ended September 30,	
	2024	**2023**
	(In Thousands)	
Operating activities:		
Net income	$ 13,478	$ 9,415
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision (credit) for credit losses	(535)	1,091
Depreciation, amortization, accretion	1,881	2,268
Deferred taxes	325	(583)
Stock based compensation	211	222
Origination of mortgage servicing rights	(640)	(1,515)
Gain on sale of loans held for sale	(66,824)	(55,221)
Loans originated for sale	(1,662,426)	(1,575,962)
Proceeds on sales of loans originated for sale	1,738,397	1,604,950
Increase in accrued interest receivable	(343)	(1,296)
Increase in cash surrender value of life insurance	(1,562)	(1,373)
(Decrease) increase in derivative assets	1,974	(3,025)
Increase in accrued interest on deposits and borrowings	4,709	1,725
Decrease in prepaid tax expense	303	891
Decrease in derivative liabilities	(2,916)	(844)
Gain on sale of mortgage servicing rights	(152)	(583)
Increase in other assets	(1,430)	(2,274)
Increase (decrease) in other liabilities	183	(4,464)
Net cash provided by (used in) operating activities	24,633	(26,578)
Investing activities:		
Net increase in loans receivable	(31,100)	(140,949)
Purchases of:		
Debt securities	(12,201)	(1,888)
Mortgage related securities	(10,774)	(18,918)
Bank owned life insurance	(180)	(180)
FHLB stock	(2,340)	(9,441)
Premises and equipment	(745)	(283)
Proceeds from:		
Principal repayments on mortgage-related securities	16,695	15,872
Maturities of debt securities	5,728	3,614
Sales of FHLB Stock	1,539	3,384
Proceeds on sales of mortgage servicing rights	2,110	3,530
Death benefit on bank owned life insurance	-	474
Net cash used in investing activities	(31,268)	(144,785)
Financing activities:		
Net increase in deposits	73,217	6,150
Net change in short-term borrowings	(55,927)	242,133
Repayment of long-term debt	(145,000)	(215,000)
Proceeds from long-term debt	150,000	174,000
Net change in advance payments by borrowers for taxes	9,318	11,163
Cash dividends on common stock	(8,507)	(12,408)
Purchase of common stock returned to authorized but unissued	(12,115)	(19,843)
Proceeds from stock option exercises	635	819
Net cash provided by financing activities	11,621	187,014
Increase in cash and cash equivalents	4,986	15,651
Cash and cash equivalents at beginning of period	36,421	46,642
Cash and cash equivalents at end of period	$ 41,407	$ 62,293
Supplemental information:		
Cash paid or credited during the period for:		
Income tax payments	$ 3,173	$ 1,903
Interest payments	55,492	16,112
Noncash activities:		
Dividends declared but not paid in other liabilities	2,993	3,229

See accompanying notes to unaudited consolidated financial statements.

Note 1 — Basis of Presentation

The unaudited interim consolidated financial statements include the accounts of Waterstone Financial, Inc. (the “Company”) and the Company’s subsidiaries.

WaterStone Bank SSB (the "Bank") is a community bank that has served the banking needs of its customers since 1921. WaterStone Bank owns Wauwatosa Investments, Inc, an investment subsidiary, and has an active mortgage banking segment, Waterstone Mortgage Corporation.

WaterStone Bank conducts its community banking business from 14 banking offices located in Milwaukee, Washington and Waukesha Counties, Wisconsin. WaterStone Bank's principal lending activity is originating one- to four-family, multi-family residential real estate, and commercial real estate loans for retention in its portfolio. WaterStone Bank also offers home equity loans and lines of credit, construction and land loans, commercial business loans, and consumer loans. WaterStone Bank funds its loan production primarily with retail deposits and Federal Home Loan Bank advances. The Company's deposit offerings include: certificates of deposit, money market savings accounts, transaction deposit accounts, non-interest bearing demand accounts and individual retirement accounts.

Wauwatosa Investments, Inc. operates in Nevada as owns and manages the majority of the consolidated investment portfolio. The investment securities portfolio is comprised principally of mortgage-backed securities, government-sponsored enterprise bonds and municipal obligations.

WaterStone Bank's mortgage banking operations are conducted through its wholly-owned subsidiary, Waterstone Mortgage Corporation. Waterstone Mortgage Corporation originates single-family residential real estate loans for sale into the secondary market. Waterstone Mortgage Corporation utilizes lines of credit provided by WaterStone Bank as a primary source of funds, and also utilizes a line of credit with another financial institution as needed.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles (“GAAP”) for interim financial information, Rule 10-01 of Regulation S-X and the instructions to Form 10-Q. The financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position, results of operations, changes in shareholders’ equity, and cash flows of the Company for the periods presented.

The accompanying unaudited consolidated financial statements and related notes should be read in conjunction with the Company’s December 31, 2023 Annual Report on Form 10-K. Operating results for the three and nine months ended September 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024 or for any other period.

The preparation of the unaudited consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the allowance for credit losses, income taxes, and fair value measurements. Actual results could differ from those estimates.

Subsequent Events

The Company has evaluated subsequent events for potential recognition and/or disclosure through the date the unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q were issued. There were no significant subsequent events for the three and nine months ended September 30, 2024 through the issuance date of these unaudited consolidated financial statements that warranted adjustment to or disclosure in the unaudited consolidated financial statements.

Impact of Recent Accounting Pronouncements

In December 2023, the FASB issued ASU No. 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures.” This update enhances the transparency and decision usefulness of income tax disclosures by providing better information regarding exposure to potential changes in jurisdictional tax legislation and related forecasting and cash flow opportunities. This update is effective for fiscal years beginning after December 15, 2024. The Corporation is assessing the impact of the standard.

Note 2 — Securities Available for Sale

The amortized cost and fair values of the Company's investment in securities available for sale follow:

	September 30, 2024			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(In Thousands)			
Mortgage-backed securities	$ 11,581	$ 6	$ (1,259)	$ 10,328
Collateralized mortgage obligations:				
Government sponsored enterprise issued	148,811	441	(16,571)	132,681
Private-label issued	7,344	-	(589)	6,755
Mortgage-related securities	167,736	447	(18,419)	149,764
Government sponsored enterprise bonds	2,500	-	(77)	2,423
Municipal securities	49,340	1,236	(846)	49,730
Other debt securities	12,500	-	(1,253)	11,247
Debt securities	64,340	1,236	(2,176)	63,400
Total	$ 232,076	$ 1,683	$ (20,595)	$ 213,164

	December 31, 2023			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(In Thousands)			
Mortgage-backed securities	$ 12,651	$ 5	$ (1,475)	$ 11,181
Collateralized mortgage obligations				
Government sponsored enterprise issued	152,700	212	(19,445)	133,467
Private-label issued	8,061	-	(801)	7,260
Mortgage related securities	173,412	217	(21,721)	151,908
Government sponsored enterprise bonds	2,500	-	(152)	2,348
Municipal securities	39,304	980	(796)	39,488
Other debt securities	12,500	-	(1,337)	11,163
Debt securities	54,304	980	(2,285)	52,999
Total	$ 227,716	$ 1,197	$ (24,006)	$ 204,907

The Company's mortgage-backed securities and collateralized mortgage obligations issued by government sponsored enterprises are guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. At September 30, 2024, and December 31, 2023, $119.1 million and $128.1 million of the Company's mortgage related securities were pledged as collateral to secure funding from the Federal Reserve Bank's new borrowing facility. Additionally at September 30, 2024, $130,000 of the Company's mortgage related securities were pledged as collateral to secure mortgage banking related activities. At December 31, 2023, $183,000 of the Company's mortgage related securities were pledged as collateral to secure mortgage banking related activities.

The amortized cost and fair values of investment securities by contractual maturity at September 30, 2024 are shown below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
	(In Thousands)	
Debt and other securities		
Due within one year	$ 7,699	$ 7,612
Due after one year through five years	6,055	6,239
Due after five years through ten years	27,828	27,055
Due after ten years	22,758	22,494
Mortgage-related securities	167,736	149,764
Total	$ 232,076	$ 213,164

Gross unrealized losses on securities available for sale and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position were as follows:

	September 30, 2024					
	Less than 12 months		12 months or longer		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
	(In Thousands)					
Mortgage-backed securities	$ -	$ -	$ 9,879	$ 1,259	$ 9,879	$ 1,259
Collateralized mortgage obligations:						
Government sponsored enterprise issued	3,326	9	101,959	16,562	105,285	16,571
Private-label issued	-	-	5,789	589	5,789	589
Government sponsored enterprise bonds	-	-	2,423	77	2,423	77
Municipal securities	1,497	3	5,604	843	7,101	846
Other debt securities	-	-	11,247	1,253	11,247	1,253
Total	$ 4,823	$ 12	$ 136,901	$ 20,583	$ 141,724	$ 20,595

	December 31, 2023					
	Less than 12 months		12 months or longer		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
	(In Thousands)					
Mortgage-backed securities	$ 215	$ 1	$ 10,682	$ 1,474	$ 10,897	$ 1,475
Collateralized mortgage obligations:						
Government sponsored enterprise issued	2,442	42	110,271	19,403	112,713	19,445
Private-label issued	-	-	6,250	801	6,250	801
Government sponsored enterprise bonds	-	-	2,348	152	2,348	152
Municipal securities	7,597	36	5,808	760	13,405	796
Other debt securities	-	-	11,163	1,337	11,163	1,337
Total	$ 10,254	$ 79	$ 146,522	$ 23,927	$ 156,776	$ 24,006

The Company reviews the investment securities portfolio on a quarterly basis to monitor securities in unrealized loss positions, which were comprised of 138 individual securities, to determine whether the impairment is due to credit-related factors or noncredit-related factors. In making this evaluation, management considers the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Company to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. As of September 30, 2024 and December 31, 2023, no allowance for credit losses on securities was recognized. The Company does not consider its securities with unrealized losses to be attributable to credit-related factors, as the unrealized losses in each category have occurred as a result of changes in noncredit-related factors such as changes in interest rates, market spreads and market conditions subsequent to purchase, not credit deterioration. Furthermore, the Company does not have the intent to sell any of these securities and believes that it is more likely than not that we will not have to sell any such securities before a recovery of cost.

During the three and nine months ended September 30, 2024 and September 30, 2023, there were no sales of securities.

Note 3 - Loans Receivable

Loans receivable at September 30, 2024 and December 31, 2023 are summarized as follows:

	September 30, 2024	December 31, 2023
	(In Thousands)	
Mortgage loans:		
Residential real estate:		
One- to four-family	$ 534,001	$ 551,190
Multi-family	723,238	707,566
Home equity	13,427	13,228
Construction and land	75,403	53,371
Commercial real estate	313,953	300,892
Consumer	897	848
Commercial loans	34,484	37,120
Total	$ 1,695,403	$ 1,664,215

The Company provides several types of loans to its customers, including residential, construction, commercial and consumer loans. Significant loan concentrations are considered to exist for a financial institution when there are amounts loaned to one borrower or to multiple borrowers engaged in similar activities that would cause them to be similarly impacted by economic or other conditions. While the Company's credit risks are geographically concentrated in the Milwaukee metropolitan area, there are no concentrations with individual or groups of related borrowers. While the real estate collateralizing these loans is primarily residential in nature, it ranges from owner-occupied single family homes to large apartment complexes.

Qualifying loans receivable totaling $1.24 billion and $1.25 billion at September 30, 2024 and December 31, 2023, respectively, were pledged as collateral against $423.0 million and $464.0 million in outstanding Federal Home Loan Bank of Chicago ("FHLB") advances under a blanket security agreement at September 30, 2024 and December 31, 2023.

Certain of the Company's executive officers, directors, employees, and their related interests have loans with the Bank. These loans to related parties are summarized below:

	Nine months ended	
	September 30, 2024	September 30, 2023
	(In Thousands)	
Balance at beginning of period	$ 3,319	$ 2,847
New loans	277	458
Repayments	(505)	(137)
Balance at end of period	$ 3,091	$ 3,168

None of these loans were past due or considered impaired as of September 30, 2024 or December 31, 2023.

An analysis of past due loans receivable as of September 30, 2024 and December 31, 2023 follows:

	As of September 30, 2024					
	1-59 Days Past Due (1)	60-89 Days Past Due (2)	90 Days or Greater	Total Past Due	Current (3)	Total Loans
	(In Thousands)					
Mortgage loans:						
Residential real estate:						
One- to four-family	$ 5,271	$ 1,185	$ 3,920	$ 10,376	$ 523,625	$ 534,001
Multi-family	-	-	-	-	723,238	723,238
Home equity	86	-	31	117	13,310	13,427
Construction and land	-	-	-	-	75,403	75,403
Commercial real estate	-	-	129	129	313,824	313,953
Consumer	-	-	-	-	897	897
Commercial loans	-	-	-	-	34,484	34,484
Total	$ 5,357	$ 1,185	$ 4,080	$ 10,622	$ 1,684,781	$ 1,695,403

	As of December 31, 2023					
	1-59 Days Past Due (1)	60-89 Days Past Due (2)	90 Days or Greater	Total Past Due	Current (3)	Total Loans
	(In Thousands)					
Mortgage loans:						
Residential real estate:						
One- to four-family	$ 5,265	$ 1,283	$ 4,270	$ 10,818	$ 540,372	$ 551,190
Multi-family	-	6	-	6	707,560	$ 707,566
Home equity	209	-	34	243	12,985	$ 13,228
Construction and land	-	-	-	-	53,371	$ 53,371
Commercial real estate	54	-	129	183	300,709	$ 300,892
Consumer	-	-	-	-	848	$ 848
Commercial loans	-	-	-	-	37,120	$ 37,120
Total	$ 5,528	$ 1,289	$ 4,433	$ 11,250	$ 1,652,965	$ 1,664,215

(1) Includes $1.1 million and $193,000 at September 30, 2024 and December 31, 2023, respectively, which are on non-accrual status.
(2) Includes $4,000 and $11,000 at September 30, 2024 and December 31, 2023, respectively, which are on non-accrual status.
(3) Includes $150,000 and $171,000 at September 30, 2024 and December 31, 2023, respectively, which are on non-accrual status.

The following tables present the activity in the allowance for credit losses by portfolio segment for the three and nine months ended September 30, 2024 and the activity in the allowance for loan losses by portfolio segment for the three and nine months ended September 30, 2023:

	One- to Four-Family	Multi-Family	Home Equity	Land and Construction	Commercial Real Estate	Consumer	Commercial	Total
	(In Thousands)							
Nine months ended September 30, 2024								
Balance at beginning of period	$ 6,886	$ 7,318	$ 211	$ 983	$ 2,561	$ 56	$ 534	$ 18,549
Provision (credit) for credit losses - loans	(1,661)	(243)	(12)	271	1,204	43	(41)	(439)
Charge-offs	(3)	-	-	-	-	(26)	-	(29)
Recoveries	104	8	-	2	3	-	-	117
Balance at end of period	$ 5,326	$ 7,083	$ 199	$ 1,256	$ 3,768	$ 73	$ 493	$ 18,198
Nine months ended September 30, 2023								
Balance at beginning of period	$ 4,743	$ 7,975	$ 174	$ 1,352	$ 3,199	$ 47	$ 267	$ 17,757
Provision (credit) for credit losses - loans	1,412	(248)	7	(189)	(458)	36	269	829
Charge-offs	(63)	-	-	-	-	(29)	-	(92)
Recoveries	46	5	4	2	2	-	-	59
Balance at end of period	$ 6,138	$ 7,732	$ 185	$ 1,165	$ 2,743	$ 54	$ 536	$ 18,553

	One to-Four-Family	Multi-Family	Home Equity	Construction and Land	Commercial Real Estate	Consumer	Commercial	Total
				(In Thousands)				
Three months ended September 30, 2024								
Balance at beginning of period	$ 5,838	$ 7,276	$ 273	$ 1,228	$ 3,227	$ 64	$ 508	$ 18,414
Provision (credit) for credit losses - loans	(599)	(196)	(74)	28	540	23	(15)	(293)
Charge-offs	-	-	-	-	-	(14)	-	(14)
Recoveries	87	3	-	-	1	-	-	91
Balance at end of period	$ 5,326	$ 7,083	$ 199	$ 1,256	$ 3,768	$ 73	$ 493	$ 18,198
Three months ended September 30, 2023								
Balance at beginning of period	$ 6,529	$ 7,425	$ 169	$ 1,060	$ 2,600	$ 53	$ 538	$ 18,374
Provision (credit) for credit losses - loans	(364)	305	16	105	142	4	(2)	206
Charge-offs	(34)	-	-	-	-	(3)	-	(37)
Recoveries	7	2	-	-	1	-	-	10
Balance at end of period	$ 6,138	$ 7,732	$ 185	$ 1,165	$ 2,743	$ 54	$ 536	$ 18,553

The Company utilized the Vintage Loss Rate method in determining expected future credit losses. This technique considers losses over the full life cycle of loan pools. A vintage is a group of loans originated in the same annual time period. The loss rate method measures the amount of loan charge–offs, net of recoveries, ("loan losses") recognized over the life of a pool by loan segment and vintage and compares those loan losses to the original loan balance of that pool as of a similar vintage.

To estimate a CECL loss rate for the pool, management first identifies the loan losses recognized between the pool date and the reporting date for the pool and determines which loan losses were related to loans outstanding at the pool date. The loss rate method then divides the loan losses recognized on loans outstanding as of the pool date by the outstanding loan balance as of the pool date.

The Company's expected loss estimate is anchored in historical credit loss experience, with an emphasis on all available portfolio data. The Company's historical look–back period includes January 2012 through the current period, on an annual basis. When historical credit loss experience is not sufficient for a specific portfolio, the Company may supplement its own portfolio data with external models or data.

Additionally, the weighted average remaining maturity ("WARM") method is used for the Construction and Consumer loan pools. The WARM method considers an estimate of expected credit losses over the remaining life of the financial assets and uses average annual charge-off rates to estimate the allowance for credit losses. For amortizing assets, the remaining contractual life is adjusted by the expected scheduled payments and prepayments. The average annual charge-off rate is applied to the amortization-adjusted remaining life to determine the unadjusted lifetime historical charge-off rate.

Qualitative reserves reflect management's overall estimate of the extent to which current expected credit losses on collectively evaluated loans will differ from historical loss experience. The analysis takes into consideration other analytics performed within the organization, such as enterprise and concentration management. Management attempts to quantify qualitative reserves whenever possible. The CECL methodology applied focuses on evaluation of qualitative and environmental factors, including but not limited to: (i) evaluation of facts and issues related to specific loans; (ii) management's ongoing review and grading of the loan portfolio; (iii) consideration of historical loan loss and delinquency experience on each portfolio segment; (iv) trends in past due and nonperforming loans; (v) the risk characteristics of the various loan segments; (vi) changes in the size and character of the loan portfolio; (vii) concentrations of loans to specific borrowers or industries; (viii) existing economic conditions; (ix) the fair value of underlying collateral; and (x) other qualitative and quantitative factors which could affect expected credit losses.

The Company's CECL estimate applies a forecast that incorporates macroeconomic trends and other environmental factors. Management utilized national, regional and local leading economic indexes, as well as management judgment, as the basis for the forecast period. The historical loss rate was utilized as the base rate, and qualitative adjustments were utilized to reflect the forecast and other relevant factors.

The Company segments the loan portfolio into pools based on the following risk characteristics: collateral type, credit characteristics, loan origination balance, and outstanding loan balances.

***Allowance for Credit Losses-Unfunded Commitments*:**
In addition to the ACL-Loans, the Company has established an ACL-Unfunded commitments, classified in other liabilities on the consolidated statements of financial condition. This reserve is maintained at a level that management believes is sufficient to absorb losses arising from unfunded loan commitments, and is determined quarterly based on methodology similar to the methodology for determining the ACL-Loans. The allowance for unfunded commitments at September 30, 2024 and December 31, 2023 was $972,000 and $1.1 million.

***Provision for Credit Losses*:**
The provision for credit losses is determined by the Company as the amount to be added to the ACL loss accounts for various types of financial instruments including loans, investment securities, and off-balance sheet credit exposures after net charge-offs have been deducted to bring the ACL to a level that, in management's judgment, is necessary to absorb expected credit losses over the lives of the respective financial instruments. See Note 2 - Securities Available for Sale for additional information regarding the ACL related to investment securities. The following table presents the components of the provision for credit losses.

	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	(In Thousands)			
Provision (credit) for credit losses on:				
Loans	$ (293)	$ 206	$ (439)	$ 829
Unfunded commitments	(84)	239	(96)	262
Investment securities	-	-	-	-
Total	$ (377)	$ 445	$ (535)	$ 1,091

***Collateral Dependent Loans*:**
A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. For collateral dependent loans, expected credit losses are based on the estimated fair value of the collateral at the balance sheet date, with consideration for estimated selling costs if satisfaction of the loan depends on the sale of the collateral. The following tables present collateral dependent loans by portfolio segment and collateral type, including those loans with and without a related allowance allocation.

Table of Contents

The following tables present collateral dependent loans by portfolio segment as of September 30, 2024 and December 31, 2023:

	One- to Four-Family	Multi-Family	Home Equity	Construction and Land	Commercial Real Estate	Consumer	Commercial	Total
				(In Thousands)				
Allowance related to collateral dependent loans	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Allowance related to pooled loans	5,326	7,083	199	1,256	3,768	73	493	18,198
Allowance at end of period	$ 5,326	$ 7,083	$ 199	$ 1,256	$ 3,768	$ 73	$ 493	$ 18,198
Collateral dependent loans	$ 2,270	$ -	$ 152	$ -	$ 5,333	$ -	$ 1,685	$ 9,440
Pooled loans	531,731	723,238	13,275	75,403	308,620	897	32,799	1,685,963
Total gross loans	$ 534,001	$ 723,238	$ 13,427	$ 75,403	$ 313,953	$ 897	$ 34,484	$ 1,695,403

	One- to Four-Family	Multi-Family	Home Equity	Construction and Land	Commercial Real Estate	Consumer	Commercial	Total
				(In Thousands)				
Allowance related to collateral dependent loans	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Allowance related to pooled loans	6,886	7,318	211	983	2,561	56	534	18,549
Allowance at end of period	$ 6,886	$ 7,318	$ 211	$ 983	$ 2,561	$ 56	$ 534	$ 18,549
Collateral dependent loans	$ 2,209	$ -	$ 90	$ -	$ 5,493	$ -	$ 1,536	$ 9,328
Pooled loans	548,981	707,566	13,138	53,371	295,399	848	35,584	1,654,887
Total gross loans	$ 551,190	$ 707,566	$ 13,228	$ 53,371	$ 300,892	$ 848	$ 37,120	$ 1,664,215

The Company's procedures dictate that an updated valuation must be obtained with respect to underlying collateral at the time a loan is deemed impaired. Updated valuations may also be obtained upon transfer from loans receivable to real estate owned based upon the age of the prior appraisal, changes in market conditions or known changes to the physical condition of the property.

Estimated fair values are reduced to account for sales commissions, broker fees, unpaid property taxes and additional selling expenses to arrive at an estimated net realizable value. The adjustment factor is based upon the Company's actual experience with respect to sales of real estate owned over the prior two years. In situations in which the Company is placing reliance on an appraisal that is more than one year old, an additional adjustment factor is applied to account for downward market pressure since the date of appraisal. The additional adjustment factor is based upon relevant sales data available for the Company's general operating market as well as company-specific historical net realizable values as compared to the most recent appraisal prior to disposition.

With respect to multi-family income-producing real estate, appraisals are reviewed and estimated collateral values are adjusted by updating significant appraisal assumptions to reflect current real estate market conditions. Significant assumptions reviewed and updated include the capitalization rate, rental income and operating expenses. These adjusted assumptions are based upon recent appraisals received on similar properties as well as on actual experience related to real estate owned and currently under Company management.

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company establishes a risk rating at origination for all commercial loan and commercial real estate relationships. For relationships over $1 million, management monitors the loans on an ongoing basis for any changes in the borrower's ability to service their debt. Management also affirms the risk ratings for the loans in their respective portfolios on an annual basis. The Company uses the following definitions for risk ratings:

Watch. Loans classified as watch have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date. Watch assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

Substandard. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt and, additionally, the weakness or weaknesses to make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable or improbable. Substandard loans are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans.

The following table presents information relating to the Company's internal risk ratings of its loans receivable as of September 30, 2024 and December 31, 2023:

	One to Four-Family	Multi-Family	Home Equity	Construction and Land	Commercial Real Estate	Consumer	Commercial	Total
				(In Thousands)				
At September 30, 2024								
Substandard	$ 5,087	$ -	$ 152	$ -	$ 5,333	$ -	$ 1,685	$ 12,257
Watch	7,089	185	670	143	7,459	-	75	15,621
Pass	521,825	723,053	12,605	75,260	301,161	897	32,724	1,667,525
	$ 534,001	$ 723,238	$ 13,427	$ 75,403	$ 313,953	$ 897	$ 34,484	$ 1,695,403
At December 31, 2023								
Substandard	$ 4,503	$ -	$ 90	$ -	$ 5,492	$ -	$ 1,536	$ 11,621
Watch	7,585	383	-	-	-	-	-	7,968
Pass	539,102	707,183	13,138	53,371	295,400	848	35,584	1,644,626
	$ 551,190	$ 707,566	$ 13,228	$ 53,371	$ 300,892	$ 848	$ 37,120	$ 1,664,215

Credit Quality Information:

The following table presents total loans by risk categories and year of origination as of September 30, 2024:

	2024	2023	2022	2021	2020	Prior	Revolving	Total
				(In Thousands)				
One- to four-family								
Pass	$ 29,560	$ 182,378	$ 150,924	$ 42,424	$ 31,054	$ 84,811	$ 674	$ 521,825
Watch	4,644	581	1,080	-	73	711	-	7,089
Substandard	402	957	947	-	-	2,781	-	5,087
Total	34,606	183,916	152,951	42,424	31,127	88,303	674	534,001
Multi-family								
Pass	59,929	119,533	203,677	130,071	111,388	97,598	857	$ 723,053
Watch	-	185	-	-	-	-	-	185
Substandard	-	-	-	-	-	-	-	-
Total	59,929	119,718	203,677	130,071	111,388	97,598	857	723,238
Home equity								
Pass	383	500	919	153	93	229	10,328	$ 12,605
Watch	-	-	670	-	-	-	-	670
Substandard	-	-	16	14	-	-	122	152
Total	383	500	1,605	167	93	229	10,450	13,427
Construction and land								
Pass	11,254	51,042	-	9,196	1,516	2,252	-	$ 75,260
Watch	-	-	143	-	-	-	-	143
Substandard	-	-	-	-	-	-	-	-
Total	11,254	51,042	143	9,196	1,516	2,252	-	75,403
Commercial Real Estate								
Pass	52,648	68,248	52,585	59,344	31,726	36,057	553	$ 301,161
Watch	6,917	-	410	-	132	-	-	7,459
Substandard	-	5,204	129	-	-	-	-	5,333
Total	59,565	73,452	53,124	59,344	31,858	36,057	553	313,953
Consumer								
Pass	-	-	-	-	-	-	897	$ 897
Watch	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	897	897
Commercial								
Pass	835	17,103	1,336	653	2,177	5,287	5,333	$ 32,724
Watch	-	-	-	-	-	-	75	75
Substandard	-	-	35	-	-	-	1,650	1,685
Total	835	17,103	1,371	653	2,177	5,287	7,058	34,484
Total Loans	$ 166,572	$ 445,731	$ 412,871	$ 241,855	$ 178,159	$ 229,726	$ 20,489	$ 1,695,403
Gross charge-offs	$ 3	$ -	$ -	$ -	$ -	$ 26	$ -	$ 29

Table of Contents

The following table presents total loans by risk categories and year of origination as of December 31, 2023:

	2023	2022	2021	2020	2019	Prior	Revolving	Total
				(In Thousands)				
One- to four-family								
Pass	$ 196,255	$ 166,555	$ 46,378	$ 33,295	$ 19,966	$ 75,726	$ 927	$ 539,102
Watch	5,093	713	-	-	-	1,779	-	7,585
Substandard	1,450	353	-	-	-	2,700	-	4,503
Total	202,798	167,621	46,378	33,295	19,966	80,205	927	551,190
Multi-family								
Pass	122,289	214,074	135,823	117,669	44,878	71,632	818	707,183
Watch	191	6	-	-	-	186	-	383
Substandard	-	-	-	-	-	-	-	-
Total	122,480	214,080	135,823	117,669	44,878	71,818	818	707,566
Home equity								
Pass	1,084	255	161	98	87	342	11,111	13,138
Watch	-	-	-	-	-	-	-	-
Substandard	-	18	17	-	-	-	55	90
Total	1,084	273	178	98	87	342	11,166	13,228
Construction and land								
Pass	38,079	1,348	9,349	2,146	2,255	194	-	53,371
Watch	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total	38,079	1,348	9,349	2,146	2,255	194	-	53,371
Commercial Real Estate								
Pass	70,677	76,067	62,922	33,436	19,250	31,673	1,375	295,400
Watch	-	-	-	-	-	-	-	-
Substandard	5,277	129	-	86	-	-	-	5,492
Total	75,954	76,196	62,922	33,522	19,250	31,673	1,375	300,892
Consumer								
Pass	-	-	-	-	-	-	848	848
Watch	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	848	848
Commercial								
Pass	17,019	1,631	904	2,668	80	5,435	7,847	35,584
Watch	-	-	-	-	-	-	-	-
Substandard	-	48	-	-	13	-	1,475	1,536
Total	17,019	1,679	904	2,668	93	5,435	9,322	37,120
Total Loans	$ 457,414	$ 461,197	$ 255,554	$ 189,398	$ 86,529	$ 189,667	$ 24,456	$ 1,664,215

The following presents data on restructurings of financing receivables whose borrowers are experiencing financial difficulty:

	As of September 30, 2024					
	Accruing		Non-accruing		Total	
	Amount	Number	Amount	Number	Amount	Number
	(Dollars in Thousands)					
One- to four-family	$ -	-	$ 523	1	$ 523	1
	$ -	-	$ 523	1	$ 523	1

The following presents data on troubled debt restructurings:

	As of December 31, 2023					
	Accruing		Non-accruing		Total	
	Amount	Number	Amount	Number	Amount	Number
	(Dollars in Thousands)					
One- to four-family	$ -	-	$ 543	2	$ 543	2
	$ -	-	$ 543	2	$ 543	2

The following presents restructurings of financing receivables whose borrowers are experiencing financial difficulty by concession type:

	As of September 30, 2024					
	Performing in accordance with modified terms		In Default		Total	
	Amount	Number	Amount	Number	Amount	Number
	(Dollars in Thousands)					
Principal forbearance	$ 523	1	$ -	-	$ 523	1
	$ 523	1	$ -	-	$ 523	1

The following presents troubled debt restructurings by concession type:

	As of December 31, 2023					
	Performing in accordance with modified terms		In Default		Total	
	Amount	Number	Amount	Number	Amount	Number
	(Dollars in Thousands)					
Interest reduction	$ 15	1	$ -	-	$ 15	1
Principal forbearance	528	1	-	-	528	1
	$ 543	2	$ -	-	$ 543	2

There were no restructurings of financing receivables whose borrowers are experiencing financial difficulty during the three or nine months ended September 30, 2024. There were no loans modified as troubled debt restructurings during the three or nine months ended September 30, 2023.

There were no restructurings of financing receivables whose borrowers are experiencing financial difficulty within the past twelve months of which there was a default during the three or nine months ended September 30, 2024 or September 30, 2023.

The following table presents data on non-accrual loans as of September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
	(Dollars in Thousands)	
Non-accrual loans:		
Residential		
One- to four-family	$ 5,087	$ 4,503
Multi-family	-	-
Home equity	152	90
Construction and land	-	-
Commercial real estate	129	215
Commercial	-	-
Consumer	-	-
Total non-accrual loans	$ 5,368	$ 4,808
Total non-accrual loans to total loans receivable	0.32%	0.29%
Total non-accrual loans to total assets	0.24%	0.22%

Residential one- to four-family mortgage loans that were in the process of foreclosure were $ 604,000 and $250,000 at September 30, 2024 and December 31, 2023, respectively.

Note 4 — Mortgage Servicing Rights

The following table presents the activity in the Company's mortgage servicing rights:

	Nine months ended September 30,	
	2024	2023
	(In Thousands)	
Mortgage servicing rights at beginning of the period	$ 1,811	$ 3,445
Additions	640	1,515
Amortization	(215)	(208)
Sales	(1,958)	(2,767)
Mortgage servicing rights at end of the period	278	1,985
Valuation allowance recovered during the period	213	-
Mortgage servicing rights at end of the period, net	$ 491	$ 1,985

During the nine months ended September 30, 2024, $1.66 billion in residential loans were originated for sale on a consolidated basis generating mortgage banking income of $66.2 million. During the same period in the prior year, sales of loans held for sale totaled $ 1.58 billion, generating mortgage banking income of $59.9 million. The unpaid principal balance of loans serviced for others was $67.0 million and $238.7 million at September 30, 2024 and December 31, 2023, respectively. These loans are not reflected in the consolidated statements of financial condition.

The fair value of mortgage servicing rights was $499,000 at September 30, 2024 and $2.2 million at December 31, 2023, respectively.

During the three months ended September 30, 2024, there were no sales of mortgage servicing rights. During the nine months ended September 30, 2024, the Company sold mortgage servicing rights related to $ 233.0 million in loans receivable with a book value of $ 2.0 million for $2.1 million resulting in a gain on sale of $152,000. During the three months ended September 30, 2023, there were no sales of mortgage servicing rights. During the nine months ended September 30, 2023, the Company sold mortgage servicing rights related to $ 318.4 million of loans serviced for others with a book value of $2.9 million for $3.5 million resulting in a gain on sale of $583,000.

The following table shows the estimated future amortization expense for mortgage servicing rights for the periods indicated:

	(In Thousands)
Estimate for the annual period ending December 31:	
2024	$ 21
2025	89
2026	80
2027	71
2028	62
Thereafter	168
Total	$ 491

Note 5 — Deposits

At September 30, 2024 and December 31, 2023, the aggregate balance of uninsured time deposits of $250,000 or more was $160.5 million and $131.4 million, respectively. The Company does not have uninsured deposits less than $250,000 in aggregate balance.

A summary of the contractual maturities of time deposits at September 30, 2024 is as follows:

	(In Thousands)
Within one year	$ 745,317
More than one to two years	56,655
More than two to three years	1,447
More than three to four years	399
More than four through five years	386
	$ 804,204

Certain directors and executive officers, including their immediate families and companies in which they are principal owners, are depositors of the Bank. Such deposits amounted to $13.4 million and $9.0 million at September 30, 2024 and December 31, 2023, respectively.

Note 6 — Borrowings

Borrowings consist of the following:

September 30, 2024

Category	Term	Amount	Maturity	Rate	Rate Type	Callable/Putable	Start Date	Frequency
				(Dollars in Millions)				
FHLB advances								
	Long-term	$ 10,000	August 2, 2027	3.61%	Fixed	Putable	August 1, 2024	Monthly
	Long-term	10,000	August 5, 2027	3.36%	Fixed	Putable	August 5, 2024	Quarterly
	Long-term	50,000	December 14, 2027	1.73%	Fixed	N/A	December 14, 2017	N/A
	Long-term	10,000	May 15, 2029	3.54%	Fixed	Putable	May 15, 2024	Monthly
	Long-term	10,000	June 4, 2029	3.55%	Fixed	Putable	June 4, 2024	Monthly
	Long-term	10,000	June 5, 2029	3.48%	Fixed	Putable	June 5, 2024	Monthly
	Long-term	10,000	June 14, 2029	3.43%	Fixed	Putable	June 14, 2024	Monthly
	Long-term	10,000	June 18, 2029	3.47%	Fixed	Putable	June 18, 2024	Monthly
	Long-term	10,000	July 9, 2029	3.40%	Fixed	Putable	July 8, 2024	Monthly
	Long-term	10,000	July 12, 2029	3.35%	Fixed	Putable	July 12, 2024	Monthly
	Long-term	10,000	August 2, 2029	2.89%	Fixed	Putable	August 2, 2024	Monthly
	Long-term	10,000	September 6, 2034	2.32%	Fixed	Putable	September 6, 2024	Monthly
Total FHLB long-term advances		160,000		2.82%				
	Short-Term	40,000	October 1, 2024	4.92%	Fixed	N/A	N/A	N/A
	Short-Term	15,000	October 3, 2024	5.30%	Fixed	N/A	N/A	N/A
	Short-Term	12,900	October 3, 2024	5.30%	Fixed	N/A	N/A	N/A
	Short-Term	4,400	October 3, 2024	5.30%	Fixed	N/A	N/A	N/A
	Short-Term	29,000	October 7, 2024	5.25%	Fixed	N/A	N/A	N/A
	Short-Term	22,000	October 15, 2024	5.13%	Fixed	N/A	N/A	N/A
	Short-Term	14,500	October 15, 2024	5.13%	Fixed	N/A	N/A	N/A
	Short-Term	4,400	October 15, 2024	5.13%	Fixed	N/A	N/A	N/A
	Short-Term	23,700	October 15, 2024	5.13%	Fixed	N/A	N/A	N/A
	Short-Term	10,800	October 15, 2024	5.12%	Fixed	N/A	N/A	N/A
	Short-Term	14,800	October 21, 2024	4.84%	Fixed	N/A	N/A	N/A
	Short-Term	2,700	October 21, 2024	4.84%	Fixed	N/A	N/A	N/A
	Short-Term	11,400	October 21, 2024	4.84%	Fixed	N/A	N/A	N/A
	Short-Term	6,800	October 28, 2024	4.83%	Fixed	N/A	N/A	N/A
	Short-Term	7,100	October 28, 2024	4.83%	Fixed	N/A	N/A	N/A
	Short-Term	23,500	December 27, 2024	4.79%	Fixed	N/A	N/A	N/A
	Short-Term	20,000	January 29, 2025	4.74%	Fixed	N/A	N/A	N/A
Total FHLB short-term advances		263,000		5.02%				
Total FHLB advances		423,000		4.19%				
Short-Term Borrowings								
Federal reserve bank	Short-term	$ 136,300	January 16, 2025	4.76%	Fixed	N/A	N/A	N/A
Total federal reserve bank		$ 136,300		4.76%				
Repurchase agreements	Revolving	$ 827	N/A	7.85%	Variable	N/A	N/A	N/A
Total short-term borrowings		$ 137,127		4.78%				
Total borrowings		$ 560,127		4.33%				

December 31, 2023

Category	Term	Amount	Maturity	Rate	Rate Type	Callable/Putable	Start Date	Frequency
				(Dollars in Thousands)				
FHLB advances								
	Long-term	$ 50,000	December 14, 2027	1.73%	Fixed	Putable	December 14, 2019	Single
	Long-term	10,000	August 7, 2028	3.51%	Fixed	Putable	December 7, 2023	Quarterly
	Long-term	10,000	August 8, 2028	3.52%	Fixed	Putable	December 8, 2023	Quarterly
	Long-term	10,000	October 10, 2028	3.49%	Fixed	Putable	November 10, 2023	Quarterly

	Long-term	10,000	October 10, 2028	3.49%	Fixed	Putable	November 10, 2023	Quarterly
	Long-term	10,000	November 3, 2028	3.46%	Fixed	Putable	December 4, 2023	Quarterly
	Long-term	10,000	November 6, 2028	3.47%	Fixed	Putable	December 6, 2023	Quarterly
	Long-term	15,000	November 14, 2028	3.39%	Fixed	Putable	December 14, 2023	Quarterly
	Long-term	10,000	November 29, 2028	3.38%	Fixed	Putable	December 29, 2023	Quarterly
	Long-term	10,000	November 29, 2028	3.43%	Fixed	Putable	January 29, 2024	Quarterly
	Long-term	10,000	December 4, 2028	3.31%	Fixed	Putable	January 4, 2023	Quarterly
Total FHLB long-term advances		155,000		2.89%				
	Short-term	60,000	January 2, 2024	5.44%	Fixed	N/A	N/A	N/A
	Short-term	20,000	January 2, 2024	5.45%	Fixed	N/A	N/A	N/A
	Short-term	20,000	January 5, 2024	5.48%	Fixed	N/A	N/A	N/A
	Short-term	20,500	January 8, 2024	5.38%	Fixed	N/A	N/A	N/A
	Short-term	18,000	January 8, 2024	5.38%	Fixed	N/A	N/A	N/A
	Short-term	14,000	January 16, 2024	5.49%	Fixed	N/A	N/A	N/A
	Short-term	21,000	January 22, 2024	5.36%	Fixed	N/A	N/A	N/A
	Short-term	33,000	January 29, 2024	5.36%	Fixed	N/A	N/A	N/A
	Short-term	27,500	February 20, 2024	5.41%	Fixed	N/A	N/A	N/A
	Short-term	27,000	February 27, 2024	5.42%	Fixed	N/A	N/A	N/A
	Short-term	24,500	March 13, 2024	5.39%	Fixed	N/A	N/A	N/A
	Short-term	23,500	December 29, 2024	4.79%	Fixed	N/A	N/A	N/A
Total FHLB short-term advances		309,000		5.37%				
Total FHLB advances		464,000		4.54%				
Short-Term Borrowings								
Federal reserve bank	Short-term	$ 145,000	December 31, 2024	4.83%	Fixed	N/A	N/A	N/A
Total Federal reserve bank		$ 145,000		4.83%				
Repurchase agreements	Revolving	$ 2,054	N/A	8.20%	Variable	N/A	N/A	N/A
Total short-term borrowings		$ 147,054		4.88%				
Total borrowings		$ 611,054		4.62%				

The short-term repurchase agreement represents the outstanding portion of a total $ 50.0 million commitment with one unrelated banks as of September 30, 2024. The short-term repurchase agreement is utilized by Waterstone Mortgage Corporation to finance loans originated for sale. This agreement is secured by the underlying loans being financed. Related interest rates are based upon the note rate associated with the loans being financed. The short-term repurchase agreement had a $827,000 balance at September 30, 2024 and a $2.1 million balance at December 31, 2023.

The Company enters into agreements under which it sells securities subject to an obligation to repurchase the same or similar securities. In addition, the Company enters into agreements under which it sells loans held for sale subject to an obligation to repurchase the same loans. Under these arrangements, the Company may transfer legal control over the assets but still retain effective control through an agreement that both entitles and obligates the Company to repurchase the assets. As a result, these repurchase agreements are accounted for as collateralized financing arrangements (i.e., secured borrowings) and not as a sale and subsequent repurchase of assets. The obligation to repurchase the assets is reflected as a liability in the Company's consolidated statements of financial condition, while the securities and loans held for sale underlying the repurchase agreements remain in the respective investment securities and loans held for sale asset accounts. In other words, there is no offsetting or netting of the investment securities or loans held for sale assets with the repurchase agreement liabilities. The Company's repurchase agreement is subject to master netting agreements, which sets forth the rights and obligations for repurchase and offset. Under the master netting agreement, the Company is entitled to set off the collateral placed with a single counterparty against obligations owed to that counterparty.

The Federal Reserve Bank (“FRB”) created a new borrowing facility called the Bank Term Funding Program. This program allows a bank to borrow against its investment portfolio, at par value, with no reduction for unrealized losses. The term is for one year and interest rate is fixed at the time the advance is taken and there is no prepayment penalty. Allowable investments for pledge are those the FRB can own. This would include all of the Company’s investment securities except municipal securities, private label bonds, and corporate bonds. At September 30, 2024, the Company had fully utilized its borrowing capacity under this program. The program does not allow for additional funding capacity after March 11, 2024.

At September 30, 2024, the Company had approximately $ 362.5 million in unused borrowing capacity at the FHLB.

The Company selects loans that meet underwriting criteria established by the FHLB as collateral for outstanding advances. The Company's borrowings from the FHLB are limited to 76% of the carrying value of unencumbered one- to four-family mortgage loans, 73% of the carrying value of multi-family loans and 62% of the carrying value of home equity loans. In addition, these advances were collateralized by FHLB stock of $ 21.7 million at September 30, 2024 and $20.9 million at December 31, 2023, respectively. In the event of prepayment, the Company is obligated to pay all remaining contractual interest on the advance.

Note 7 – **Regulatory Capital**

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements, or overall financial performance deemed by the regulators to be inadequate, can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Company's and Bank's assets, liabilities, and certain off-balance-sheet items, as calculated under regulatory accounting practices. The Company's and Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

As required by applicable legislation, the federal banking agencies were required to develop a "Community Bank Leverage Ratio" (the ratio of a bank's tangible equity capital to average total consolidated assets) for financial institutions with assets of less than $10 billion. A "qualifying community bank" that exceeds this ratio will be deemed to be in compliance with all other capital and leverage requirements, including the capital requirements to be considered "well capitalized" under Prompt Corrective Action statutes. The federal banking agencies may consider a financial institution's risk profile when evaluating whether it qualifies as a community bank for purposes of the capital ratio requirement.

The federal banking agencies must set the minimum capital for the new Community Bank Leverage Ratio at not less than 8% and not more than 10%. The Community Bank Leverage Ratio is currently 9%. A financial institution can elect to be subject to this new definition, and opt-out of this new definition, at any time. As a qualified community bank, we elected to opt-out of this definition.

Prompt corrective action regulations provide five classifications: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If only adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required.

The minimum capital ratios set forth in the Regulatory Capital Plans will be increased and other minimum capital requirements will be established if and as necessary. In accordance with the Regulatory Capital Plans, the Bank will not pursue any acquisition or growth opportunity, declare any dividend or conduct any stock repurchase that would cause the Bank's total risk-based capital ratio and/or its Tier 1 leverage ratio to fall below the established minimum capital levels or the capital levels required for capital adequacy plus the capital conservation buffer. The minimum capital conservation buffer is 2.5%.

As of September 30, 2024, the Bank was considered well-capitalized, with all capital ratios exceeding the well-capitalized requirement. There are no conditions or events that management believes have changed the Bank's prompt corrective action capitalization category.

The Bank is subject to regulatory restrictions on the amount of dividends it may declare and pay to the Company without prior regulatory approval, and to regulatory notification requirements for dividends that do not require prior regulatory approval.

The actual and required capital amounts and ratios for the Bank as of September 30, 2024 and December 31, 2023 are presented in the tables below:

	September 30, 2024							
	Actual		For Capital Adequacy Purposes		Minimum Capital Adequacy with Capital Buffer		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars In Thousands)							
Total Capital (to risk-weighted assets)								
Consolidated Waterstone Financial, Inc.	$ 374,807	20.74%	$ 144,580	8.00%	$ 189,760	10.50%	N/A	N/A
Waterstone Bank	359,791	19.91%	144,570	8.00%	189,740	10.50%	180,709	10.00%
Tier I Capital (to risk-weighted assets)								
Consolidated Waterstone Financial, Inc.	355,637	19.68%	108,440	6.00%	153,620	8.50%	N/A	N/A
Waterstone Bank	340,621	18.85%	108,420	6.00%	153,600	8.50%	144,561	8.00%
Common Equity Tier 1 Capital (to risk-weighted assets)								
Consolidated Waterstone Financial, Inc.	355,637	19.68%	81,330	4.50%	126,510	7.00%	N/A	N/A
Waterstone Bank	340,621	18.85%	81,320	4.50%	126,490	7.00%	117,456	6.50%
Tier I Capital (to average assets)								
Consolidated Waterstone Financial, Inc.	355,637	15.62%	91,070	4.00%	N/A	N/A	N/A	N/A
Waterstone Bank	340,621	14.96%	91,080	4.00%	N/A	N/A	113,844	5.00%
State of Wisconsin (to total assets)								
Waterstone Bank	340,621	15.20%	134,460	6.00%	N/A	N/A	N/A	N/A

	December 31, 2023							
	Actual		For Capital Adequacy Purposes		Minimum Capital Adequacy with Capital Buffer		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars In Thousands)							
Total capital (to risk-weighted assets)								
Consolidated Waterstone Financial, Inc.	$ 380,351	21.50%	$ 141,538	8.00%	$ 185,769	10.50%	N/A	N/A
Waterstone Bank	355,476	20.10%	141,515	8.00%	185,738	10.50%	176,893	10.00%
Tier I capital (to risk-weighted assets)								
Consolidated Waterstone Financial, Inc.	360,734	20.39%	106,154	6.00%	150,385	8.50%	N/A	N/A
Waterstone Bank	335,859	18.99%	106,117	6.00%	150,332	8.50%	141,489	8.00%
Common Equity Tier 1 Capital (to risk-weighted assets)								
Consolidated Waterstone Financial, Inc.	360,734	20.39%	79,615	4.50%	123,846	7.00%	N/A	N/A
Waterstone Bank	335,859	18.99%	79,587	4.50%	123,803	7.00%	114,960	6.50%
Tier I Capital (to average assets)								
Consolidated Waterstone Financial, Inc.	360,734	16.77%	86,043	4.00%	N/A	N/A	N/A	N/A
Waterstone Bank	335,859	15.62%	86,007	4.00%	N/A	N/A	107,509	5.00%
State of Wisconsin (to total assets)								
Waterstone Bank	335,859	15.20%	132,576	6.00%	N/A	N/A	N/A	N/A

Note 8 – **Commitments, Off-Balance Sheet Arrangements, and Contingent Liabilities**

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated statements of financial condition. The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

	September 30, 2024	December 31, 2023
	(In Thousands)	
Financial instruments whose contract amounts represent potential credit risk:		
Commitments to extend credit under amortizing loans (1)	$ 28,119	$ 9,789
Commitments to extend credit under home equity lines of credit (2)	11,663	11,722
Unused portion of construction loans (3)	55,149	76,660
Unused portion of business lines of credit	12,702	15,378
Standby letters of credit	604	514

(1) Commitments for loans are extended to customers for up to 90 days after which they expire. Excludes commitments to originate loans held for sale, which are discussed in the following footnote.
(2) Unused portions of home equity loans are available to the borrower for up to 10 years.
(3) Unused portions of construction loans are available to the borrower for up to one year.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counter-party. Collateral obtained generally consists of mortgages on the underlying real estate.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company holds mortgages on the underlying real estate as collateral supporting those commitments for which collateral is deemed necessary.

The Company has determined that there are no probable losses related to commitments to extend credit or the standby letters of credit as of September 30, 2024 and December 31, 2023. Please see Note 3 - Loans Receivable for discussion on the allowance for credit losses - unfunded commitments.

Residential mortgage loans sold to others are predominantly conventional residential first lien mortgages. The Company’s agreements to sell residential mortgage loans in the normal course of business usually require certain representations and warranties on the underlying loans sold related to credit information, loan documentation and collateral, which if subsequently are untrue or breached, could require the Company to repurchase certain loans affected. The Company has only been required to make insignificant repurchases as a result of breaches of these representations and warranties. The Company’s agreements to sell residential mortgage loans also contain limited recourse provisions. The recourse provisions are limited in that the recourse provision ends after certain payment criteria have been met. With respect to these loans, repurchase could be required if defined delinquency issues arose during the limited recourse period. Given that the underlying loans delivered to buyers are predominantly conventional first lien mortgages, historical experience has resulted in insignificant losses and repurchase activity. The Company's reserve for losses related to these recourse provisions totaled $1.9 million as of September 30, 2024 and $2.1 million as of December 31, 2023.

In the normal course of business, the Company, or its subsidiaries, are involved in various legal proceedings. In the opinion of management, any liability resulting from pending proceedings would not be expected to have a material adverse effect on the Company's consolidated financial statements.

Note 9 – **Derivative Financial Instruments**

Mortgage Banking Derivatives

In connection with its mortgage banking activities, the Company enters into derivative financial instruments as part of its strategy to manage its exposure to changes in interest rates. Mortgage banking derivatives include interest rate lock commitments provided to customers to fund mortgage loans to be sold in the secondary market and forward commitments for the future delivery of such loans. It is the Company's practice to enter into forward commitments for the future delivery of residential mortgage loans when interest rate lock commitments are entered into in order to economically hedge the effect of future changes in interest rates on its commitments to fund the loans as well as on its portfolio of mortgage loans held-for-sale. The Company's mortgage banking derivatives have not been designated as being a hedge relationship. These instruments are used to manage the Company's exposure to interest rate movements and other identified risks but do not meet the strict hedge accounting requirements of ASC Topic 815. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings. The Company does not use derivatives for speculative purposes.

Derivative Loan Commitments

Mortgage loan commitments qualify as derivative loan commitments if the loan that will result from exercise of the commitment will be held for sale upon funding. The Company enters into commitments to fund residential mortgage loans at specified times in the future, with the intention that these loans will subsequently be sold in the secondary market. A mortgage loan commitment binds the Company to lend funds to a potential borrower at a specified interest rate and within a specified period of time, generally up to 60 days after inception of the rate lock.

Outstanding derivative loan commitments expose the Company to the risk that the price of the loans arising from exercise of the loan commitment might decline from inception of a rate lock to funding of the loan due to increases in mortgage interest rates. If interest rates increase, the value of these loan commitments decreases. Conversely, if interest rates decrease, the value of these loan commitments increases.

Forward Loan Sale Commitments

The Company utilizes both "mandatory delivery" and "best efforts" forward loan sale commitments to mitigate the risk of potential decreases in the values of loans that would result from the exercise of the derivative loan commitments.

With a "mandatory delivery" contract, the Company commits to deliver a certain principal amount of mortgage loans to an investor at a specified price on or before a specified date. If the Company fails to deliver the number of mortgages necessary to fulfill the commitment by the specified date, it is obligated to pay a "pair-off" fee, based on then-current market prices, to the investor to compensate the investor for the shortfall.

With a "best efforts" contract, the Company commits to deliver an individual mortgage loan of a specified principal amount and quality to an investor if the loan to the underlying borrower closes. Generally, the price the investor will pay the seller for an individual loan is specified prior to the loan being funded (e.g., on the same day the lender commits to lend funds to a potential borrower).

The Company expects that these forward loan sale commitments will experience changes in fair value opposite to the change in fair value of derivative loan commitments.

Interest Rate Swaps

The Company may offer derivative contracts to its customers in connection with their risk management needs. The Company manages the risk associated with these contracts by entering into an equal and offsetting derivative with a third-party dealer through back-to-back swaps. These derivatives generally work together as an economic interest rate hedge, but the Company does not designate them for hedge accounting treatment. Consequently, changes in fair value of the corresponding derivative financial asset or liability are recorded as either a charge or credit to current earnings during the period in which the changes occurred. The fair value of the swaps is recorded as both an asset and a liability, in other assets and other liabilities on the Company's consolidated statement of financial condition, respectively, in equal amounts for these transactions.

The following tables presents the outstanding notional balances and fair values of outstanding derivative instruments:

September 30, 2024

Derivatives not designated as Hedging Instruments	Notional Amount	Assets: Balance Sheet Location	Assets: Fair Value	Liabilities: Balance Sheet Location	Liabilities: Fair Value
			(In Millions)		
Forward commitments	$ 318.6	Other assets	$ 0.5	Other liabilities	$ -
Interest rate locks	184.8	Other assets	0.4	Other liabilities	-
Interest rate swaps	124.9	Other assets	9.4	Other liabilities	9.4

December 31, 2023

Derivatives not designated as Hedging Instruments	Notional Amount	Assets: Balance Sheet Location	Assets: Fair Value	Liabilities: Balance Sheet Location	Liabilities: Fair Value
			(In Millions)		
Forward commitments	$ 268.8	Other assets	$ -	Other liabilities	$ 0.4
Interest rate locks	170.9	Other assets	0.3	Other liabilities	-
Interest rate swaps	88.2	Other assets	12.0	Other liabilities	12.0

In determining the fair value of its derivative loan commitments, the Company considers the value that would be generated by the loan arising from exercise of the loan commitment when sold in the secondary mortgage market. That value includes the price that the loan is expected to be sold for in the secondary mortgage market. The fair value of these commitments is recorded on the consolidated statements of financial condition with the changes in fair value recorded as a component of mortgage banking income.

The significant unobservable input used in the fair value measurement of the Company's mortgage banking derivatives, including interest rate lock commitments, is the loan pull through rate. This represents the percentage of loans currently in a lock position which the Company estimates will ultimately close. Generally, the fair value of an interest rate lock commitment will be positively (negatively) impacted when the prevailing interest rate is lower (higher) than the interest rate lock commitment. Generally, an increase in the pull through rate will result in the fair value of the interest rate lock increasing when in a gain position, or decreasing when in a loss position. The pull through rate is largely dependent on the loan processing stage that a loan is currently in and the change in prevailing interest rates from the time of the rate lock. The pull through rate is computed using historical data and the ratio is periodically reviewed by the Company.

Interest Rate Swaps

The back-to-back swaps mature in December 2029 to June 2037. Commercial borrower swaps are completed independently with each borrower and are not subject to master netting arrangements. As of September 30, 2024 and December 31, 2023, no back-to-back swaps were in default. The Company pays fixed rates and receives floating rates based upon LIBOR on the swaps with dealer counterparties. Dealer counterparty swaps are subject to master netting agreements among the contracts within our Bank. No right of offset existed with dealer counterparty swaps as of September 30, 2024 and December 31, 2023. All changes in the fair value of these instruments are recorded in other non-interest income. The Company pledged no cash at September 30, 2024 and at December 31, 2023.

Note 10 – **Earnings Per Share**

Earnings per share are computed using the two-class method. Basic earnings per share is computed by dividing net income allocated to common shares by the weighted average number of common shares outstanding during the applicable period. Diluted earnings per share is computed by dividing net income by the weighted average number of common shares outstanding adjusted for the dilutive effect of all potential common shares.

There were 183,000 and 199,000 antidilutive shares of common stock for the three months ended September 30, 2024 and 2023, respectively. There were 206,000 and 162,000 antidilutive shares of common stock for the nine months ended September 30, 2024 and 2023, respectively.

Presented below are the calculations for basic and diluted earnings per share:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(In Thousands, except per share amounts)			
Net income	$ 4,728	$ 3,253	$ 13,478	$ 9,415
Weighted average shares outstanding	18,350	19,998	18,631	20,420
Effect of dilutive potential common shares	95	24	46	53
Diluted weighted average shares outstanding	$ 18,445	$ 20,022	$ 18,677	$ 20,473
Basic earnings per share	$ 0.26	$ 0.16	$ 0.72	$ 0.46
Diluted earnings per share	$ 0.26	$ 0.16	$ 0.72	$ 0.46

Note 11 – **Fair Value Measurements**

ASC Topic 820, "Fair Value Measurements and Disclosures" defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This accounting standard applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements. The standard also emphasizes that fair value (i.e., the price that would be received in an orderly transaction that is not a forced liquidation or distressed sale at the measurement date), among other things, is based on exit price versus entry price, should include assumptions about risk such as nonperformance risk in liability fair values, and is a market-based measurement, not an entity-specific measurement. When considering the assumptions that market participants would use in pricing the asset or liability, this accounting standard establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The fair value hierarchy prioritizes inputs used to measure fair value into three broad levels.

Level 1 inputs - In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that we have the ability to access.

Level 2 inputs - Fair values determined by Level 2 inputs use inputs other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets where there are few transactions and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs - Level 3 inputs are unobservable inputs for the asset or liability and include situations where there is little, if any, market activity for the asset or liability.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The following table presents information about our assets recorded in the consolidated statements of financial condition at their fair value on a recurring basis as of September 30, 2024 and December 31, 2023, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

		Fair Value Measurements Using		
	September 30, 2024	Level 1	Level 2	Level 3
		(In Thousands)		
Assets				
Available for sale securities				
Mortgage-backed securities	$ 10,328	$ -	$ 10,328	$ -
Collateralized mortgage obligations				
Government sponsored enterprise issued	132,681	-	132,681	-
Private-label issued	6,755	-	6,755	-
Government sponsored enterprise bonds	2,423	-	2,423	-
Municipal securities	49,730	-	49,730	-
Other debt securities	11,247	-	11,247	-
Loans held for sale	155,846	-	155,846	-
Mortgage banking derivative assets	958	-	-	958
Interest rate swap assets	9,446	-	9,446	-
Liabilities				
Mortgage banking derivative liabilities	46	-	-	46
Interest rate swap liabilities	9,446	-	9,446	-

		Fair Value Measurements Using		
	December 31, 2023	Level 1	Level 2	Level 3
		(In Thousands)		
Assets				
Available for sale securities				
Mortgage-backed securities	$ 11,181	$ -	$ 11,181	$ -
Collateralized mortgage obligations				
Government sponsored enterprise issued	133,467	-	133,467	-
Private-label issued	7,260	-	7,260	-
Government sponsored enterprise bonds	2,348	-	2,348	-
Municipal securities	39,488	-	39,488	-
Other debt securities	11,163	-	11,163	-
Loans held for sale	164,993	-	164,993	-
Mortgage banking derivative assets	334	-	-	334
Interest rate swap assets	12,044	-	12,044	-
Liabilities				
Mortgage banking derivative liabilities	364	-	-	364
Interest rate swap liabilities	12,044	-	12,044	-

The following summarizes the valuation techniques for assets recorded in the consolidated statements of financial condition at their fair value on a recurring basis:

Available-for-sale securities – The Company's investment securities classified as available for sale include: mortgage-backed securities, collateralized mortgage obligations, government sponsored enterprise bonds, municipal securities and other debt securities. The fair value of mortgage-backed securities, collateralized mortgage obligations and government sponsored enterprise bonds are determined by a third party valuation source using observable market data utilizing a matrix or multi-dimensional relational pricing model. Standard inputs to these models include observable market data such as benchmark yields, reported trades, broker quotes, issuer spreads, benchmark securities, prepayment models and bid/offer market data. For securities with an early redemption feature, an option adjusted spread model is utilized to adjust the issuer spread. These model and matrix measurements are classified as Level 2 in the fair value hierarchy. The fair value of municipal and other debt securities is determined by a third party valuation source using observable market data utilizing a multi-dimensional relational pricing model. Standard inputs to this model include observable market data such as benchmark yields, reported trades, broker quotes, rating updates and issuer spreads. These model measurements are classified as Level 2 in the fair value hierarchy. The change in fair value is recorded through an adjustment to the statement of comprehensive income.

Loans held for sale – The Company carries loans held for sale at fair value under the fair value option model. Fair value is generally determined by estimating a gross premium or discount, which is derived from pricing currently observable in the secondary market, principally from observable prices for forward sale commitments. Loans held-for-sale are considered to be Level 2 in the fair value hierarchy of valuation techniques. The change in fair value is recorded through an adjustment to the statement of income.

Mortgage banking derivatives - Mortgage banking derivatives include interest rate lock commitments to originate residential loans held for sale to individual customers and forward commitments to sell residential mortgage loans to various investors. The Company utilizes a valuation model to estimate the fair value of its interest rate lock commitments to originate residential mortgage loans held for sale, which includes applying a pull through rate based upon historical experience and the current interest rate environment and then multiplying by quoted investor prices. The Company also utilizes a valuation model to estimate the fair value of its forward commitments to sell residential loans, which includes matching specific terms and maturities of the forward commitments against applicable investor pricing available. While there are Level 2 and 3 inputs used in the valuation models, the Company has determined that one or more of the inputs significant in the valuation of both of the mortgage banking derivatives fall within Level 3 of the fair value hierarchy. The change in fair value is recorded through an adjustment to the statement of income.

Interest rate swap assets/liabilities - The Company offers loan level swaps to its customers and offsets its exposure from such contracts by entering into mirror image swaps with a financial institution / swap counterparty. The fair values of derivatives are based on valuation models using observable market data as of the measurement date. Our derivatives are traded in an over-the-counter market where quoted market prices are not always available. Therefore, the fair values of derivatives are determined using quantitative models that utilize multiple market inputs. The inputs will vary based on the type of derivative, but could include interest rates, prices and indices to generate continuous yield or pricing curves, prepayment rates, and volatility factors to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services. Interest rate swap assets and liabilities are considered to be Level 2 in the fair value hierarchy of valuation techniques. The change in fair value is recorded through an adjustment to the statement of operations, within other income and other expense.

The table below presents reconciliation for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during 2024 and 2023.

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(In Thousands)		(In Thousands)	
Mortgage derivative, net balance at the beginning of the period	$ 1,164	$ 2,504	$ (30)	$ (994)
Mortgage derivative (loss) gain, net	(252)	372	942	3,870
Mortgage derivative, net balance at the end of the period	$ 912	$ 2,876	$ 912	$ 2,876

There were no transfers in or out of Level 1, 2 or 3 measurements during the periods.

Assets Recorded at Fair Value on a Non-recurring Basis

The following tables present information about assets recorded in the consolidated statements of financial condition at their fair value on a non-recurring basis as of September 30, 2024 and December 31, 2023, and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value.

	September 30, 2024	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
		(In Thousands)		
Real estate owned	$ 145	$ -	$ -	$ 145
Impaired mortgage servicing rights	432	-	-	432

	December 31, 2023	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
		(In Thousands)		
Real estate owned	$ 254	$ -	$ -	$ 254
Impaired mortgage servicing rights	1,063	-	-	1,063

Real estate owned – On a non-recurring basis, real estate owned is recorded in the consolidated statements of financial condition at the lower of cost or fair value. Fair value is determined based on third party appraisals and, if less than the carrying value of the foreclosed loan, the carrying value of the real estate owned is adjusted to the fair value. Appraised values are adjusted to consider disposition costs and also to take into consideration the age of the most recent appraisal. Given the significance of the adjustments made to appraised values necessary to estimate the fair value of the properties, real estate owned is considered to be Level 3 in the fair value hierarchy of valuation techniques.

Mortgage servicing rights – The Company utilizes an independent valuation from a third party which uses a discounted cash flow model to estimate the fair value of mortgage servicing rights. The model utilizes prepayment assumptions to project cash flows related to the mortgage servicing rights based upon the current interest rate environment, which is then discounted to estimate an expected fair value of the mortgage servicing rights. The model considers characteristics specific to the underlying mortgage portfolio, such as: contractually specified servicing fees, prepayment assumptions, delinquency rates, late charges and costs to service. Given the significance of the unobservable inputs utilized in the estimation process, mortgage servicing rights are classified as Level 3 within the fair value hierarchy. The Company records the mortgage servicing rights at the lower of amortized cost or fair value.

For Level 3 assets and liabilities measured at fair value on a recurring and non-recurring basis as of September 30, 2024 and December 31, 2023, the significant unobservable inputs used in the fair value measurements were as follows:

				Significant Unobservable Input Value		
	Fair Value at September 30, 2024	**Valuation Technique**	**Significant Unobservable Inputs**	**Minimum Value**	**Maximum Value**	**Weighted Average**
	(Dollars in Thousands)					
Mortgage banking derivatives	$ 912	Pricing models	Pull through rate	1.7%	99.6%	76.5%
Real estate owned	145	Market approach	Discount rates applied to appraisals	34.8%	34.8%	34.8%
Mortgage servicing rights	432	Pricing models	Prepayment rate	6.5%	30.7%	21.3%
			Discount rate	10.5%	14.9%	10.8%
			Cost to service	$ 83	$ 183	$ 86
	December 31, 2023					
Mortgage banking derivatives	$ (30)	Pricing models	Pull through rate	20.5%	99.9%	69.8%
Real estate owned	254	Market approach	Discount rates applied to appraisals	23.3%	73.1%	39.3%
Mortgage servicing rights	1,063	Pricing models	Prepayment rate	6.7%	23.9%	14.6%
			Discount rate	10.0%	15.5%	11.2%
			Cost to service	$ 77	$ 471	$ 107

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Fair value information about financial instruments follows, whether or not recognized in the consolidated statements of financial condition, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. Certain financial instruments and all nonfinancial instruments are excluded from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The carrying amounts and fair values of the Company's financial instruments consist of the following:

	September 30, 2024					December 31, 2023				
	Carrying amount	Fair Value				Carrying amount	Fair Value			
		Total	Level 1	Level 2	Level 3		Total	Level 1	Level 2	Level 3
	(In Thousands)									
Financial Assets										
Cash and cash equivalents	$ 41,407	$ 41,407	$ 41,407	$ -	$ -	$ 36,421	$ 36,421	$ 36,421	$ -	$ -
Loans receivable	1,695,403	1,606,055	-	-	1,606,055	1,664,215	1,558,472	-	-	1,558,472
FHLB stock	21,681	21,681	21,681	-	-	20,880	20,880	20,880	-	-
Accrued interest receivable	7,764	7,764	7,764	-	-	7,421	7,421	7,421	-	-
Mortgage servicing rights	491	499	-	-	499	1,811	2,207	-	-	2,207
Financial Liabilities										
Deposits	1,263,841	1,263,603	459,637	803,966	-	1,190,624	1,189,274	460,340	728,934	-
Advance payments by borrowers for taxes	27,847	27,847	27,847	-	-	6,607	6,607	6,607	-	-
Borrowings	560,127	552,379	-	552,379	-	611,054	602,948	-	602,948	-
Accrued interest payable	7,322	7,322	7,322	-	-	2,613	2,613	2,613	-	-

The following methods and assumptions were used by the Company in determining its fair value disclosures for financial instruments.

Cash and Cash Equivalents

The carrying amount reported in the consolidated statements of financial condition for cash and cash equivalents is a reasonable estimate of fair value.

Loans Receivable

The fair value estimation process for the loan portfolio uses an exit price concept and reflects discounts the Company believes are consistent with discounts in the marketplace. Fair values are estimated for portfolios of loans with similar characteristics. Loans are segregated by type such as one- to four-family, multi-family, home equity, construction and land, commercial real estate, commercial, and other consumer. The fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for similar maturities. The fair value analysis also includes other assumptions to estimate fair value, intended to approximate those a market participant would use in an orderly transaction, with adjustments for discount rates, interest rates, liquidity, and credit spreads, as appropriate.

FHLB Stock

For FHLB stock, the carrying amount is the amount at which shares can be redeemed with the FHLB and is a reasonable estimate of fair value.

Deposits and Advance Payments by Borrowers for Taxes

The fair values for interest-bearing and noninterest-bearing negotiable order of withdrawal accounts, savings accounts, and money market accounts are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates of similar remaining maturities to a schedule of aggregated expected monthly maturities of the outstanding certificates of deposit. The advance payments by borrowers for taxes are equal to their carrying amounts at the reporting date.

Borrowings

Fair values for borrowings are estimated using a discounted cash flow calculation that applies current interest rates to estimated future cash flows of the borrowings.

Accrued Interest Payable and Accrued Interest Receivable

For accrued interest payable and accrued interest receivable, the carrying amount is a reasonable estimate of fair value.

Commitments to Extend Credit and Standby Letters of Credit

Commitments to extend credit and standby letters of credit are generally not marketable. Furthermore, interest rates on any amounts drawn under such commitments would be generally established at market rates at the time of the draw. Fair values for the Company's commitments to extend credit and standby letters of credit are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements, the counterparty's credit standing, and discounted cash flow analyses. The fair value of the Company's commitments to extend credit was not material at September 30, 2024 and December 31, 2023.

Note 12 – **Segment Reporting**

Selected financial and descriptive information is required to be provided about reportable operating segments, considering a "management approach" concept as the basis for identifying reportable segments. The management approach is based on the way that management organizes the segments within the enterprise for making operating decisions, allocating resources, and assessing performance. Consequently, the segments are evident from the structure of the enterprise's internal organization, focusing on financial information that an enterprise's chief operating decision-makers use to make decisions about the enterprise's operating matters.

The Company has determined that it has two reportable segments: community banking and mortgage banking. The Company's operating segments are presented based on its management structure and management accounting practices. The structure and practices are specific to the Company and therefore, the financial results of the Company's business segments are not necessarily comparable with similar information for other financial institutions.

Community Banking

The community banking segment provides consumer and business banking products and services to customers primarily within Southeastern Wisconsin. Within this segment, the following products and services are provided: (1) lending solutions such as residential mortgages, home equity loans and lines of credit, personal and installment loans, real estate financing, business loans, and business lines of credit; (2) deposit and transactional solutions such as checking, credit, debit and pre-paid cards, online banking and bill pay, and money transfer services; (3) investable funds solutions such as savings, money market deposit accounts, IRA accounts, certificates of deposit, and (4) fixed and variable annuities, insurance as well as trust and investment management accounts.

Consumer products include loan and deposit products: mortgage, home equity loans and lines, personal term loans, demand deposit accounts, interest bearing transaction accounts and time deposits. Consumer products also include personal investment services. Business banking products include secured and unsecured lines and term loans for working capital, inventory and general corporate use, commercial real estate construction loans, demand deposit accounts, interest bearing transaction accounts and time deposits.

Mortgage Banking

The mortgage banking segment provides residential mortgage loans for the primary purpose of sale on the secondary market. Mortgage banking products and services are provided by offices in 26 states with the ability to lend in 48 states.

Table of Contents

Presented below is the segment information:

	As of or for the three months ended September 30, 2024			
	Community Banking	Mortgage Banking	Holding Company and Other	Consolidated
	(In Thousands)			
Net interest income (expense)	$ 12,250	$ (760)	$ 27	$ 11,517
Provision (credit) for credit losses	(302)	(75)	-	(377)
Net interest income (expense) after provision (credit) for credit losses	12,552	(685)	27	11,894
Noninterest income:	1,227	21,386	(61)	22,552
Noninterest expenses:				
Compensation, payroll taxes, and other employee benefits	5,326	15,930	(239)	21,017
Occupancy, office furniture and equipment	904	953	-	1,857
Advertising	311	615	-	926
Data processing	720	570	7	1,297
Communications	80	152	-	232
Professional fees	190	379	-	569
Real estate owned	-	-	-	-
Loan processing expense	-	697	-	697
Other	602	1,261	102	1,965
Total noninterest expenses	8,133	20,557	(130)	28,560
Income before income tax expense	5,646	144	96	5,886
Income tax expense	941	194	23	1,158
Net income (loss)	$ 4,705	$ (50)	$ 73	$ 4,728
Total Assets	$ 2,472,126	$ 193,726	$ (421,516)	$ 2,244,336

	As of or for the three months ended September 30, 2023			
	Community Banking	Mortgage Banking	Holding Company and Other	Consolidated
	(In Thousands)			
Net interest income (expense)	$ 12,431	$ (550)	$ 108	$ 11,989
Provision for credit losses	445	-	-	445
Net interest income (expense) after provision for credit losses	11,986	(550)	108	11,544
Noninterest income:	966	21,452	(188)	22,230
Noninterest expenses:				
Compensation, payroll taxes, and other employee benefits	4,618	17,186	(216)	21,588
Occupancy, office furniture and equipment	852	1,141	-	1,993
Advertising	200	716	-	916
Data processing	672	551	6	1,229
Communications	70	173	-	243
Professional fees	176	564	5	745
Real estate owned	1	-	-	1
Loan processing expense	-	722	-	722
Other	703	1,935	(54)	2,584
Total noninterest expenses	7,292	22,988	(259)	30,021
Income (loss) before income tax expense (benefit)	5,660	(2,086)	179	3,753
Income tax expense (benefit)	1,121	(657)	36	500
Net income (loss)	$ 4,539	$ (1,429)	$ 143	$ 3,253
Total Assets	$ 2,181,155	$ 202,785	$ (162,582)	$ 2,221,358

	As of or for the nine months ended September 30, 2024			
	Community Banking	Mortgage Banking	Holding Company and Other	Consolidated
	(In Thousands)			
Net interest income (expense)	$ 35,082	$ (1,853)	$ 104	$ 33,333
Provision (credit) for credit losses	(476)	(59)	-	(535)
Net interest income (expense) after provision (credit) for credit losses	35,558	(1,794)	104	33,868
Noninterest income:	3,708	66,795	(206)	70,297
Noninterest expenses:				
Compensation, payroll taxes, and other employee benefits	15,802	47,572	(719)	62,655
Occupancy, office furniture and equipment	2,887	3,107	-	5,994
Advertising	714	2,113	-	2,827
Data processing	2,100	1,627	18	3,745
Communications	217	481	-	698
Professional fees	575	1,468	27	2,070
Real estate owned	14	-	-	14
Loan processing expense	-	2,604	-	2,604
Other	1,965	3,519	278	5,762
Total noninterest expenses	24,274	62,491	(396)	86,369
Income before income tax expense	14,992	2,510	294	17,796
Income tax expense	3,298	949	71	4,318
Net income	$ 11,694	$ 1,561	$ 223	$ 13,478

	As of or for the nine months ended September 30, 2023			
	Community Banking	Mortgage Banking	Holding Company and Other	Consolidated
	(In Thousands)			
Net interest income (loss)	$ 39,677	$ (1,454)	$ 236	$ 38,459
Provision for credit losses	991	100	-	1,091
Net interest income (loss) after provision for credit losses	38,686	(1,554)	236	37,368
Noninterest income:	3,493	62,444	(1,628)	64,309
Noninterest expenses:				
Compensation, payroll taxes, and other employee benefits	14,469	50,214	(648)	64,035
Occupancy, office furniture and equipment	2,756	3,546	-	6,302
Advertising	614	2,135	-	2,749
Data processing	1,875	1,547	19	3,441
Communications	220	499	-	719
Professional fees	540	1,218	21	1,779
Real estate owned	3	-	-	3
Loan processing expense	-	2,672	-	2,672
Other	3,240	6,252	(1,142)	8,350
Total noninterest expenses	23,717	68,083	(1,750)	90,050
Income (loss) before income tax expense (benefit)	18,462	(7,193)	358	11,627
Income tax expense (benefit)	3,903	(1,785)	94	2,212
Net income (loss)	$ 14,559	$ (5,408)	$ 264	$ 9,415

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Information

This Quarterly Report on Form 10-Q may contain various forward-looking statements, which can be identified by the use of words such as "estimate," "project," "believe," "intend," "anticipate," "plan," "seek," "expect" and similar expressions and verbs in the future tense. These forward-looking statements include, but are not limited to:

- Statements of our goals, intentions and expectations;
- Statements regarding our business plans, prospects, growth and operating strategies;
- Statements regarding the quality of our loan and investment portfolio; and
- Estimates of our risks and future costs and benefits.

These forward-looking statements are based on current beliefs and expectations of our management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- general economic conditions, either nationally or in our market area, including employment prospects, that are different than expected;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins and yields, our mortgage banking revenues, the fair value of financial instruments or the origination levels in our lending business, or increase the level of defaults, losses or prepayments on loans we have made and make whether held in portfolio or sold in the secondary markets;
- adverse changes in the securities or secondary mortgage markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- changes in monetary or fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board;
- our ability to manage market risk, credit risk and operational risk in the current economic conditions;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to successfully integrate acquired entities;
- decreased demand for our products and services;
- changes in tax policies or assessment policies;
- changes in liquidity, including the size and composition of our deposit portfolio, and the percentage of uninsured deposits in the portfolio;
- changes in consumer demand, spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- our ability to retain key employees;
- cyber attacks, computer viruses and other technological risks that may breach the security of our websites or other systems to obtain unauthorized access to confidential information and destroy data or disable our systems;
- technological changes that may be more difficult or expensive than expected;
- the ability of third-party providers to perform their obligations to us;
- the effects of any federal government shutdown;
- the effects of global or national war, conflict or acts of terrorism;
- the ability of the U.S. Government to manage federal debt limits;
- significant increases in our loan losses;
- changes in the financial condition, results of operations or future prospects of issuers of securities that we own;
- changes in our liquidity needs and access to wholesale funding; and
- our ability to access low-cost funding.

See also the factors referred to in reports filed by the Company with the Securities and Exchange Commission (particularly those under the caption “Risk Factors” in Item 1A of the Company’s Annual Report on Form 10-K for the year ended December 31, 2023, and as may be described from time to time in the Corporation’s subsequent SEC filings).

The risks included here are not exhaustive. Other sections of this report may include additional factors which could adversely affect our business and financial performance. New risks emerge from time to time and it is not possible for management to predict all such risks, nor can it assess the impact of all such risks on our business or the extent to which any risk, or combination of risks, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Overview

The following discussion and analysis is presented to assist the reader in understanding and evaluating the Company’s financial condition and results of operations. It is intended to complement the unaudited consolidated financial statements, footnotes, and supplemental financial data appearing elsewhere in this Quarterly Report on Form 10-Q and should be read in conjunction therewith. The detailed discussion in the sections below focuses on the results of operations for the three and nine months ended September 30, 2024 and 2023 and the financial condition as of September 30, 2024 compared to the financial condition as of December 31, 2023.

As described in the notes to the unaudited consolidated financial statements, we have two reportable segments: community banking and mortgage banking. The community banking segment provides consumer and business banking products and services to customers primarily within Southeastern Wisconsin. Consumer products include loan products, deposit products, and personal investment services. Business banking products include loans for working capital, inventory and general corporate use, commercial real estate construction loans, and deposit accounts. The mortgage banking segment, which is conducted by offices in 26 states through Waterstone Mortgage Corporation, consists of originating residential mortgage loans primarily for sale in the secondary market.

Our community banking segment generates the significant majority of our consolidated net interest income and requires the significant majority of our provision for loan losses. Our mortgage banking segment generates the significant majority of our noninterest income and a majority of our noninterest expenses. We have provided below a discussion of the material results of operations for each segment on a separate basis for the three and nine months ended September 30, 2024 and 2023, which focuses on noninterest income and noninterest expenses. We have also provided a discussion of the consolidated operations of the Company, which includes the consolidated operations of the Bank and Waterstone Mortgage Corporation, for the same periods.

Significant Items

There were no significant items that impacted earnings for the three and nine months ended September 30, 2024 and 2023.

Comparison of Community Banking Segment Results of Operations for the Three Months Ended September 30, 2024 and 2023

Net income totaled $4.7 million for the three months ended September 30, 2024 compared to $4.5 million for the three months ended September 30, 2023. Net interest income decreased $181,000 to $12.3 million for the three months ended September 30, 2024 compared to $12.4 million for the three months ended September 30, 2023. Interest expense on deposits and borrowings increased $3.4 million as replacement rates increased in the rising interest rate environment. Offsetting the increase in interest expense on deposit and borrowings, interest income on loans increased $3.2 million as replacement rates and average loans held for investment balances were higher than in the prior year and interest income on debt securities, federal funds sold and short-term investments increased due to the increase in the average balance and replacement rates.

There was a negative provision for credit losses of $302,000 for the three months ended September 30, 2024 compared to a provision for credit losses of $445,000 for the three months ended September 30, 2023. The negative provision for credit losses of $302,000 consisted of a $218,000 negative provision related to loans and $84,000 negative provision related to unfunded commitments for the three months ended September 30, 2024. During the three months ended September 30, 2024, the current quarter decrease was primarily due to a decrease in historical loss rates, net recoveries for the period, and improvements in certain internal asset quality metrics offset by an adjustment in the qualitative factors primarily related to increases in economic risks related to commercial real estate loans during the quarter. The negative provision for credit losses related to unfunded loan commitments was $84,000 for the quarter ended September 30, 2024 compared to a provision for credit losses related to unfunded loan commitments of $239,000 for the quarter ended September 30, 2023. The negative provision for credit losses related to unfunded loan commitments for the quarter ended September 30, 2024 was due primarily to a decrease of loans that are currently waiting to be funded compared to the prior quarter end. We made adjustments to our qualitative factors, primarily to account for the changes in internal metrics and external risk factors. The forecast factor remained unchanged as we monitor the economic environment going forward.

Compensation, payroll taxes, and other employee benefits expense increased $708,000 to $5.3 million compared to the quarter ending September 30, 2023 primarily due to an increase in health insurance expense as claims increased. Other noninterest expense decreased $101,000 to $602,000 as certain loan fees paid to the mortgage banking segment for the purchase of single-family adjustable rate mortgage loans decreased. These fees are eliminated in the consolidated statements of income.

Comparison of Mortgage Banking Segment Results of Operations for the Three Months Ended September 30, 2024 and 2023

Net loss totaled $50,000 for the three months ended September 30, 2024 compared to net loss of $1.4 million for the three months ended September 30, 2023. We originated $558.7 million in mortgage loans held for sale (including sales to the community banking segment) during the three months ended September 30, 2024, which represents a decrease of $38.8 million, or 6.5%, from the $597.6 million originated during the three months ended September 30, 2023. The decrease in loan production volume was driven by a $73.4 million, or 12.9%, decrease in purchase products and was offset by a $34.5 million increase in refinance products. Total mortgage banking noninterest income decreased $66,000, or 0.3%, to $21.4 million during the three months ended September 30, 2024 compared to $21.5 million during the three months ended September 30, 2023. The decrease in mortgage banking noninterest income was related to a 6.5% decrease in volume offset by a 5.9% increase in gross margin on loans originated and sold for the three months ended September 30, 2024 compared to September 30, 2023. Gross margin on loans originated and sold is the ratio of mortgage banking income (excluding the change in interest rate lock fair value) divided by total loan originations. The gross margin on loans originated and sold contraction reflects decreased industry demand due to the increased competition from mortgage originators. We sell loans on both a servicing-released and a servicing-retained basis. Waterstone Mortgage Corporation has contracted with a third party to service the loans for which we retain servicing.

Additionally, our overall margin can be affected by the mix of both loan type (conventional loans versus governmental) and loan purpose (purchase versus refinance). Conventional loans include loans that conform to Fannie Mae and Freddie Mac standards, whereas governmental loans are those loans guaranteed by the federal government, such as a Federal Housing Authority or U.S. Department of Agriculture loan. Loans originated for the purchase of a residential property comprised 88.9% of total originations during the three months ended September 30, 2024, compared to 95.4% of total originations during the three months ended September 30, 2023, respectively. The mix of loan type trended towards more conventional loans and less governmental loans, with governmental loans and conventional loans comprising 35.2% and 64.8% of all loan originations, respectively, during the three months ended September 30, 2024, compared to 39.2% and 60.8% of all loan originations, respectively, during the three months ended September 30, 2023.

Total compensation, payroll taxes and other employee benefits decreased $1.3 million, or 7.3%, to $15.9 million for the three months ended September 30, 2024 compared to $17.2 million for the three months ended September 30, 2023. The decrease primarily related to decreased salary expense and incentives expense driven by reduced employee headcount and a decrease in new branches added over the past year.

Consolidated Waterstone Financial, Inc. Results of Operations

	Three months ended September 30,	
	2024	2023
	(Dollars In Thousands, except per share amounts)	
Net income	$ 4,728	$ 3,253
Earnings per share - basic	0.26	0.16
Earnings per share - diluted	0.26	0.16
Annualized return on average assets	0.83%	0.58%
Annualized return on average equity	5.55%	3.63%

Table of Contents

Net Interest Income

Average Balance Sheets, Interest and Yields/Costs

The following table sets forth average balance sheets, annualized average yields and costs, and certain other information for the periods indicated. Non-accrual loans are included in the computation of the average balances of loans receivable and held for sale. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income or expense. Yields on interest-earning assets are computed on a fully tax-equivalent yield, where applicable.

	Three months ended September 30,					
	2024			2023		
	Average Balance	Interest	Yield/Cost	Average Balance	Interest	Yield/Cost
	(Dollars in Thousands)					
Assets						
Interest-earning assets:						
Loans receivable and held for sale (1)	$ 1,870,627	$ 26,590	5.65%	$ 1,797,233	$ 23,825	5.26%
Mortgage related securities (2)	170,221	1,137	2.66%	174,202	1,060	2.41%
Debt securities, federal funds sold and short-term investments(2) (3)	115,270	1,524	5.26%	132,935	1,570	4.69%
Total interest-earning assets	2,156,118	29,251	5.40%	2,104,370	26,455	4.99%
Noninterest-earning assets	104,600			105,714		
Total assets	$ 2,260,718			$ 2,210,084		
Liabilities and equity						
Interest-bearing liabilities:						
Demand accounts	$ 89,334	24	0.11%	$ 90,623	26	0.11%
Money market and savings accounts	304,116	1,483	1.94%	306,806	1,190	1.54%
Time deposits	786,228	8,970	4.54%	719,708	6,226	3.43%
Total interest-bearing deposits	1,179,678	10,477	3.53%	1,117,137	7,442	2.64%
Borrowings	600,570	7,197	4.77%	584,764	6,946	4.71%
Total interest-bearing liabilities	1,780,248	17,674	3.95%	1,701,901	14,388	3.35%
Noninterest-bearing liabilities						
Noninterest-bearing deposits	91,532			106,042		
Other noninterest-bearing liabilities	49,787			46,805		
Total noninterest-bearing liabilities	141,319			152,847		
Total liabilities	1,921,567			1,854,748		
Equity	339,151			355,336		
Total liabilities and equity	$ 2,260,718			$ 2,210,084		
Net interest income / Net interest rate spread (4)		11,577	1.45%		12,067	1.64%
Less: taxable equivalent adjustment		60	0.01%		78	0.02%
Net interest income, as reported		$ 11,517	1.44%		$ 11,989	1.62%
Net interest-earning assets (5)	$ 375,870			$ 402,469		
Net interest margin (6)			2.13%			2.26%
Tax equivalent effect			0.01%			0.02%
Net interest margin on a fully tax equivalent basis			2.14%			2.28%
Average interest-earning assets to average interest-bearing liabilities			121.11%			123.65%

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(1) Interest income includes net deferred loan fee amortization income of $168,000 and $179,000 for the three months ended September 30, 2024 and 2023, respectively.

(2) Average balance of mortgage related and debt securities are based on amortized historical cost.

(3) Interest income from tax-exempt securities is computed on a taxable equivalent basis using a tax rate of 21% for the three months ended September 30, 2024 and 2023. The yields on debt securities, federal funds sold and short-term investments before tax-equivalent adjustments were 5.05% and 4.45% for the three months ended September 30, 2024 and 2023, respectively.

(4) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities and is presented on a fully tax equivalent basis.

(5) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.

(6) Net interest margin represents net interest income divided by average total interest-earning assets.

Rate/Volume Analysis

The following table sets forth the effects of changing rates and volumes on our net interest income for the periods indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The net column represents the sum of the prior columns. For purposes of this table, changes attributable to changes in both rate and volume that cannot be segregated have been allocated proportionately based on the changes due to rate and the changes due to volume.

	Three months ended September 30, 2024 versus 2023 Increase (Decrease) due to		
	Volume	Rate	Net
	(In Thousands)		
Interest income:			
Loans receivable and held for sale(1) (2)	$ 982	$ 1,783	$ 2,765
Mortgage related securities(3)	(25)	102	77
Other earning assets(3) (4)	(222)	176	(46)
Total interest-earning assets	735	2,061	2,796
Interest expense:			
Demand accounts	(1)	(1)	(2)
Money market and savings accounts	(10)	303	293
Time deposits	609	2,135	2,744
Total interest-bearing deposits	598	2,437	3,035
Borrowings	170	81	251
Total interest-bearing liabilities	768	2,518	3,286
Net change in net interest income	$ (33)	$ (457)	$ (490)

(1) Interest income includes net deferred loan fee amortization income of $168,000 and $179,000 for the three months ended September 30, 2024 and 2023, respectively.
(2) Non-accrual loans have been included in average loans receivable balance.
(3) Includes available for sale securities. Average balance of available for sale securities is based on amortized historical cost.
(4) Interest income from tax exempt securities is computed on a taxable equivalent basis using a tax rate of 21% for the three months ended September 30, 2024 and September 30, 2023.

Net interest income decreased $472,000, or 3.9%, to $11.5 million during the three months ended September 30, 2024 compared to $12.0 million during the three months ended September 30, 2023 primarily due to the increased cost of funds as a result of the rising interest rate environment.

- Interest income on loans increased $2.8 million, or 11.6%, to $26.6 million due primarily to a 39 basis point increase in average yield on loans as interest rates continued to increase over the past year and an increase in average loan balance as loans held for investment increased. The increase in average loan balance was driven by an increase of a $60.9 million, or 3.7%, in the average balance of loans held for investment and an increase of $12.5 million, or 7.3%, in average loans held for sale.
- Interest expense on time deposits increased $2.7 million, or 44.1%, to $9.0 million primarily due to a 111 basis point increase in average cost of time deposits. Additionally, the average balance of time deposits increased $66.5 million compared to the prior year period.
- Interest expense on money market, savings, and escrow accounts increased $293,000, or 24.6%, to $1.5 million due primarily to a 40 basis point increase in average cost of money market, savings, and escrow accounts as rates increased to stay competitive in the market. Partially offsetting the increase in average cost, the average balance decreased $2.7 million.
- Interest expense on borrowings increased $251,000, or 3.6%, to $7.2 million due to a six basis point increase in the cost of borrowings during the three months ended September 30, 2024 compared to the three months ended September 30, 2023 as we transitioned to more short-term fundings. Additionally, the average balance increased $15.8 million to $600.6 million during the three months ended September 30, 2024, compared to $584.8 million during the three months ended September 30, 2023.

Provision for Credit Losses

There was a negative provision for credit losses of $377,000 for the three months ended September 30, 2024 compared to a $445,000 provision for credit losses for the three months ended September 30, 2023. The $377,000 negative provision for credit losses consisted of a $293,000 negative provision related to loans and a negative provision related to unfunded commitments of $84,000 for the three months ended September 30, 2024. During the three months ended September 30, 2024, the decrease related to loans was primarily due to a recovery, a decrease in historical losses used in the calculation, and an improvement in certain asset quality metrics. The decrease in provision related to unfunded commitments was primarily due to an decrease in the construction loans yet to be funded. We made adjustments to our qualitative factors, primarily to account for the changes in internal metrics and external risk factors. The forecast factor remained unchanged as we monitor the economic environment going forward.

The provision is primarily a function of the Company's reserving methodology and assessments of certain quantitative and qualitative factors which are used to determine an appropriate allowance for credit losses for the period. See further discussion regarding the allowance for loan losses in the "Asset Quality" section for an analysis of charge-offs, nonperforming assets, specific reserves and additional provisions and the "Allowance for Credit Loss" section.

Noninterest Income

	Three months ended September 30,			
	2024	2023	$ Change	% Change
	(Dollars In Thousands)			
Service charges on loans and deposits	$ 545	$ 450	$ 95	21.1%
Increase in cash surrender value of life insurance	410	334	76	22.8%
Mortgage banking income	21,294	21,172	122	0.6%
Other	303	274	29	10.6%
Total noninterest income	$ 22,552	$ 22,230	$ 322	1.4%

Total noninterest income increased $322,000, or 1.4%, to $22.6 million during the three months ended September 30, 2024 compared to $22.2 million during the three months ended September 30, 2023.

- The increase in mortgage banking income was primarily the result of a increase in gross margin on loans originated and sold offset by a decrease in loan origination volumes. Gross margin on loans originated and sold is the ratio of mortgage banking income (excluding the change in interest rate lock fair value) divided by total loan originations. Gross margin on loans originated and sold increased 5.9% at the mortgage banking segment. See "Comparison of Mortgage Banking Segment Results of Operations for the Three Months Ended September 30, 2024 and 2023" above for additional discussion of the increase in mortgage banking income. Total loan origination volume on a consolidated basis decreased $42.6 million, or 7.1%, to $555.5 million during the three months ended September 30, 2024 compared to $598.1 million during the three months ended September 30, 2023.

	Three months ended September 30,			
	2024	2023	$ Change	% Change
	(Dollars In Thousands)			
Compensation, payroll taxes, and other employee benefits	$ 21,017	$ 21,588	$ (571)	(2.6)%
Occupancy, office furniture, and equipment	1,857	1,993	(136)	(6.8)%
Advertising	926	916	10	1.1%
Data processing	1,297	1,229	68	5.5%
Communications	232	243	(11)	(4.5)%
Professional fees	569	745	(176)	(23.6)%
Real estate owned	-	1	(1)	N/A
Loan processing expense	697	722	(25)	(3.5)%
Other	1,965	2,584	(619)	(24.0)%
Total noninterest expenses	$ 28,560	$ 30,021	$ (1,461)	(4.9)%

Total noninterest expenses decreased $1.5 million, or 4.9%, to $28.6 million during the three months ended September 30, 2024 compared to $30.0 million during the three months ended September 30, 2023.

- Compensation, payroll taxes and other employee benefits expense at our mortgage banking segment decreased $1.3 million, or 7.3%, to $15.9 million during the three months ended September 30, 2024. The decrease primarily related to decreased salary expense and incentives expense driven by reduced employee headcount and a decrease in new branches added over the past year
- Compensation, payroll taxes and other employee benefits expense at the community banking segment increased $708,000, or 15.3%, to $5.3 million during the three months ended September 30, 2024. The increase was primarily due to an increase in health insurance expense as claims increased.
- Occupancy, office furniture and equipment expense at the mortgage banking segment decreased $188,000 to $953,000 during the three months ended September 30, 2024, primarily resulting from decreased rent and depreciation expenses as underperforming branches were closed over the past year.
- Occupancy, office furniture and equipment expense at the community banking segment increased $52,000 to $904,000 during the three months ended September 30, 2024. The increase was due primarily to increases related to new equipment expenses.
- Professional fees decreased $176,000 to $569,000 during the three months ended September 30, 2024. The decrease related to a decrease in legal fees at the mortgage banking segment related to a complaint. In July 2022, a complaint was filed by Mutual of Omaha Mortgage, Inc. asserting claims against Waterstone Mortgage Corporation relating to certain employees hired by Waterstone Mortgage Corporation who previously worked for Mutual. The Company intends to continue to vigorously defend its interests in this matter and pursue all possible defenses against the claims. Given the current stage of the litigation, the Company is not yet able to make a determination as to the likelihood of an unfavorable outcome in this matter, nor is it able to estimate the range of any possible loss.
- Other noninterest expense decreased $619,000, or 24.0%, to $2.0 million during the three months ended September 30, 2024. The decrease primarily related to decreased provision for branch losses and provision for loan sale losses at the mortgage banking segment.

Income Taxes

Income tax expense totaled $1.2 million for the three months ended September 30, 2024 compared to $500,000 during the three months ended September 30, 2023. Income tax expense was recognized on the statement of income during the three months ended September 30, 2024 at an effective rate of 19.7% of pretax income and during the three months ended September 30, 2023 at an effective rate of 13.3% of pretax income. The increase in the effective rate related to a decrease in pre-tax income during the three months ended September 30, 2023.

Comparison of Community Banking Segment Results of Operations for the Nine Months Ended September 30, 2024 and 2023

Net income totaled $11.7 million for the nine months ended September 30, 2024 compared to $14.6 million for the nine months ended September 30, 2023. Net interest income decreased $4.6 million to $35.1 million for the nine months ended September 30, 2024 compared to $39.7 million for the nine months ended September 30, 2023. Interest expense on deposits and borrowings increased $17.2 million as replacement rates increased in the rising interest rate environment. Offsetting the increase in interest expense on deposit and borrowings, interest income on loans increased $11.8 million as replacement rates and average loans held for investment balances were higher than in the prior year.

There was a negative provision for credit losses of $476,000 for the nine months ended September 30, 2024 compared to a provision for credit losses of $991,000 for the nine months ended September 30, 2023. The negative provision for credit losses of $476,000 consisted of a $380,000 negative provision related to loans and $96,000 negative provision related to unfunded commitments for the nine months ended September 30, 2024. During the nine months ended September 30, 2024, the decrease related to loans was primarily due to decreases in historical loss rates and loan originations. The decrease in provision related to unfunded commitments was primarily due to an decrease in the loans that are currently waiting to be funded compared to the prior quarter end. We made adjustments to our qualitative factors, primarily to account for the changes in internal metrics and external risk factors. The forecast factor remained unchanged as we monitor the economic environment going forward.

Compensation, payroll taxes, and other employee benefits expense increased $1.3 million to $15.8 million compared to the quarter ending September 30, 2023 primarily due to an increase in health insurance expense as claims increased. Other noninterest expense decreased $1.3 million to $2.0 million as certain loan fees paid to the mortgage banking segment for the purchase of single-family adjustable rate mortgage loans decreased. These fees are eliminated in the consolidated statements of income.

Comparison of Mortgage Banking Segment Results of Operations for the Nine Months Ended September 30, 2024 and 2023

Net income totaled $1.6 million for the nine months ended September 30, 2024 compared to net loss of $5.4 million for the nine months ended September 30, 2023. We originated $1.68 billion in mortgage loans held for sale (including sales to the community banking segment) during the nine months ended September 30, 2024, which represents an increase of $14.3 million, or 0.9%, from the $1.66 billion originated during the nine months ended September 30, 2023. The increase in loan production volume was driven by a $75.2 million increase in refinance products as mortgage rates decreased to start the year offset by a $62.5 million , or 3.9%, decrease in purchase products. Total mortgage banking noninterest income increased $4.4 million, or 7.0%, to $66.8 million during the nine months ended September 30, 2024 compared to $62.4 million during the nine months ended September 30, 2023. The increase in mortgage banking noninterest income was related to a 0.9% increase in volume and by a 6.6% increase in gross margin on loans originated and sold for the nine months ended September 30, 2024 compared to September 30, 2023. Gross margin on loans originated and sold is the ratio of mortgage banking income (excluding the change in interest rate lock fair value) divided by total loan originations. The gross margin on loans originated and sold contraction reflects decreased industry demand due to the increased competition from mortgage originators. We sell loans on both a servicing-released and a servicing-retained basis. Waterstone Mortgage Corporation has contracted with a third party to service the loans for which we retain servicing.

Additionally, our overall margin can be affected by the mix of both loan type (conventional loans versus governmental) and loan purpose (purchase versus refinance). Conventional loans include loans that conform to Fannie Mae and Freddie Mac standards, whereas governmental loans are those loans guaranteed by the federal government, such as a Federal Housing Authority or U.S. Department of Agriculture loan. Loans originated for the purchase of a residential property comprised 90.9% of total originations during the nine months ended September 30, 2024, compared to 96.1% of total originations during the nine months ended September 30, 2023, respectively. The mix of loan type trended towards more conventional loans and less governmental loans, with governmental loans and conventional loans comprising 36.3% and 63.7% of all loan originations, respectively, during the nine months ended September 30, 2024, compared to 37.9% and 62.1% of all loan originations, respectively, during the nine months ended September 30, 2023.

The decrease in other noninterest income was due primarily to a decrease in gain on sale of mortgage servicing rights. During the nine months ended September 30, 2024, the Company sold mortgage servicing rights related to $233.1 million in loans serviced for third parties. The sale generated $2.1 million in net proceeds on a mortgage servicing rights book value of $2.0 million and resulted in a $152,000 gain during the nine months ended September 30, 2024. During the nine months ended September 30, 2023, the Company sold mortgage servicing rights related to $318.4 million in loans serviced for third parties. The sale generated $3.5 million in net proceeds and a $583,000 gain.

Total compensation, payroll taxes and other employee benefits decreased $2.6 million, or 5.3%, to $47.6 million for the nine months ended September 30, 2024 compared to $50.2 million for the nine months ended September 30, 2023. The decrease in compensation expense was primarily related to decreased salaries driven by a reduction in headcount, sign on incentives, and health insurance expense offset by loan production commissions and branch manager pay.

Consolidated Waterstone Financial, Inc. Results of Operations

	Nine months ended September 30,	
	2024	2023
	(Dollars In Thousands, except per share amounts)	
Net income	$ 13,478	$ 9,415
Earnings per share - basic	0.72	0.46
Earnings per share - diluted	0.72	0.46
Annualized return on average assets	0.81%	0.59%
Annualized return on average equity	5.30%	3.46%

Table of Contents

Net Interest Income

Average Balance Sheets, Interest and Yields/Costs

The following table sets forth average balance sheets, annualized average yields and costs, and certain other information for the periods indicated. Non-accrual loans are included in the computation of the average balances of loans receivable and held for sale. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income or expense. Yields on interest-earning assets are computed on a fully tax-equivalent yield, where applicable.

	Nine months ended September 30,					
	2024			2023		
	Average Balance	Interest	Yield/Cost	Average Balance	Interest	Yield/Cost
	(Dollars in Thousands)					
Assets						
Interest-earning assets:						
Loans receivable and held for sale(1)	$ 1,845,203	$ 76,675	5.55%	$ 1,737,580	$ 65,860	5.07%
Mortgage related securities (2)	171,393	3,360	2.62%	172,134	2,972	2.31%
Debt securities, federal funds sold and short-term investments(2) (3)	111,246	4,267	5.12%	124,093	3,917	4.22%
Total interest-earning assets	2,127,842	84,302	5.29%	2,033,807	72,749	4.78%
Noninterest-earning assets	104,124			107,009		
Total assets	$ 2,231,966			$ 2,140,816		
Liabilities and equity						
Interest-bearing liabilities:						
Demand accounts	$ 89,335	74	0.11%	$ 76,192	56	0.10%
Money market and savings accounts	292,964	4,114	1.88%	311,478	3,278	1.41%
Time deposits	761,432	24,975	4.38%	688,110	14,151	2.75%
Total interest-bearing deposits	1,143,731	29,163	3.41%	1,075,780	17,485	2.17%
Borrowings	608,659	21,620	4.74%	526,532	16,570	4.21%
Total interest-bearing liabilities	1,752,390	50,783	3.87%	1,602,312	34,055	2.84%
Noninterest-bearing liabilities						
Noninterest-bearing deposits	92,429			126,407		
Other noninterest-bearing liabilities	47,153			48,003		
Total noninterest-bearing liabilities	139,582			174,410		
Total liabilities	1,891,972			1,776,722		
Equity	339,994			364,094		
Total liabilities and equity	$ 2,231,966			$ 2,140,816		
Net interest income / Net interest rate spread (4)		33,519	1.42%		38,694	1.94%
Less: taxable equivalent adjustment		186	0.01%		235	0.01%
Net interest income, as reported		$ 33,333	1.41%		$ 38,459	1.93%
Net interest-earning assets (5)	$ 375,452			$ 446,248		
Net interest margin (6)			2.09%			2.53%
Tax equivalent effect			0.01%			0.01%
Net interest margin on a fully tax equivalent basis			2.10%			2.54%
Average interest-earning assets to average interest-bearing liabilities			121.43%			126.93%

(1) Interest income includes net deferred loan fee amortization income of $486,000 and $474,000 for the nine months ended September 30, 2024 and 2023, respectively.

(2) Average balance of mortgage related and debt securities are based on amortized historical cost.

(3) Interest income from tax-exempt securities is computed on a taxable equivalent basis using a tax rate of 21% for the nine months ended September 30, 2024 and 2023. The yields on debt securities, federal funds sold and short-term investments before tax-equivalent adjustments were 4.90% and 3.97% for the nine months ended September 30, 2024 and 2023, respectively.

(4) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities and is presented on a fully tax equivalent basis.

(5) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.

(6) Net interest margin represents net interest income divided by average total interest-earning assets.

Rate/Volume Analysis

The following table sets forth the effects of changing rates and volumes on our net interest income for the periods indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The net column represents the sum of the prior columns. For purposes of this table, changes attributable to changes in both rate and volume that cannot be segregated have been allocated proportionately based on the changes due to rate and the changes due to volume.

	Nine months ended September 30, 2024 versus 2023 Increase (Decrease) due to		
	Volume	Rate	Net
		(In Thousands)	
Interest income:			
Loans receivable and held for sale(1) (2)	$ 4,277	$ 6,538	$ 10,815
Mortgage related securities(3)	(13)	401	388
Other earning assets(3) (4)	(433)	783	350
Total interest-earning assets	3,831	7,722	11,553
Interest expense:			
Demand accounts	11	7	18
Money market and savings accounts	(206)	1,042	836
Time deposits	1,649	9,175	10,824
Total interest-bearing deposits	1,454	10,224	11,678
Borrowings	2,794	2,256	5,050
Total interest-bearing liabilities	4,248	12,480	16,728
Net change in net interest income	$ (417)	$ (4,758)	$ (5,175)

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(1) Interest income includes net deferred loan fee amortization income of $486,000 and $474,000 for the nine months ended September 30, 2024 and 2023, respectively.
(2) Non-accrual loans have been included in average loans receivable balance.
(3) Includes available for sale securities. Average balance of available for sale securities is based on amortized historical cost.
(4) Interest income from tax exempt securities is computed on a taxable equivalent basis using a tax rate of 21% for the nine months ended September 30, 2024 and September 30, 2023.

Net interest income decreased $5.1 million, or 13.3%, to $33.3 million during the nine months ended September 30, 2024 compared to $38.5 million during the nine months ended September 30, 2023 primarily due to the increased cost of funds as a result of the rising interest rate environment.

- Interest income on loans increased $10.8 million, or 16.4%, to $76.7 million due primarily to a 48 basis point increase in average yield on loans as interest rates continued to increase over the past year and an increase in average loan balance as loans held for investment increased. The increase in average loan balance was driven by an increase of a $91.5 million, or 5.8%, in the average balance of loans held for investment and an increase of $16.1 million, or 10.3%, in average loans held for sale.
- Interest expense on time deposits increased $10.8 million, or 76.5%, to $25.0 million primarily due to a 163 basis point increase in average cost of time deposits. Additionally, the average balance of time deposits increased $73.3 million compared to the prior year period.
- Interest expense on money market, savings, and escrow accounts increased $836,000, or 25.5% to $4.1 million due primarily to a 47 basis point increase in average cost of money market, savings, and escrow accounts as rates increased to stay competitive in the market. Partially offsetting the increase in average cost, the average balance decreased $18.5 million.
- Interest expense on borrowings increased $5.1 million, or 30.5%, to $21.6 million due to a 53 basis point increase in the cost of borrowings during the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023 as we transitioned to more short-term fundings. Additionally, the average balance increased $82.1 million to $608.7 million during the nine months ended September 30, 2024, compared to $526.5 million during the nine months ended September 30, 2023.

Provision for Credit Losses

There was a negative provision for credit losses of $535,000 for the nine months ended September 30, 2024 compared to a $1.1 million provision for credit losses for the nine months ended September 30, 2023. The $535,000 negative provision for credit losses consisted of a $439,000 negative provision related to loans and a negative provision related to unfunded commitments of $96,000 for the nine months ended September 30, 2024. During the nine months ended September 30, 2024, the decrease related to loans was primarily due to a decrease in originations and historical losses used in the calculation and the decrease in provision related to unfunded commitments was primarily due to a decrease in the loans yet to be funded. We made adjustments to our qualitative factors, primarily to account for the changes in internal metrics and external risk factors. The forecast factor remained unchanged as we monitor the economic environment going forward.

The provision is primarily a function of the Company's reserving methodology and assessments of certain quantitative and qualitative factors which are used to determine an appropriate allowance for credit losses for the period. See further discussion regarding the allowance for loan losses in the "Asset Quality" section for an analysis of charge-offs, nonperforming assets, specific reserves and additional provisions and the "Allowance for Credit Loss" section.

Noninterest Income

	Nine months ended September 30,			
	2024	**2023**	**$ Change**	**% Change**
	(Dollars In Thousands)			
Service charges on loans and deposits	$ 1,434	$ 1,491	$ (57)	(3.8)%
Increase in cash surrender value of life insurance	1,562	1,373	189	13.8%
Mortgage banking income	66,200	59,856	6,344	10.6%
Other	1,101	1,589	(488)	(30.7)%
Total noninterest income	$ 70,297	$ 64,309	$ 5,988	9.3%

Total noninterest income increased $6.0 million, or 9.3% to $70.3 million during the nine months ended September 30, 2024 compared to $64.3 million during the nine months ended September 30, 2023. The increase resulted primarily from increase in mortgage banking noninterest income offset by a decrease in other income.

- The increase in mortgage banking income was primarily the result of a increase in loan origination volume and gross margin on loans originated and sold. Gross margin on loans originated and sold is the ratio of mortgage banking income (excluding the change in interest rate lock fair value) divided by total loan originations. Total loan origination volume on a consolidated basis increased $86.5 million, or 5.5%, to $1.66 billion during the nine months ended September 30, 2024 compared to $1.58 billion during the nine months ended September 30, 2023. Gross margin on loans originated and sold increased 6.6% at the mortgage banking segment. See "Comparison of Mortgage Banking Segment Results of Operations for the nine months ended September 30, 2024 and 2023" above for additional discussion of the increase in mortgage banking income.
- The decrease in other noninterest income was due primarily to a decrease in gain on sale of mortgage servicing rights. During the nine months ended September 30, 2024, the Company sold mortgage servicing rights related to $233.1 million in loans serviced for third parties. The sale generated $2.1 million in net proceeds on a mortgage servicing rights book value of $2.0 million and resulted in a $152,000 gain during the nine months ended September 30, 2024. During the nine months ended September 30, 2023, the Company sold mortgage servicing rights related to $318.4 million in loans serviced for third parties. The sale generated $3.5 million in net proceeds and a $583,000 gain. As of September 30, 2024 and September 30, 2023, the Company maintained servicing rights related to $67.0 million and $220.0 million, respectively, in loans previously sold to third parties.

	Nine months ended September 30, 2024	2023	$ Change	% Change
	(Dollars In Thousands)			
Compensation, payroll taxes, and other employee benefits	$ 62,655	$ 64,035	$ (1,380)	(2.2)%
Occupancy, office furniture, and equipment	5,994	6,302	(308)	(4.9)%
Advertising	2,827	2,749	78	2.8%
Data processing	3,745	3,441	304	8.8%
Communications	698	719	(21)	(2.9)%
Professional fees	2,070	1,779	291	16.4%
Real estate owned	14	3	11	366.7%
Loan processing expense	2,604	2,672	(68)	(2.5)%
Other	5,762	8,350	(2,588)	(31.0)%
Total noninterest expenses	$ 86,369	$ 90,050	$ (3,681)	(4.1)%

Total noninterest expenses decreased $3.7 million, or 4.1%, to $86.4 million during the nine months ended September 30, 2024 compared to $90.1 million during the nine months ended September 30, 2023.

- Compensation, payroll taxes and other employee benefits expense at our mortgage banking segment decreased $2.6 million, or 5.3%, to $47.6 million during the nine months ended September 30, 2024. The decrease in compensation expense was primarily related to decreased salaries driven by a reduction in headcount, sign on incentives, and health insurance expense offset by branch manager pay and loan production commissions.
- Compensation, payroll taxes and other employee benefits expense at the community banking segment increased $1.3 million, or 9.2%, to $15.8 million during the nine months ended September 30, 2024. The increase was primarily due to an increase in health insurance expense as claims increased.
- Occupancy, office furniture and equipment expense at the mortgage banking segment decreased $439,000 to $3.1 million during the nine months ended September 30, 2024, primarily resulting from decreased rent and depreciation expenses as underperforming branches were closed over the past year.
- Occupancy, office furniture and equipment expense at the community banking segment increased $131,000 to $2.9 million during the nine months ended September 30, 2024. The increase was due primarily to increases in new equipment and repairs and maintenance expenses.
- Advertising expense increased $78,000, or 2.8%, to $2.8 million during the nine months ended September 30, 2024. The increase was primarily due to advertising expenses at the community banking segment due to the increased efforts to increase deposit accounts.
- Data processing expense increased $304,000, or 8.8%, to $3.7 million during the nine months ended September 30, 2024. The increases at the community banking and mortgage banking segments were due to additional investments in technology.
- Professional fees increased $291,000 to $2.1 million during the nine months ended September 30, 2024. The increase related to an increase in legal fees at the mortgage banking segment. In July 2022, a complaint was filed by Mutual of Omaha Mortgage, Inc. asserting claims against Waterstone Mortgage Corporation relating to certain employees hired by Waterstone Mortgage Corporation who previously worked for Mutual. The Company intends to continue to vigorously defend its interests in this matter and pursue all possible defenses against the claims. Given the current stage of the litigation, the Company is not yet able to make a determination as to the likelihood of an unfavorable outcome in this matter, nor is it able to estimate the range of any possible loss.
- Other noninterest expense decreased $2.6 million, or 31.0%, to $5.8 million during the nine months ended September 30, 2024. The decrease primarily related to decreased provision for branch losses, branch overhead, provision for loan sale losses, and reversal of mortgage servicing rights impairment at the mortgage banking segment.

Income Taxes

Income tax expense totaled $4.3 million for the nine months ended September 30, 2024 compared to $2.2 million during the nine months ended September 30, 2023. Income tax expense was recognized on the statement of income during the nine months ended September 30, 2024 at an effective rate of 24.3% of pretax income and during the nine months ended September 30, 2023 at an effective rate of 19.0% of pretax income. On March 18, 2024, the State of Wisconsin Department of Revenue issued an emergency ruling with additional details of the law. This publication enabled us to estimate the impact on our Wisconsin state income tax expense. The impact moving forward should result in no Wisconsin state income taxes being expensed, resulting in a lower estimated effective tax rate. The elimination of Wisconsin state income tax expense resulted in the establishment of a valuation allowance for Wisconsin state income deferred tax assets, resulting in a one-time $1.1 million charge to state income tax expense in the first quarter. Partially offsetting the impact of the charge related to the valuation allowance we realized a one-time benefit of approximately $368,000 during the year to recognize a reduction in current state income tax provision.

Comparison of Financial Condition at September 30, 2024 and December 31, 2023

Total Assets – Total assets increased by $30.9 million, or 1.4%, to $2.24 billion at September 30, 2024 from $2.21 billion at December 31, 2023. The increase in total assets primarily reflects an increase in loans receivable and securities available for sale. The increase in total assets reflects liability increases in deposits and borrowings.

Cash and Cash Equivalents – Cash and cash equivalents increased $5.0 million, or 13.7%, to $41.4 million at September 30, 2024, compared to $36.4 million at December 31, 2023. The increase in cash and cash equivalents primarily reflects the increase of funding sources from borrowings, deposits, and advance payments by borrowers for taxes.

Securities Available for Sale – Securities available for sale increased $8.3 million to $213.2 million at September 30, 2024. The increase was primarily due to the purchases of securities throughout the year exceeding paydowns and maturities and an increase in fair value as longer term interest rates decreased compared to the beginning of the year.

Loans Held for Sale - Loans held for sale decreased $9.1 million to $155.8 million at September 30, 2024 due to the decrease of purchase activity.

Loans Receivable - Loans receivable held for investment increased $31.2 million to $1.70 billion at September 30, 2024. The increase in total loans receivable was primarily attributable to increases in each of the multi-family, construction, and commercial real estate loan categories offset by a decrease in the one-to-four family loan category.

The following table shows loan originations during the periods indicated.

	For the Nine months ended September 30, 2024	For the Nine months ended September 30, 2023
	(In Thousands)	
Real estate loans originated for investment:		
Residential		
One- to four-family	$ 30,950	$ 192,404
Multi-family	62,140	102,445
Home equity	3,152	1,012
Construction and land	18,326	24,833
Commercial real estate	28,552	62,500
Total real estate loans originated for investment	143,120	383,194
Consumer loans originated for investment	-	-
Commercial business loans originated for investment	1,016	16,274
Total loans originated for investment	$ 144,136	$ 399,468

Allowance for Credit Losses - Loans - The allowance for credit losses decreased to $18.2 million at September 30, 2024. There was a $439,000 negative provision for credit losses - loans for the nine months ended September 30, 2024. The negative provision for credit losses related to loans decreased primarily due to a decrease in historical losses used in the calculation and decreases in certain qualitative factors. During the nine months ended September 30, 2024, we made adjustments to our qualitative factors, primarily to account for the changes in interest rates, internal metrics, and external risk factors. See Note 3 - Loans Receivable of the notes to unaudited consolidated financial statements for further discussion on the allowance for credit losses. Additionally, net recoveries totaled $88,000 for the nine months ended September 30, 2024.

Prepaid expenses and other assets – Total prepaid expenses and other assets decreased $6.6 million to $45.8 million at September 30, 2024. The decrease was primarily due to decreases in back-to-back loan swap fair value adjustment as long term interest rates decreased, mortgage servicing rights due to the sale, and deferred tax assets due to the WI state tax rate decrease.

Deposits – Total deposits increased $73.2 million to $1.26 billion at September 30, 2024. The increase was driven by increases of $73.9 million in time deposits and $6.0 million in money market and savings deposits offset by a decrease of $6.7 million in demand deposits.

Borrowings – Total borrowings decreased $50.9 million, or 8.3%, to $560.1 million at September 30, 2024. The community banking segment paid off $145.0 million in long-term FHLB borrowings, borrowed $150.0 million of new long-term FHLB borrowings, and paid off $54.7 million in new short-term FHLB and Federal Reserve Bank borrowings. External short-term borrowings at the mortgage banking segment decreased a total of $1.2 million at September 30, 2024 from December 31, 2023.

Advance Payments by Borrowers for Taxes - Advance payments by borrowers for taxes increased $21.2 million to $27.8 million at September 30, 2024. The increase was the result of payments received from borrowers for their real estate taxes and is seasonally normal, as balances increase during the course of the calendar year until real estate tax obligations are paid in the fourth quarter.

Other Liabilities - Other liabilities decreased $10.5 million to $50.5 million at September 30, 2024. Other liabilities decreased primarily due to a seasonal decrease in outstanding checks related to advance payments by borrowers for taxes. The Company receives payments from borrowers for their real estate taxes during the course of the calendar year until real estate tax obligations are paid in the fourth quarter. At the time at which the disbursements are made, the outstanding checks are classified as other liabilities in the statements of financial condition, and these amounts remain classified as other liabilities until settled. Additionally, the back-to-back loan swap fair value adjustment decreased as long term interest rates decreased. Offsetting the decreases, the interest rate expense payable to the Federal Reserve Bank increased as payments are due to time of principal payments.

Shareholders' Equity – Shareholders' equity decreased $2.1 million to $342.0 million at September 30, 2024. Shareholders' equity decreased primarily due to the declaration of dividends and the repurchase of stock. Partially offsetting the decreases, there were increases due to the net income, equity awards granted, unearned ESOP shares vesting, and an increase in the fair value of the securities portfolio.

ASSET QUALITY

NONPERFORMING ASSETS

	At September 30, 2024	At December 31, 2023
	(Dollars in Thousands)	
Non-accrual loans:		
Residential		
One- to four-family	$ 5,087	$ 4,503
Over four-family	-	-
Home equity	152	90
Construction and land	-	-
Commercial real estate	129	215
Commercial	-	-
Consumer	-	-
Total non-accrual loans	5,368	4,808
Real estate owned		
One- to four-family	-	109
Construction and land	145	145
Total real estate owned	145	254
Total nonperforming assets	$ 5,513	$ 5,062
Total non-accrual loans to total loans, net	0.32%	0.29%
Total non-accrual loans to total assets	0.24%	0.22%
Total nonperforming assets to total assets	0.25%	0.23%

All loans that are 90 days or more past due with respect to principal and interest are recognized as non-accrual. Troubled debt restructurings that are non-accrual, either due to being past due greater than 90 days or which have not yet performed under the modified terms for a reasonable period of time, are included in the table above. In addition, loans that are past due less than 90 days are evaluated to determine the likelihood of collectability given other credit risk factors such as early stage delinquency, the nature of the collateral or the results of a borrower review. When the collection of all contractual principal and interest is determined to be unlikely, the loan is moved to non-accrual status and an updated appraisal of the underlying collateral is ordered. This process generally takes place when a loan is contractually past due between 60 and 89 days.

A loan is considered collateral-dependent when the debtor is experiencing financial difficulty and repayment is expected to be provided substantially through the sale or operation of the collateral. For all classes of loans and leases deemed collateral-dependent, the Company elected the practical expedient to estimate expected credit losses based on the collateral's fair value less cost to sell. In most cases, the Company records a specific valuation allowance or a partial charge-off to reduce the loan's carrying value to the collateral's fair value less cost to sell. Substantially all of the collateral consists of various types of real estate including residential and commercial properties.

The following table sets forth activity in our non-accrual loans for the periods indicated.

	At or for the Nine Months Ended September 30,	
	2024	2023
	(In Thousands)	
Balance at beginning of period	$ 4,808	$ 4,307
Additions	2,114	1,994
Transfers to real estate owned	-	(227)
Charge-offs	-	-
Returned to accrual status	(714)	(751)
Principal paydowns and other	(840)	(1,240)
Balance at end of period	$ 5,368	$ 4,083

Total non-accrual loans increased by $560,000, or 11.6%, to $5.4 million as of September 30, 2024 compared to $4.8 million as of December 31, 2023. The ratio of non-accrual loans to total loans receivable was 0.32% at September 30, 2024 and 0.29% at December 31, 2023. During the nine months ended September 30, 2024, $2.1 million in loans were placed on non-accrual status. Offsetting this activity, $714,000 in loans returned to accrual status and $840,000 in principal payments were received during the nine months ended September 30, 2024.

Of the $5.4 million in total non-accrual loans as of September 30, 2024, $2.6 million in loans have been specifically reviewed to assess whether a specific valuation allowance is necessary. A specific valuation allowance is established for an amount equal to the impairment when the carrying value of the loan exceeds the present value of expected future cash flows, discounted at the loan's original effective interest rate or the fair value of the underlying collateral with an adjustment made for costs to dispose of the asset. Based upon these specific reviews, no charge-offs have been recorded over the life of these loans and there were no specific reserves as of September 30, 2024. The remaining $2.8 million of non-accrual loans were reviewed on an aggregate basis as of September 30, 2024.

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The outstanding principal balance of our five largest non-accrual loans as of September 30, 2024 totaled $2.4 million, which represents 45.6% of total non-accrual loans as of that date. Two of the loans were reviewed on an aggregate basis along with the other loans held for investment at the mortgage segment.

Interest payments received are treated as interest income on a cash basis as long as the remaining book value of the loan (i.e., after charge-off of all identified losses) is deemed to be fully collectible. If the remaining book value is not deemed to be fully collectible, all payments received are applied to unpaid principal. Determination as to the ultimate collectability of the remaining book value is supported by an updated credit department evaluation of the borrower's financial condition and prospects for repayment, including consideration of the borrower's sustained historical repayment performance and other relevant factors.

As of September 30, 2024 and December 31, 2023, there were no loans 90 or more days past due and still accruing interest.

LOAN DELINQUENCY

The following table summarizes loan delinquency in total dollars and as a percentage of the total loan portfolio:

	At September 30, 2024	At December 31, 2023
	(Dollars in Thousands)	
Loans past due less than 90 days	$ 6,542	$ 6,817
Loans past due 90 days or more	4,080	4,433
Total loans past due	$ 10,622	$ 11,250
Total loans past due to total loans receivable	0.63%	0.68%

Past due loans decreased by $628,000, or 5.6%, to $10.6 million at September 30, 2024 from $11.3 million at December 31, 2023. Loans past due less than 90 days decreased by $275,000, or 4.0%, primarily due to a decrease in the home equity and commercial real estate loan categories. Loans past due 90 days or more decreased by $353,000, or 8.0%, primarily in the one- to four-family loan category, during the nine months ended September 30, 2024.

ALLOWANCE FOR CREDIT LOSSES - LOANS

	At or for the Nine Months Ended September 30,	
	2024	2023
	(Dollars in Thousands)	
Balance at beginning of period	$ 18,549	$ 17,757
Provision (credit) for credit losses - loans	(439)	829
Charge-offs:		
Mortgage		
One- to four-family	3	63
Multi family	-	-
Home Equity	-	-
Commercial real estate	-	-
Construction and land	-	-
Consumer	26	29
Commercial	-	-
Total charge-offs	29	92
Recoveries:		
Mortgage		
One- to four-family	104	46
Multi family	8	5
Home Equity	-	4
Commercial real estate	2	2
Construction and land	3	2
Consumer	-	-
Commercial	-	-
Total recoveries	117	59
Net charge-offs (recoveries)	(88)	33
Allowance for credit losses - loans at end of period	$ 18,198	$ 18,553
Ratios:		
Allowance for credit losses to non-accrual loans at end of period	339.01%	454.40%
Allowance for credit losses to loans receivable at end of period	1.07%	1.12%
Net recoveries to average loans outstanding (annualized)	(0.01)%	0.00%
Current year provision (credit) for credit losses - loans to net recoveries	(498.86%)	(2512.12)%
Net recoveries (annualized) to beginning of the year allowance	(0.63)%	0.25%

The allowance for credit losses - loans was $18.2 million at September 30, 2024 and $18.5 million at December 31, 2023. During the nine months ended September 30, 2024, there was a $439,000 negative provision for credit losses. Additionally, net recoveries totaled $88,000 for the nine months ended September 30, 2024.

We had net recoveries of $88,000, or 0.01% of average loans annualized, for the nine months ended September 30, 2024, compared to net charge-offs of $33,000, or less than 0.01% of average loans annualized, for the nine months ended September 30, 2023.

Our underwriting policies and procedures emphasize that credit decisions must rely on both the credit quality of the borrower and the estimated value of the underlying collateral. Credit quality is assured only when the estimated value of the collateral is objectively determined and is not subject to significant fluctuation.

The allowance for credit losses - loans has been determined in accordance with GAAP. We are responsible for the timely and periodic determination of the amount of the allowance required. Any future provisions for loan losses will continue to be based upon our assessment of the overall loan portfolio and the underlying collateral, trends in non-performing loans, current economic conditions and other relevant factors. To the best of management's knowledge, all probable losses have been provided for in the allowance for credit losses - loans.

The establishment of the amount of the allowance for credit loss inherently involves judgments by management as to the appropriateness of the allowance, which ultimately may or may not be correct. Higher than anticipated rates of loan default would likely result in a need to increase provisions in future years.

Liquidity and Capital Resources

We maintain liquid assets at levels we consider adequate to meet our liquidity needs. We adjust our liquidity levels to fund loan commitments, repay our borrowings, fund deposit outflows and pay real estate taxes on mortgage loans. We also adjust liquidity as appropriate to meet asset and liability management objectives. The level of our liquidity position at any point in time is dependent upon the judgment of the senior management as supported by the Asset/Liability Committee. Liquidity is monitored on a daily, weekly and monthly basis using a variety of measurement tools and indicators.

Our primary sources of liquidity are deposits, amortization and repayment of loans, sales of loans held for sale, maturities of investment securities and other short-term investments, and earnings and funds provided from operations. While scheduled principal repayments on loans are a relatively predictable source of funds, deposit flows and loan repayments are greatly influenced by market interest rates, economic conditions, and rates offered by our competitors. We set the interest rates on our deposits to maintain a desired level of total deposits. In addition, we invest excess funds in short-term, interest-earning assets, which provide liquidity to meet lending requirements. Additional sources of liquidity used for the purpose of managing long- and short-term cash flows include advances from the FHLB.

During the nine months ended September 30, 2024, primary uses of cash and cash equivalents included: $1.66 billion in funding loans held for sale, $31.1 million to fund loans held for investment, $10.8 million for purchases of mortgage related securities, $12.2 million for purchases of debt securities, $2.3 million for FHLB stock, $145.0 million for payoffs of long-term borrowings, $55.9 million for payoffs of short-term borrowings, $8.5 million for cash dividends paid, and $12.1 million for purchases of our common stock.

During the nine months ended September 30, 2024, primary sources of cash and cash equivalents included: $1.74 billion in proceeds from the sale of loans held for sale, $150.0 million in long-term borrowings, $16.7 million in principal repayments on mortgage related securities, $73.2 million for increase in deposits, $5.7 million in maturities of debt securities, $2.1 million in proceeds for mortgage servicing rights sale, and $13.4 million in net income.

During the nine months ended September 30, 2023, primary uses of cash and cash equivalents included: $1.58 billion in funding loans held for sale, $140.9 million to fund loans held for investment, $18.9 million for purchases of mortgage related securities, $9.4 million for FHLB stock, $215.0 million for payoffs of long-term borrowings, $12.4 million for cash dividends paid, and $19.8 million for purchases of our common stock.

During the nine months ended September 30, 2023, primary sources of cash and cash equivalents included: $1.60 billion in proceeds from the sale of loans held for sale, $174.0 million in long-term borrowings, $242.1 million in short-tern borrowings, $15.9 million in principal repayments on mortgage related securities, $6.2 million for increase in deposits, $3.6 million in maturities of debt securities, $3.5 million in proceeds for mortgage servicing rights sale, and $9.4 million in net income.

A portion of our liquidity consists of cash and cash equivalents, which are a product of our operating, investing and financing activities. At September 30, 2024 and 2023, respectively, $41.4 million and $62.3 million of our assets were invested in cash and cash equivalents. At September 30, 2024, cash and cash equivalents were comprised of the following: $35.8 million in cash held at the Federal Reserve Bank and other depository institutions and $5.6 million in federal funds sold and short-term investments. Our primary sources of cash are principal repayments on loans, proceeds from the calls and maturities of debt and mortgage-related securities, increases in deposit accounts, advances from the FHLB and the Federal Reserve, and repurchase agreements from other institutions.

Liquidity management is both a daily and longer-term function of business management. If we require funds beyond our ability to generate them internally, borrowing agreements exist with the FHLB which provide an additional source of funds. At September 30, 2024, we had $160.0 million in long term advances from the FHLB with contractual maturity dates in 2027, 2029, and 2034. See Note 6 - Borrowings of the notes to unaudited consolidated financial statements for additional information about the remaining call option details of our FHLB long-term debt.

The Company had approximately $325.3 million of uninsured deposits for approximately 1,354 customers as of September 30, 2024. Uninsured deposit amounts are estimated based on the portions of customer account balances that exceed the FDIC insurance limits.

At September 30, 2024, we had outstanding commitments to originate loans receivable of $28.1 million. In addition, at September 30, 2024, we had unfunded commitments under construction loans of $55.1 million, unfunded commitments under business lines of credit of $12.7 million and unfunded commitments under home equity lines of credit and standby letters of credit of $12.3 million. At September 30, 2024, certificates of deposit scheduled to mature in one year or less totaled $745.3 million. Based on prior experience, management believes that, subject to the Bank's funding needs, a significant portion of such deposits will remain with us, although there can be no assurance that this will be the case. In the event a significant portion of our deposits is not retained by us, we will have to utilize other funding sources, such as FHLB advances, in order to maintain our level of assets. However, we cannot assure that such borrowings would be available on attractive terms, or at all, if and when needed. Alternatively, we could reduce our level of liquid assets, such as our cash and cash equivalents and securities available-for-sale in order to meet funding needs. In addition, the cost of such deposits may be significantly higher if market interest rates are higher or there is an increased amount of competition for deposits in our market area at the time of renewal.

Waterstone Financial, Inc. is a separate legal entity from WaterStone Bank and must provide for its own liquidity to pay dividends to its shareholders, repurchase shares of its common stock, and for other corporate purposes. The primary source of liquidity for Waterstone Financial, Inc. is dividend payments from WaterStone Bank. The ability of WaterStone Bank to pay dividends is subject to regulatory restrictions. At September 30, 2024, Waterstone Financial, Inc. (on an unconsolidated basis) had liquid assets totaling $15.9 million.

Capital

Shareholders' equity decreased $2.1 million to $342.0 million at September 30, 2024. Shareholders' equity decreased primarily due to the declaration of dividends and the repurchase of stock. Partially offsetting the decreases, there were increases due to the net income, equity awards granted, unearned ESOP shares vesting, and an increase in the fair value of the securities portfolio.

The Company's Board of Directors authorized a 2,000,000 share stock repurchase program in the second quarter of 2024. As of September 30, 2024, the Company has approximately 1.9 million shares remaining in the plan.

WaterStone Bank is subject to various regulatory capital requirements, including a risk-based capital measure. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning assets and off-balance sheet items to broad risk categories. At September 30, 2024, WaterStone Bank exceeded all regulatory capital requirements and is considered "well capitalized" under regulatory guidelines. See "Notes to Unaudited Consolidated Financial Statements - Note 7 - Regulatory Capital."

Contractual Obligations, Commitments, Contingent Liabilities, and Off-balance Sheet Arrangements

During the three months ended September 30, 2024, we entered into $60.0 million of new long-term debt and repaid $160.7 million of short-term debt.

See Note 6 - Borrowings of the notes to unaudited consolidated financial statements for additional information about the remaining maturities of our FHLB long-term debt.

Our commitments, contingent liabilities, and off-balance sheet arrangements have not changed materially since previously reported in our Annual Report on Form 10-K for the year ended December 31, 2023.

See Note 9 - Commitments, Off-Balance Sheet Arrangements, and Contingent Liabilities of the notes to unaudited consolidated financial statements for additional information.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Management of Market Risk

General. The majority of our assets and liabilities are monetary in nature. Consequently, our most significant form of market risk is interest rate risk. Our assets, consisting primarily of mortgage loans, have longer maturities than our liabilities, consisting primarily of deposits. As a result, a principal part of our business strategy is to manage interest rate risk and reduce the exposure of our net interest income to changes in market interest rates. Accordingly, WaterStone Bank's board of directors has established an Asset/Liability Committee which is responsible for evaluating the interest rate risk inherent in our assets and liabilities, for determining the level of risk that is appropriate given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the board of directors. Management monitors the level of interest rate risk on a regular basis and the Asset/Liability Committee meets at least weekly to review our asset/liability policies and interest rate risk position, which are evaluated quarterly.

We have sought to manage our interest rate risk in order to minimize the exposure of our earnings and capital to changes in interest rates. We have implemented the following strategies to manage our interest rate risk: (i) emphasizing variable rate loans including variable rate one- to four-family, and commercial real estate loans as well as three to five year commercial real estate balloon loans; (ii) reducing and shortening the expected average life of the investment portfolio; and (iii) whenever possible, lengthening the term structure of our deposit base and our borrowings from the FHLB. These measures should reduce the volatility of our net interest income in different interest rate environments.

Income Simulation. Simulation analysis is an estimate of our interest rate risk exposure at a particular point in time. At least quarterly we review the potential effect changes in interest rates may have on the repayment or repricing of rate sensitive assets and funding requirements of rate sensitive liabilities. Our most recent simulation uses projected repricing of assets and liabilities at September 30, 2024 on the basis of contractual maturities, anticipated repayments and scheduled rate adjustments. Prepayment rate assumptions may have a significant impact on interest income simulation results. Because of the large percentage of loans and mortgage-backed securities we hold, rising or falling interest rates may have a significant impact on the actual prepayment speeds of our mortgage related assets that may in turn affect our interest rate sensitivity position. When interest rates rise, prepayment speeds slow and the average expected lives of our assets would tend to lengthen more than the expected average lives of our liabilities and therefore would most likely have a positive impact on net interest income and earnings.

The following interest rate scenario displays the percentage change in net interest income over a one-year time horizon assuming increases of 100, 200 and 300 basis points and a decreases of 100 basis points. The results incorporate actual cash flows and repricing characteristics for balance sheet accounts following an instantaneous parallel change in market rates based upon a static no growth, balance sheet.

Analysis of Net Interest Income Sensitivity

	Immediate Change in Rates			
	+300	**+200**	**+100**	**-100**
As of September 30, 2024				
Dollar Change	$ (11,163)	$ (7,435)	$ (3,862)	$ 1,389
Percentage Change	(23.22)%	(15.46)%	(8.03)%	2.89%

At September 30, 2024, a 100 basis point instantaneous increase in interest rates had the effect of decreasing forecast net interest income over the next 12 months by 7.08% while a 100 basis point decrease in rates had the effect of increasing net interest income by 7.86%.

Item 4. Controls and Procedures

Disclosure Controls and Procedures: Company management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

Internal Control Over Financial Reporting: There have been no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information required by this item is set forth in Part I, Item 1, Note 8 - Commitments, Off-Balance Sheet Arrangements, and Contingent Liabilities.

Item 1A. Risk Factors

There have been no material changes in risk factors applicable to the Company from those disclosed in "Risk Factors" in Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

Following are the Company's monthly common stock repurchases during the third quarter of 2024:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under the Plan(a)
July 1, 2024 - July 31, 2024	33,661	$ 13.24	33,661	1,888,675
August 1, 2024 - August 31, 2024	26,225	13.89	26,225	1,862,450
September 1, 2024 - September 30, 2024	11,300	14.95	11,300	1,851,150
Total	71,186	$ 13.75	71,186	1,851,150

(a) On May 24, 2023, the Board of Directors announced the termination of the then-existing stock repurchase plan and authorized the repurchase of 2,000,000 shares of common stock pursuant to a new share repurchase plan. This plan has no expiration date.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three and nine months ended September 30, 2024, no directors or executive officers of the Company adopted or terminated any contract, instruction or written plan for the purchase or sale of the Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) and/or any “Rule 10b5-1 trading arrangement.”

Item 6. Exhibits

Exhibit No.	Description	Filed Herewith
31.1	Sarbanes-Oxley Act Section 302 Certification signed by the Chief Executive Officer of Waterstone Financial, Inc.	X
31.2	Sarbanes-Oxley Act Section 302 Certification signed by the Chief Financial Officer of Waterstone Financial, Inc.	X
32.1	Certification pursuant to 18 U.S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 signed by the Chief Executive Officer of Waterstone Financial, Inc.	X
32.2	Certification pursuant to 18 U.S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 signed by the Chief Financial Officer of Waterstone Financial, Inc.	X
101	The following financial statements from Waterstone Financial, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, formatted in Inline Extensive Business Reporting Language (iXBRL): (i) consolidated statements of financial condition, (ii) consolidated statements of income, (iii) consolidated statements of comprehensive income, (iv) consolidated statements of changes in shareholders' equity, (v) consolidated statements of cash flows and (vi) the notes to consolidated financial statements.	X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	X

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WATERSTONE FINANCIAL, INC.
(Registrant)

Date: November 4, 2024

/s/ William F. Bruss
William F. Bruss
Chief Executive Officer
Principal Executive Officer

Date: November 4, 2024

/s/ Mark R. Gerke
Mark R. Gerke
Chief Financial Officer
Principal Financial Officer

Exhibit 31.1

CERTIFICATION

I, William F. Bruss, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2024 of Waterstone Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2024

/s/ William F. Bruss
William F. Bruss
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Mark R. Gerke, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2024 of Waterstone Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2024

/s/ Mark R. Gerke
Mark R. Gerke
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Waterstone Financial, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, William F. Bruss, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William F. Bruss
William F. Bruss
Chief Executive Officer

November 4, 2024

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Waterstone Financial, Inc. and will be retained by Waterstone Financial, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Waterstone Financial, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Mark R. Gerke, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark R. Gerke
Mark R. Gerke
Chief Financial Officer

November 4, 2024

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Waterstone Financial, Inc. and will be retained by Waterstone Financial, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.