

Waterstone Financial, Inc.
Form DEF 14A
April 03, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)
Filed by the Registrant ☒
Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- ☒ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

WATERSTONE FINANCIAL, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required.
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - 1) Title of each class of securities to which transaction applies:
 - 2) Aggregate number of securities to which transaction applies:
 - 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
 - 4) Proposed maximum aggregate value of transaction:
 - 5) Total fee paid:

- ☐ Fee paid previously with preliminary materials.

- ☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 240.0-11 and identify the filing for which the offsetting fee was paid previously.

Identify the previous filing by registration statement number, or Form or Schedule and the date of its filing.

- 1) Amount Previously Paid:
- 2) Form, Schedule or Registration Statement No.:
- 3) Filing Party:
- 4) Date Filed:

TABLE OF CONTENTS

WATERSTONE FINANCIAL, INC.
PROXY STATEMENT

April 3, 2015

Dear Fellow Shareholder,

We invite you to attend the Waterstone Financial, Inc. Annual Meeting of Shareholders, which will be held at WaterStone Bank SSB, 11200 W. Plank Ct., Wauwatosa, Wisconsin at 9:30 a.m., Central Time, on Wednesday, May 20, 2015.

We are once again furnishing proxy materials to our shareholders over the internet, as permitted by rules adopted by the Securities and Exchange Commission. You may read, print and download our 2014 Annual Report to Shareholders on Form 10-K and our Proxy Statement at www.proxyvote.com. On April 3, 2015, we mailed our shareholders a notice containing instructions on how to access these materials and how to vote their shares online. The notice provides instructions on how you can request a paper copy of these materials by mail, by telephone or by e-mail. If you requested your materials via e-mail, the e-mail contains voting instructions and links to the materials on the internet.

You may vote your shares by internet, by telephone, by regular mail or in person at the Annual Meeting. Instructions regarding the various methods of voting are contained on the notice and on the Proxy Card.

The proxy materials describe the formal business to be transacted at the Annual Meeting. Included in the materials is our Annual Report on Form 10-K, which contains detailed information concerning our activities and operating performance.

On behalf of the board, we request that you vote your shares now, even if you currently plan to attend the Annual Meeting. This will not prevent you from voting in person, but will assure that your vote is counted.

Sincerely,
DOUGLAS S. GORDON
Chief Executive Officer

WATERSTONE FINANCIAL, INC.

11200 W. Plank Ct.
Wauwatosa, Wisconsin 53226
(414) 761-1000

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 20, 2015

To the Shareholders of Waterstone Financial, Inc.:

The 2015 annual meeting of shareholders of Waterstone Financial, Inc. will be held on Wednesday, May 20, 2015, at 9:30 a.m., Central Time, at WaterStone Bank SSB, 11200 W. Plank Ct., Wauwatosa, Wisconsin for the following purposes:

- (1) Electing two directors to serve for a term expiring in 2018;
- (2) Approving an advisory, non-binding resolution to approve the executive compensation described in the Proxy Statement;
- (3) Ratifying the selection of McGladrey LLP as Waterstone Financial, Inc.'s independent registered public accounting firm; and
- (4) Transacting such other business as may properly come before the annual meeting or any adjournment thereof.

The board of directors has fixed the close of business on March 23, 2015 as the record date for the determination of shareholders entitled to notice of and to vote at the annual meeting and any adjournment thereof. Only shareholders of record at the close of business on that date will be entitled to vote at the annual meeting and any adjournments thereof.

We call your attention to the Proxy Statement accompanying this notice for a more complete statement regarding the matters to be acted upon at the annual meeting. Please read it carefully.

By Order of the Board of Directors

William F. Bruss
Senior Vice President and Secretary
Wauwatosa, Wisconsin
April 3, 2015

PROXY STATEMENT
WATERSTONE FINANCIAL, INC.
11200 W. Plank Ct.
Wauwatosa, Wisconsin 53226
(414) 761-1000

SOLICITATION AND VOTING

This Proxy Statement and accompanying Proxy Card are furnished to the shareholders of Waterstone Financial, Inc. ("Waterstone Financial" or the "Company") in connection with the solicitation of proxies by the Waterstone Financial board of directors for use at the annual meeting of shareholders on Wednesday, May 20, 2015, and at any adjournment of the meeting. The 2014 Annual Report on Form 10 K is attached to the Proxy Statement and contains business and financial information concerning us. Our proxy materials are being made available to shareholders on or about April 3, 2015.

Record Date and Meeting Information. The board of directors has fixed the close of business on March 23, 2015 as the record date for the determination of shareholders entitled to notice of and to vote at the annual meeting and any adjournment thereof. Only holders of record of our common stock, the only class of voting stock of Waterstone Financial outstanding, on the record date are entitled to notice of and to vote at the annual meeting. Each share of common stock is entitled to one vote. At the record date, there were 34,691,087 shares of common stock issued and outstanding.

The board of directors of Waterstone Financial knows of no matters to be acted upon at the annual meeting other than as set forth in the notice attached to this Proxy Statement. If any other matters properly come before the annual meeting, or any adjournment thereof, it is the intention of the persons named in the proxy to vote such proxies in accordance with their best judgment on such matters.

Voting Your Shares. Any shareholder entitled to vote at the annual meeting may vote either in person, by a properly executed proxy or online as described in the notice to shareholders and the proxy card. Shares represented by properly executed proxies received by Waterstone Financial will be voted at the annual meeting, or any adjournment thereof, in accordance with the terms of such proxies, unless revoked. Where no instructions are indicated, validly executed proxies will be voted "FOR" the proposals set forth in this Proxy Statement for consideration at the Annual Meeting. A shareholder may revoke a proxy at any time prior to the time when it is voted by filing a written notice of revocation with our corporate secretary at the address set forth above, by delivering a properly executed proxy bearing a later date, using the internet or telephone voting options explained on the Proxy Card, or by voting in person at the annual meeting. Attendance at the annual meeting will not in itself constitute revocation of a proxy. If you are a shareholder whose shares are not registered in your name, you will need appropriate documentation from your record holder in order to vote in person at the annual meeting.

Shares in Employee Plans. Any shareholder who owns shares through an allocation to that person's account under the WaterStone Bank SSB Employee Stock Ownership Plan (the "ESOP") or who has purchased shares in the Employer Stock Fund in the Waterstone Bank SSB 401(k) Plan (the "401(k) Plan") will receive separate Vote Authorization Forms to instruct the ESOP Trustee and 401(k) Plan Trustee how to vote those shares. The deadline for returning instructions is May 13, 2015. The Trustee of both the ESOP and 401(k) Plan, Principal Trust Company, will vote shares allocated to a plan participant's account in accordance with the participant's instructions. Upon the direction of the plan administrator, the Trustee will vote the unallocated ESOP shares and any allocated ESOP shares for which no voting instructions are received in the same proportion as allocated shares for which it has received voting instructions. Also the Trustee will vote unvoted shares allocated to participants' accounts in the 401(k) Plan in accordance with directions received from the plan administrator.

Quorum and Required Vote. A majority of the votes entitled to be cast by the shares entitled to vote, represented in person or by proxy, will constitute a quorum of shareholders at the annual meeting. Shares for which authority is withheld to vote for director nominees and broker non-votes (i.e., proxies from brokers or nominees indicating that such persons have not received instructions from the beneficial owners or other persons entitled to vote shares as to a matter with respect to which the brokers or nominees do not have discretionary power to vote) will be considered present for purposes of establishing a quorum. The inspector of election appointed by the board of directors will

count the votes and ballots at the annual meeting.

As to the election of directors, shareholders may vote "FOR" or "WITHHELD" as to each or all of the nominees. A plurality of the votes cast at the annual meeting by the holders of shares of common stock entitled to vote is required for the election of directors. In other words, the individuals who receive the largest number of votes are elected as directors up to the maximum number of directors in a class to be chosen at the annual meeting. With respect to the election of directors, any shares not voted, whether by withheld authority, broker non-vote or otherwise, will have no effect on the election of directors except to the extent that the failure to vote for an individual results in another individual receiving a comparatively larger number of votes.

- 5 -

As to the advisory, non-binding resolution to approve our executive compensation as described in this Proxy Statement, a shareholder may: (i) vote "FOR" the resolution; (ii) vote "AGAINST" the resolution; or (iii) "ABSTAIN" from voting on the resolution. The affirmative vote of a majority of the votes cast at the Annual Meeting, without regard to either broker non-votes, or shares as to which the "ABSTAIN" box has been selected on the proxy card, is required for the approval of this non-binding resolution. While this vote is required by law, it will neither be binding on Waterstone Financial, Inc. or the board of directors, nor will it create or imply any change in the fiduciary duties of, or impose any additional fiduciary duty on Waterstone Financial, Inc. or the board of directors. As to the ratification of the independent registered public accounting firm, shareholders may vote "FOR" or "AGAINST," or may "ABSTAIN" from voting on the matter. The affirmative vote of a majority of the votes cast at the Annual Meeting, without regard to either broker non-votes, or shares as to which the "ABSTAIN" box has been selected on the proxy card, is required to ratify McGladrey LLP as our independent registered public accounting firm for the year ending December 31, 2015.

Expenses and Solicitation. We will pay expenses in connection with the solicitation of proxies. Proxies will be solicited principally by mail, but may also be solicited by our directors, officers and other employees in person or by telephone, facsimile or other means of communication. Those directors, officers and employees will receive no compensation therefor in addition to their regular compensation, but may be reimbursed for their related out-of-pocket expenses. Brokers, dealers, banks, or their nominees, who hold common stock on behalf of another will be asked to send proxy materials and related documents to the beneficial owners of such stock, and we will reimburse those persons for their reasonable expenses.

Limitations on Voting. The Company's Articles of Incorporation provide that, subject to certain exceptions, record owners of the Company's common stock that is beneficially owned by a person who beneficially owns in excess of 10% of the Company's outstanding shares are not entitled to any vote any of the shares held in excess of the 10% limit.

BENEFICIAL OWNERSHIP OF COMMON STOCK

Persons and groups who beneficially own in excess of 5% of our shares of common stock are required to file certain reports with the Securities and Exchange Commission regarding such ownership pursuant to the Securities Exchange Act of 1934. The following table sets forth, as of March 23, 2015, the shares of our common stock beneficially owned by each person known to us who was the beneficial owner of more than 5% of the outstanding shares of our common stock, as well as by our directors, executive officers and directors and executive officers as a group.

Name of Beneficial Owner	Total Shares Beneficially Owned (1)(2)	Percent of All Common Stock Outstanding
5% or Greater Shareholders		
Homestead Partners LP		
Homestead Odyssey Partners LP		
Arles Partners LP		
Arles Advisors Inc		
Warren A. Mackey		
40 Worth Street		
10th Floor		
New York, New York 10013	1,839,864 (3)	5.3 %
Wellington Management Group LLP		
280 Congress Street		
Boston, MA 02210	2,134,229 (4)	6.2 %

Delaware Charter Guarantee & Trust Company dba Principal Trust Company as Trustee for the 2010 Amended and Restated Waterstone Bank SSB Employee Stock Ownership Plan and the Waterstone Bank 401(K) Plan	2,711,544	7.9	%
Directors and Executive Officers			
Rebecca M. Arndt	109,878	*	
Ellen S. Bartel	33,000	*	
William F. Bruss	171,472	(5) *	
Thomas E. Dalum	160,920	*	
Eric J. Egenhoefer	76,410	*	
Douglas S. Gordon	766,836	2.2	%
Michael L. Hansen	321,278	*	
Allan R. Hosack	57,437	*	
Patrick S. Lawton	280,095	*	
Kristine A. Rappé	41,318	*	
Stephen J. Schmidt	124,943	*	
All directors and executive officers as a group (11 persons) (6)	4,145,770	12.0	%

*Less than 1%.

Unless otherwise noted, the specified persons have sole voting and dispositive power as to the shares. Number of shares identified as indirect beneficial ownership with shared voting and dispositive power: Ms. Arndt – 37,247; Ms. Bartel – 5,000, Mr. Bruss – 40,460; Mr. Dalum – 50,623; Mr. Gordon – 46,062; Mr. Hansen – 186,541; Mr. Hosack – (2)34,330, Mr. Lawton – 10,532; group – 2,412,978. Includes the following shares underlying options which are exercisable within 60 days of March 23, 2015: Ms. Arndt – 31,821; Mr. Bruss – 77,908; Messrs. Dalum, Hansen, Lawton and Schmidt – 54,865 shares each; Mr. Egenhoefer – 43,892; Mr. Gordon – 274,325; all directors and executive officers as a group – 647,406.

(3)Based on a Schedule 13D filed with the Securities and Exchange Commission on May 1, 2014.

(4)Based on a Schedule 13G filed with the Securities and Exchange Commission on February 12, 2015.

(5)Includes 5,486 shares pledged as collateral for a loan.

The total for the group (but not any individual) includes 2,002,183 unallocated shares held in the employee stock ownership plan, as to which voting and dispositive power is shared. As administrator, WaterStone Bank SSB ("WaterStone Bank") (through its ESOP Committee) may direct the ESOP Trustee to vote shares which have not yet been allocated to participants, provided that such vote is required to be made in the same proportion as (6) allocated voted shares unless it is determined that to do so would not be in the best interest of participants and beneficiaries of the ESOP. Employees may vote the shares allocated to their accounts; the administrator will vote unvoted shares in its discretion. Allocated shares are included only if allocated to listed executive officers, in which case they are included in those individuals' (and the group's) beneficial ownership.

PROPOSAL 1 – THE ELECTION OF DIRECTORS

Waterstone Financial's Board of Directors consists of seven members. Our bylaws provide that approximately one-third of the directors are to be elected annually. Directors of Waterstone Financial are generally elected to serve for a three-year period and until their respective successors have been elected. Messrs. Gordon and Lawton, the directors whose terms expire at the annual meeting, are being nominated for re-election as directors, each for a term expiring at the 2018 annual meeting of shareholders. Shares represented by proxies will be voted FOR the election of the nominees unless otherwise specified by the executing shareholder. If a nominee declines or is unable to act as a director, which we do not foresee, proxies may be voted with discretionary authority for a substitute nominee designated by the board. Except as indicated herein, there are no arrangements or understandings between any nominee and any other person pursuant to which such nominee was selected.

The following details include for each of our nominees and directors: their age as of December 31, 2014; the year in which they first became a director of WaterStone Bank (the "Bank"); the year that their term expires; and their business experience for at least the past five years. None of the directors listed below currently serves as a director, or served as a director during the past five years, of a publicly-held entity (other than Waterstone Financial). The following also includes the particular experience, qualifications, attributes, or skills considered by the Nominating and Corporate Governance Committee that led the board of directors to conclude that such person should serve as a director of Waterstone Financial. The mailing address for each person listed is 11200 West Plank Court, Wauwatosa, Wisconsin 53226. The board of directors unanimously recommends that shareholders vote FOR the election of the director nominees listed below.

Name and Age	Principal Occupation and Business Experience	Director Since ⁽¹⁾
-----------------	---	----------------------------------

Nominees for Term expiring in 2018

Douglas S. Gordon, 57	Chief Executive Officer and President of Waterstone Financial and WaterStone Bank since January 2007; President and Chief Operating Officer of WaterStone Bank from 2005 to 2007; real estate investor. Mr. Gordon brings extensive prior banking experience as an executive officer at M&I Bank and at Security Savings Bank. He has extensive firsthand knowledge and experience with our lending markets and our customers. Mr. Gordon has a B.A. from the University of Wisconsin – Parkside and an M.B.A. from Marquette University.	2005
-----------------------------	---	------

Patrick S. Lawton, 58 (2)(3)(6)	Managing Director of Fixed Income Capital Markets for Robert W. Baird & Co., Incorporated. As an R.W. Baird Managing Director, Mr. Lawton brings his investment portfolio expertise to the board of directors. Mr. Lawton has a B.S.B.A. and an M.B.A. from Marquette University.	2000
--	---	------

Continuing Directors - Terms expiring in 2016

Ellen S. Bartel, 60 (3)(4)(5)	President of Divine Savior Holy Angels (DSHA) High School (Milwaukee, Wisconsin) since 1998 where she has achieved significant improvements in DSHA's curriculum, facilities, financial infrastructure, image, and reputation. Ms. Bartel has balanced DSHA's budget for 15 consecutive years, oversaw endowment growth from under \$1 million to nearly \$10 million, and has developed recruitment strategies resulting in an incoming class wait list for 14 consecutive years. Prior to her employment at DSHA, Ms. Bartel held several positions at Alverno College (Milwaukee, Wisconsin) (1986 to 1997), with the most recent being Vice President of Institutional Advancement from 1994 to 1997. Ms. Bartel's experience overseeing a large educational institution provides the board of directors with significant perspective on financial management and human resources matters. Ms. Bartel has a B.A. and an M.S.A. from the University of Notre Dame.	2013
-------------------------------------	---	------

Edgar Filing: Waterstone Financial, Inc. - Form DEF 14A

Thomas E. Former chairman and CEO of UELC, an equipment leasing company and of DUECO, an equipment manufacturer and distributor. Mr. Dalum brings an entrepreneurial background, a long-standing record of community involvement and public service plus more than 30 years of experience as a member of the WaterStone Bank board of directors. Mr. Dalum has a B.A. from the University of Notre Dame and an M.B.A. from Northwestern University.

Kristine A. Rappé, 58 (5)(6) Special advisor to the Wisconsin Energy Foundation (Milwaukee, Wisconsin) following a 30-year career with Wisconsin Energy Corporation. In her roles at Wisconsin Energy Corporation as Vice President of Customer Services (1994 to 2001), Vice President and Corporate Secretary (2001 to 2004) and Senior Vice President and Chief Administrative Officer (2004 to 2012), Ms. Rappé had responsibility for shared services including information technology, human resources, supply chain management, business continuity/corporate security, and the WEC Foundation. Ms. Rappé's experience overseeing a large corporate entity provides the board of directors with significant perspective on financial management and human resources matters, and she has a long-standing history of community involvement and public service. Ms. Rappé has a B.A. from the University of Wisconsin – Oshkosh. 2013

Continuing Directors - Terms expiring in 2017

Michael L. Hansen, 63 (4)(5)(6) Business investor; current significant ownership interest in Jacsten Holdings LLC, Eagle Metal Finishing LLC, Mid-States Contracting, Inc., and Midwest Metals LLC. In addition to extensive entrepreneurial experience, Mr. Hansen is a C.P.A. with 13 years of audit and tax experience at an international public accounting firm. Mr. Hansen brings this experience to the board of directors and to the audit committee in particular. Mr. Hansen has a B.B.A. from the University of Notre Dame. 2003

Stephen J. Schmidt, 53 (3)(4)(6) President of Schmidt and Bartelt Funeral and Cremation Services. Mr. Schmidt has entrepreneurial experience and extensive community contact throughout the communities served by WaterStone Bank. Mr. Schmidt has an Associate's Degree from the New England Institute and a B.A. from the University of Wisconsin – Stevens Point. 2002

Indicates the date when director was first elected to the board of WaterStone Bank. Messrs. Lawton, Hansen, (1) Dalum, Schmidt and Gordon became directors of Waterstone Financial in 2005. Ms. Bartel and Ms. Rappé became directors of Waterstone Financial in 2014.

(2) Chairman of the Board and of WaterStone Bank, effective January 1, 2007.

(3) Member of the compensation committee, of which Mr. Dalum is Chairman.

(4) Member of the nominating committee, of which Mr. Schmidt and Ms. Bartel are Co-chairmen.

(5) Member of the audit committee, of which Mr. Hansen is Chairman.

(6) Member of the executive committee, of which Ms. Rappé is Chairman.

Edgar Filing: Waterstone Financial, Inc. - Form DEF 14A

Information regarding named executive officers who are not directors of Waterstone Financial is set forth in the following table. Except as noted below, each of these individuals has been named executive officers for at least the past five years.

Name and Age Offices and Positions with Waterstone Financial and WaterStone Bank		Executive Officer Since
William F. Bruss, 45	Chief Operating Officer (appointed June 2013), General Counsel and Secretary, Executive Vice President Waterstone Financial and WaterStone Bank	2005
Allan R. Hosack, 48	Chief Financial Officer and Senior Vice President of Waterstone Financial and of WaterStone Bank since February 2014; account executive of Marsh & McLennan October 2013 until January 2014, Chief Financial Officer of Marshall & Ilsley Wealth Management/BMO Harris Global Asset Management, from 2007 to 2013	2014
Rebecca M. Arndt, 47	Senior Vice President – Retail Operations of WaterStone Bank	2006
Eric J. Egenhoefer, 39	President of Waterstone Mortgage Corporation	2008

Board Meetings and Committees

The board of directors of Waterstone Financial met 11 times during the year ended December 31, 2014 on behalf of Waterstone Financial and an additional 12 times in their capacity as directors of WaterStone Bank. The board of directors consists of a majority of "independent directors" within the meaning of the NASDAQ corporate governance listing standards. The board of directors determines the independence of each director in accordance with NASDAQ Stock Market rules, which include all elements of independence as set forth in the listing requirements for NASDAQ securities. The board of directors has determined that Directors Bartel, Dalum, Hansen, Lawton, Rappé and Schmidt are "independent" directors within the meaning of such standards. In evaluating the independence of our independent directors, we found no transactions between us and our independent directors that are not required to be reported in this proxy statement and that had an impact on our determination as to the independence of our directors. Therefore, all members of the audit, compensation and nominating committees are "independent." As part of their meetings, independent directors regularly met without management or non-independent directors present. No member of the board of directors or any committee thereof attended fewer than 75% of the aggregate of: (i) the total number of meetings of the Board of Directors (held during the period for which he has been a director); and (ii) the total number of meetings held by all committees of the board of directors on which he or she served (during the periods that he or she served).

The audit committee of Waterstone Financial met 10 times during the year ended December 31, 2014. The board of directors has determined that each member of the audit committee meets not only the independence requirements applicable to the committee as prescribed by the NASDAQ corporate governance listing standards, but also by the Securities and Exchange Commission. On behalf of the audit committee, Mr. Hansen, its chair, also regularly consults with Waterstone Financial's independent registered public accounting firm about Waterstone Financial's periodic public financial disclosures. The board believes that all of the members of the audit committee have sufficient experience, knowledge and other personal qualifications to be "financially literate" and to be active, effective and contributing members of the audit committee. Mr. Hansen has been designated an "audit committee financial expert" pursuant to the Sarbanes-Oxley Act of 2002 and the Securities and Exchange Commission regulations. See also "Report of the Audit Committee" for other information pertaining to the audit committee. The compensation committee of Waterstone Financial held six meetings during the year ended December 31, 2014. Each member of the compensation committee is considered independent as defined in the NASDAQ corporate governance listing standards. The compensation committee has the responsibility for and authority to either establish or recommend to the board: compensation policies and plans; salaries, bonuses and benefits for all officers; salary and benefit levels for employees; determinations with respect to stock options and restricted stock awards; and other personnel policies and procedures. The compensation committee has the authority to delegate the development, implementation and execution of benefit plans to management. See also "Compensation Discussion and Analysis"

and "Compensation Committee Interlocks and Insider Participation" for other information pertaining to the compensation committee.

The nominating and corporate governance committee ("nominating committee") of Waterstone Financial held one meeting during the year ended December 31, 2014. Each member of the nominating committee is considered "independent" as defined in the NASDAQ corporate governance listing standards.

The functions of the nominating committee include the following:

- to lead the search for individuals qualified to become members of the board of directors and to select director nominees to be presented for shareholder approval;
- to review and monitor compliance with the requirements for board independence;
- to review the committee structure and make recommendations to the board of directors regarding committee membership; and
- to develop and recommend to the board of directors for its approval a set of corporate governance guidelines.

The nominating committee identifies nominees by first evaluating the current members of the board of directors willing to continue in service. Current members of the board of directors with skills and experience that are relevant to our business and who are willing to continue in service are first considered for re-nomination, balancing the value of continuity of service by existing members of the board of directors with that of obtaining a new perspective. If any member of the board of directors does not wish to continue in service, or if the committee or the board decides not to re-nominate a member for re-election, or if the size of the board of directors is increased, the nominating committee would solicit suggestions for director candidates from all board members.

Qualifications of director candidates are described in the Appendix to the Nominating and Corporate Governance Committee Charter. Factors considered include strength of character, honesty and integrity, an inquiring and independent mind, judgment, skill, diversity, education, experience with businesses and other organizations, the interplay of the candidates' experience with the experience of other board members and the extent to which the candidate would be a desirable addition to the board and its committees. Nominees must have a background which demonstrates an understanding of business and financial affairs and the complexities of a business organization. Although a career in business is not essential, the nominee should have a proven record of competence and accomplishments through leadership in industry, education, the professions or government. Areas of core competency that should be represented on the board as a whole include accounting and finance, business judgment, management, crisis response, industry knowledge, leadership and strategic vision.

The nominating committee will also take into account whether a candidate satisfies the criteria for "independence" under the NASDAQ corporate governance listing standards and, if a nominee is sought for service on the audit committee, the financial and accounting expertise of a candidate, including whether an individual qualifies as an "audit committee financial expert."

The nominating committee will consider proposed nominees whose names are submitted to it by shareholders, and it does not intend to evaluate proposed nominees differently depending upon who has made the proposal. Shareholders can submit the names of qualified candidates for director by writing to our Corporate Secretary at 11200 W. Plank Ct., Wauwatosa, WI 53226. The Corporate Secretary must receive a submission not more than 110 days and not less than 80 days prior to the date of our next annual meeting. The submission must include the following information:

- a statement that the writer is a shareholder and is proposing a candidate for consideration by the nominating committee;
- the name and address of the shareholder as they appear on our books and number of shares of our common stock that are owned beneficially by such shareholder (if the shareholder is not a holder of record, appropriate evidence of the shareholder's ownership will be required);
- the name, address and contact information for the candidate, and the number of shares of common stock that are owned by the candidate (if the candidate is not a holder of record, appropriate evidence of the shareholder's ownership should be provided);
- a statement of the candidate's business and educational experience;
- such other information regarding the candidate as would be required to be included in the Proxy Statement pursuant to Securities and Exchange Commission Regulation 14A;
- a statement detailing any relationship between us and the candidate;
- a statement detailing any relationship between the candidate and any of our customers, suppliers or competitors;
- detailed information about any relationship or understanding between the proposing shareholder and the candidate; and
- a statement that the candidate is willing to be considered and willing to serve as a director if nominated and elected.

A nomination submitted by a shareholder for presentation at an annual meeting of shareholders will also need to comply with any additional procedural and informational requirements we may adopt in the future, including those set forth in "Shareholder Proposals and Notices."

Waterstone Financial has adopted charters for the Audit, Compensation and nominating committees. We will continue to respond to and comply with Securities and Exchange Commission and NASDAQ Stock Market requirements relating to board committees. Copies of the charters for our audit, compensation and nominating committees (including director selection criteria) and other corporate governance documents can be found on our website, at www.wsbonline.com, on the "Resources" tab under the link "Investor Relations." If any of those documents are changed, or related documents adopted, those changes and new documents will be posted on our corporate website at that address.

Other Board and Corporate Governance Matters

Board Leadership Structure and Risk Oversight Role. The role of chairman of the board of directors and chief executive officer/president of the Company are not currently held by the same person. The chairman of the board has never been an officer or employee of the Company or WaterStone Bank. The foregoing structure is not mandated by any provision of law or our articles of incorporation or bylaws, but the board of directors currently believes that this structure provides for an appropriate balance of authority between management and the board. The board of directors reserves the right to establish a different structure in the future.

The board of directors of the Company, all of the members of which are also members of the board of directors of WaterStone Bank, is actively involved in the Company's and Bank's risk oversight activities, through the work of numerous committees of the Company and Bank, and the policy approval function of the board of directors of WaterStone Bank.

Communications between Shareholders and the Board. A shareholder who wants to communicate with the board of directors or with any individual director can write to our Corporate Secretary at 11200 W. Plank Ct., Wauwatosa, WI 53226, Attention: Board Administration. The letter should indicate that the author is a shareholder and if shares are not held of record, should include appropriate evidence of stock ownership. Depending on the subject matter, management will:

- forward the communication to the director or directors to whom it is addressed;
- attempt to handle the inquiry directly, i.e. where it is a request for information about us or it is a stock-related matter; or
- not forward the communication if it is primarily commercial in nature, relates to an improper or irrelevant topic, or is unduly hostile, threatening, illegal or otherwise inappropriate.

At each board meeting, management shall present a summary of all communications received since the last meeting that were not forwarded and make those communications available to the directors.

Director Attendance at Annual Shareholders' Meeting. Waterstone Financial expects all of its directors to attend the annual meeting of shareholders. Last year, all directors attended our annual meeting of shareholders.

- 9 -

Code of Business Conduct and Ethics. Waterstone Financial has adopted a code of business conduct and ethics that reflects current circumstances and Securities and Exchange Commission and NASDAQ definitions for such codes. The code of business conduct and ethics covers us, WaterStone Bank and other subsidiaries. Among other things, the code of business conduct and ethics includes provisions regarding honest and ethical conduct, conflicts of interest, full and fair disclosure, compliance with law, and reporting of and sanctions for violations. The code applies to all directors, officers and employees of Waterstone Financial and subsidiaries. We have posted a copy of the code of business conduct and ethics on our corporate website, at www.wsbonline.com, on the "Resources" tab under the link "Investor Relations" and then "Governance Documents." As further matters are documented, or if those documents (including the code of business conduct and ethics) are changed, waivers from the code of business conduct and ethics are granted, or new procedures are adopted, those new documents, changes and/or waivers will be posted on the corporate website at that address.

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary. It is the intent of the Compensation Committee to provide our Named Executive Officers (defined below) with a total compensation package that is market competitive, promotes the achievement of our strategic objectives and is aligned with operating and other performance metrics to support long-term shareholder value. In addition, we have structured our executive compensation program to include elements that are intended to create appropriate balance between risk and reward.

Compensation Philosophy. The primary objectives of our executive compensation programs are to attract and retain highly-qualified executives and to encourage extraordinary management efforts through well-designed incentive opportunities, with the goal of improving the performance of Waterstone Financial, Inc. and its subsidiaries consistent with the interests of our shareholders. We base our compensation decisions on three basic principles:

Meeting the Demands of the Market – Our goal is to compensate our employees at competitive levels that position us as the employer of choice among our peers who provide similar financial services in the markets we serve.

Aligning with Shareholders – We intend to use equity compensation as a key component of our compensation mix to develop a culture of ownership among our key personnel and to align their individual financial interests with the interests of our shareholders.

Driving Performance – We base compensation in part on the attainment of company-wide, business unit and individual targets that return positive results to our bottom line.

Executive compensation includes base salary, discretionary bonus and equity incentive awards. The programs are intended to reward the accomplishment of strategic plan goals and objectives as evaluated by members of the compensation committee. They are further intended to reward enhanced shareholder value as measured by the trading price of our common stock.

Effect of 2014 Advisory Vote on Named Executive Officer Compensation. At our 2014 Annual Meeting, we provided our shareholders with the opportunity to cast an advisory vote on executive compensation (a "say-on-pay proposal"). At our 2014 Annual Meeting of Shareholders, 92.7% of the votes cast on the say-on-pay proposal at that meeting were voted in favor of the proposal. The Compensation Committee believes this affirms shareholders' support of our approach to executive compensation, and therefore the Compensation Committee did not significantly change its approach in 2014. We will hold annual say-on-pay votes until the next shareholders vote regarding the frequency of say-on-pay votes, which we expect to occur at the 2020 annual meeting of shareholders. The Compensation Committee will continue to consider the outcome of our say-on-pay vote, regulatory changes and emerging best practices when making future compensation decisions for the Named Executive Officers.

Role of the Compensation Committee. The Compensation Committee is responsible for reviewing all compensation components for the Named Executive Officers annually, including base salary, annual incentive, long-term incentives/equity, benefits and other perquisites. The committee examines the total compensation mix, pay-for-performance relationship, and how all these elements in the aggregate comprise each executive's total compensation package to ensure that our compensation is competitive in the market place and that the mix of benefits accurately reflects our compensation philosophy. The Compensation Committee operates under a written charter that establishes its responsibilities. The Compensation Committee and the Board of Directors review the charter annually to ensure that the scope of the charter is consistent with the role of the committee. A copy of the charter can be found on our website under the Investor Relations tab.

Use of Consultants. The Compensation Committee has the authority to engage compensation consultants from time to time to assist it in the compensation governance process for determining the compensation of our Named Executive Officers. The consultants provide expertise about competitive trends in the marketplace, including established and emerging compensation practices at other similarly situated companies.

The Compensation Committee commissioned Verisight to perform a third party compensation analysis in 2011 to be used as the basis for determining WaterStone Bank's executive and director compensation for calendar 2012. The Compensation Committee did not use the services of a compensation consultant to assist in determining compensation of our Named Executive Officers or other officers during 2014.

- 10 -

Role of Management. The executive officers who serve as a resource to the Compensation Committee are the President and Chief Executive Officer, with respect to compensation for the other Named Executive Officers, and the Chief Operating Officer and General Counsel and the Assistant Vice President and Director of Human Resources, with respect to compensation of other officers and employees of WaterStone Bank. The executives provide the Compensation Committee with data, analyses, input and recommendation. The Compensation Committee considers our Chief Executive Officer's evaluation of each Named Executive Officer's performance and recommendation of appropriate compensation. However, our Chief Executive Officer does not participate in any decisions relating to his own compensation.

Components of Executive Compensation and 2014 Decisions. Our compensation program consists of four main components: base salary, annual incentives, long-term incentive/equity, and benefits and perquisites. The following section summarizes the role of each component, how decisions are made and the resulting 2014 decision process as it relates to the named executive officers.

Base Salary. In determining the base salary of executive officers, the committee reviewed, among other things, third party surveys of peer institutions, the historical compensation of those officers under review and performance measures of Waterstone Financial, Inc. and its subsidiaries. The Compensation Committee's executive base salary review and analyses for calendar year 2014 resulted in no change in base salary from 2013 for the Chief Executive Officer. The calendar 2014 average increase for our Named Executive Officers was 2.7%, excluding our chief financial officers for the year. The Compensation Committee concluded that the level of base salary did not need to be further raised in order to accomplish the objectives noted above. Base salary for the president of the mortgage banking subsidiary, Waterstone Mortgage Corporation, was unchanged in 2014.

Bonus – WaterStone Bank. Bonus amounts for officers of WaterStone Bank have historically been determined on a discretionary basis following a review of our performance and that of individual executives. In 2014, the Compensation Committee of WaterStone Bank adopted a management incentive compensation plan, which establishes a bonus pool for Named Executive Officers and other officers based upon pre-established financial performance levels related to return on average assets and non-performing assets to total assets. Participants in this incentive plan do not have a pre-determined portion of the bonus allocated on an individual by individual basis. Instead, the Compensation Committee allocates bonuses to participants following its determination as to performance compared to targets.

For the year ended December 31, 2014, based upon preliminary financial information available to the Compensation Committee, the Compensation Committee established a bonus pool of \$721,120. Bonuses were then paid to the Named Executive Officers who are also officers of WaterStone Bank in the following amounts.

	Bonus Amount Under Bonus Pool
Executive Officer	
Douglas S. Gordon	\$432,600
William F. Bruss	\$81,890
Allan R. Hosack	\$68,425
Rebecca M. Arndt	\$48,225

The Compensation Committee may adjust incentive compensation based on performance or other qualitative and quantitative factors. Although there are no pre-determined factors that would require adjustment, such factors could include the completion of a specific project, achievement of meaningful business development, promotion to a new position or increased responsibilities, for competitive reasons or to respond to market conditions.

In addition to the bonus paid to Mr. Gordon under the bonus pool, in recognition of the completion of the mutual-to-stock conversion of Lamplighter Financial, MHC and related stock offering, the Compensation Committee awarded Mr. Gordon a bonus of \$267,400.

Bonus – Waterstone Mortgage Corporation. In 2011, the President of Waterstone Mortgage Corporation was entitled to a bonus based on the level of pretax book income generated by Waterstone Mortgage Corporation as adjusted for net interest income earned on intercompany advances from WaterStone Bank. The bonus pool established by the formula totaled \$200,000, 100% of which would be earned in the event that subsidiary pre-tax income exceeded \$10 million. No bonus would be earned for adjusted pre-tax income of less than \$1 million, with four income tiers between \$1 million and \$10 million which earned between 25% and 75% of the bonus pool. The formula was revised beginning in 2012 to provide for a bonus of 5% of subsidiary pre-tax income in excess of 20% of Waterstone Mortgage Corporation's average equity during the year in which the bonus is earned, before bonus expense, as adjusted for (i) the difference between the cost of the intracompany line of credit provided by WaterStone Bank and third-party pricing, and (ii) \$100,000 as the estimated value of support services provided by WaterStone Bank. No bonus is payable if Waterstone Mortgage Corporation or WaterStone Bank becomes subject to a regulatory order caused or contributed to by the operations of Waterstone Mortgage Corporation.

Equity Incentives. The Compensation Committee believes that equity-based compensation can provide an important incentive to executive officers while also aligning their interests with those of shareholders, since the value of the compensation will depend upon stock price performance. Both restricted stock awards and option awards were granted to directors and WaterStone Bank executive officers in January 2007 under our 2006 Equity Incentive Plan, and all of those awards vested on or before January 5, 2012. A second significant grant of restricted stock and option awards was made to WaterStone Bank executives on January 4, 2012. The Chief Executive Officer and the non-officer directors were not eligible for awards under the second grant due to regulatory limitations. In making the grants, the Compensation Committee targeted long-term equity incentives at approximately one-third of total annual compensation for executive management.

- 11 -

The equity incentive elements of total compensation are intended to further the Compensation Committee's objectives of executive retention through longer vesting schedules and enhanced shareholder value due to the value of grants being tied to the trading price of our common stock. A stock option award was granted to Mr. Egenhoefer on October 20, 2010. The grant price and the exercise price of the option awards granted were equal to the closing market price for our shares of common stock on the grant date.

In the event of a change in control, the unvested equity incentive awards held by each recipient will vest automatically. The mutual-to-stock conversion of Lamplighter Financial, MHC was not considered a change in control.

The Employee Stock Ownership Plan is a tax-qualified retirement plan that benefits all eligible WaterStone Bank employees proportionately. The Employee Stock Ownership Plan replaced WaterStone Bank's defined benefit pension plan and is not separately considered in the review and evaluation of annual executive compensation. Employee Stock Ownership Plan allocations are made annually as of December 31 to all eligible WaterStone Bank employees. An employee must complete a full year of service and be employed by us on December 31 in order to receive an annual allocation each year. In the event of plan termination, all allocated benefits become fully vested immediately. Dividends paid with respect to shares of Waterstone Financial, Inc. stock allocated to participant accounts will be used to repay any Employee Stock Ownership Plan loan or credited proportionately to participant accounts.

Chief Executive Officer Compensation. Base salary paid to Douglas S. Gordon for the year ended December 31, 2014 remained unchanged from the year ended December 31, 2013. See "—Bonus – WaterStone Bank" for a discussion of the bonus paid to Mr. Gordon for the year ended December 31, 2014.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the section of this proxy statement entitled "Compensation Discussion and Analysis" with management. Based on this review and discussion, the Compensation Committee recommended to the board of directors that the "Compensation Discussion and Analysis" be included in this proxy statement.

This report has been provided by the Compensation Committee:

Thomas E. Dalum, Chairman
Ellen S. Bartel
Patrick S. Lawton
Stephen J. Schmidt

PROPOSAL 2 – ADVISORY VOTE ON EXECUTIVE COMPENSATION

The compensation of our Principal Executive Officer, Principal Financial Officer and the three other most highly compensated executive officers of the Company ("Named Executive Officers") is described above in general and is shown in detail in the Executive Compensation and Compensation Discussion and Analysis sections. Shareholders are urged to read the Executive Compensation and Compensation Discussion and Analysis sections of this Proxy Statement, which discusses our compensation policies and procedures with respect to our Named Executive Officers.

In accordance with Section 14A of the Exchange Act, shareholders will be asked at the Annual Meeting to provide their support with respect to the compensation of our Named Executive Officers by voting on the following advisory, non-binding resolution:

RESOLVED, that the compensation paid to the "named executive officers," as disclosed in the Company's Proxy Statement for the 2015 Annual Meeting of Shareholders pursuant to Item 402 Securities and Exchange Commission Regulation S-K, including the Compensation Discussion and Analysis, the 2014 compensation tables and narrative discussion is hereby approved.

We will hold annual say-on-pay votes until the next shareholders vote regarding the frequency of say-on-pay votes, which we expect to occur at the 2020 annual meeting of shareholders.

This advisory vote, commonly referred to as a "say-on-pay" advisory vote, is non-binding on the board of directors. Although non-binding, the board of directors and the compensation committee value constructive dialogue on executive compensation and other important governance topics with our shareholders and encourage all shareholders to vote their shares on this matter. The board of directors and the compensation committee will review the voting results and take them into consideration when making future decisions regarding our executive compensation.

Unless otherwise instructed, validly executed proxies will be voted "FOR" this resolution.

The board of directors unanimously recommends that you vote "FOR" the resolution set forth in Proposal 2.

EXECUTIVE COMPENSATION

Summary Compensation Table. The following table shows the compensation of our Named Executive Officers, including, Douglas S. Gordon, our principal executive officer, the two individuals who served as our principal financial officer during the year ended December 31, 2014, and three other executive officers who received total compensation of more than \$100,000 during the past fiscal year (collectively, the "Named Executive Officers"). The "Change in Pension Value and Nonqualified Deferred Compensation Earnings" column has been omitted because no listed individual earned any compensation during the listed years of a type required to be disclosed in this column.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)(1)	Bonus (\$)	Stock Awards (\$)(2)	Option Awards (\$)(2)	Non-Equity Incentive Plan	All Other Compensation	Total
						Compensation (\$)	Compensation (\$)(3)	(\$)
Douglas S. Gordon								
Chief Executive Officer of	2014	780,000	700,000	—	—	—	46,930	1,526,930
Waterstone Financial and	2013	780,000	350,000	—	—	—	32,214	1,162,214
WaterStone Bank	2012	780,000	350,000	—	—	—	16,492	1,146,492
Eric J. Egenhoefer	2014	250,000	—	—	—	50,000	6,600	306,600

Edgar Filing: Waterstone Financial, Inc. - Form DEF 14A

President of Waterstone Mortgage Corporation	2013	250,000	—	—	—	273,960	6,600	530,560
William F. Bruss	2012	247,115	—	—	—	879,371	6,600	1,133,086
Chief Operating Officer and General Counsel of Waterstone Financial and WaterStone Bank	2014	275,000	81,890	—	—	—	53,757	410,647
	2013	241,788	30,000	—	—	—	41,615	313,403
Allan R. Hosack	2012	207,200	30,000	47,250	43,750	—	26,288	354,488
Chief Financial Officer of Waterstone Financial and WaterStone Bank	2014	190,246	68,425	—	—	—	10,993	269,664
Rebecca M. Arndt	2014	161,500	48,225	—	—	—	37,168	246,893
Bank Vice President, Retail Operations	2013	156,500	20,000	—	—	—	27,933	204,493
Richard C. Larson (4) Former Chief Financial Officer of Waterstone Financial and WaterStone Bank	2012	152,000	20,000	28,350	25,000	—	16,893	242,243
	2014	42,404	—	—	—	—	139,163	181,567
	2013	240,000	30,000	—	—	—	37,504	307,504
	2012	240,000	30,000	47,250	37,500	—	23,796	378,546

(1) Salary includes amounts contributed by participants in the WaterStone Bank 401(k) Plan. Mr. Gordon's salary includes 401(k) contributions of \$23,000 in 2014, \$23,000 in 2013 and \$22,500 in 2012. Mr. Bruss' salary includes 401(k) contributions of \$8,250 in 2014, \$7,740 in 2013 and \$9,875 in 2012. Mr. Hosack's salary includes a 401(k) contribution of \$16,189 in 2014. Ms. Arndt's salary includes 401(k) contributions of \$16,117 in 2014, \$15,626 in 2013 and \$15,177 in 2012. Mr. Larson's salary includes 401(k) contributions of \$4,558 in 2014, \$23,000 in 2013 and \$5,514 in 2012. In 2014, a 401(k) matching contribution was made by WaterStone Bank in the amount of \$900 for Mr. Gordon, \$1,235 for Mr. Bruss, \$1,645 for Mr. Hosack, \$1,612 for Ms. Arndt and \$456 for Mr. Larson. In 2013, a 401(k) matching contribution was made by WaterStone Bank in the amount of \$420 for Mr. Gordon, \$2,000 for Mr. Larson, \$1,277 for Mr. Bruss and \$1,469 for Ms. Arndt. There were no 401(k) matching contributions made in 2012.

(2) Reflects the aggregate grant-date fair value of the stock and option awards granted during the years shown as calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718. The assumptions used in the valuation of these awards are included in the "Stock Based Compensation" footnote to Waterstone Financial's audited financial statements for the years ended December 31, 2013, 2012 and 2011 included in our Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the Securities and Exchange Commission.

(3) For 2014, "All Other Compensation" includes Employee Stock Ownership Plan shares valued at \$11.11 per share allocated on December 31, 2014 and totaling \$38,007 for Mr. Gordon, \$37,374 for Mr. Bruss and \$28,064 for Ms. Arndt; club membership dues of \$1,769 for Mr. Gordon, \$6,989 for Mr. Bruss, \$2,288 for Mr. Hosack, \$925 for Ms. Arndt and \$456 for Mr. Larson; and personal use of company-owned vehicles equal to \$7,154 for Mr. Gordon, \$9,394 for Mr. Bruss, \$8,706 for Mr. Hosack, \$8,179 for Ms. Arndt and \$1,530 for Mr. Larson. Mr. Egenhoefer was paid a car allowance of \$6,600 in 2014. For Mr. Larson, also includes a cash payment of \$125,027 and the estimated value of a company car provided to Mr. Larson of \$12,150, each as part of a settlement agreement entered into with Mr. Larson in connection with his resignation.

(4) Mr. Larson resigned from WaterStone Bank, effective February 7, 2014. See "Potential Payments Upon Termination or Change in Control."

Employment Agreements

Employment Agreement with Douglas S. Gordon. Effective as of October 21, 2014, WaterStone Bank entered into an employment agreement with Douglas S. Gordon, President and Chief Executive Officer of WaterStone Bank, for a term continuing through December 31, 2017. Commencing on January 1, 2015, and continuing on each January 1st anniversary date thereafter, the term of the agreement will renew for an additional year, such that the remaining term will always be three years, unless written notice of non-renewal is provided to Mr. Gordon at least 30 days prior to the anniversary date. The agreement provides Mr. Gordon with an initial annual base salary of \$780,000, which has subsequently been increased to \$800,000. In addition, Mr. Gordon is entitled to participate in the employee benefit plans, arrangements and perquisites offered by WaterStone Bank and is entitled to participate in any incentive compensation or bonus plan or arrangement of WaterStone Bank or Waterstone Financial in which he is eligible to participate. The Bank will also pay or reimburse him for business expenses incurred, pay or reimburse him for annual country club dues and furnish him an automobile or reimburse him for the expense of leasing an automobile and for reasonable expenses associated with the use of such automobile.

In the event of Mr. Gordon's involuntary termination of employment for reasons other than cause, disability, death or retirement, or in the event Mr. Gordon resigns during the term of the agreement for "good reason" (as defined in the agreement), Mr. Gordon will receive a lump-sum severance payment equal to the sum of (i) his earned but unpaid salary as of the date of his termination of employment, (ii) the benefits he is entitled to as a former employee under the employee benefit plans maintained by WaterStone Bank or Waterstone Financial, (iii) the remaining base salary and bonuses Mr. Gordon would have earned if he had continued his employment for the remaining term of the Agreement and had earned a bonus and/or incentive award in each year in an amount equal to the average bonus and/or incentive award earned by him over the three calendar years preceding the year in which the termination occurs, (iv) the annual contributions or payments that would have been made on Mr. Gordon's behalf to any employee benefit plans of WaterStone Bank or Waterstone Financial as if Mr. Gordon had continued his employment with WaterStone Bank for the remaining term of the Agreement, and (v) the annual payments that would have been made related to membership in a country club and the use of an automobile for the remaining term of the Agreement. In addition, all awards under the Wauwatosa Holdings 2006 Equity Incentive Plan and any other or subsequent stock based incentive plan that would have vested had Mr. Gordon continued his employment with WaterStone Bank for the remaining term of the Agreement will vest as of the date of termination and become exercisable, provided that if the terms of the Incentive Plan do not allow for such vesting, WaterStone Bank will make a lump sum payment to Mr. Gordon in an amount equal to the value to Mr. Gordon if such awards had become vested and been exercised. Upon the occurrence of an event of termination described above, Mr. Gordon will be entitled to continued life insurance coverage and non-taxable medical and dental insurance coverage for the remaining term of the agreement.

Upon termination of Mr. Gordon's employment by Waterstone Financial or WaterStone Bank following a change in control of Waterstone Financial or WaterStone Bank, or Mr. Gordon's resignation due to good reason following a change in control, Mr. Gordon will receive a lump sum payment within 30 days after the date of termination substantially similar to the payment that he would receive on such a termination without regard to a change in control, except that such payments will be calculated based on a remaining term of the agreement of 36 months. In addition, all awards under the Wauwatosa Holdings 2006 Equity Incentive Plan and any other or subsequent stock based incentive plan will vest as of the date of termination and become exercisable. Upon the occurrence of an event of termination described above, Mr. Gordon will be entitled to continued life insurance coverage and non-taxable medical and dental insurance coverage for a period of 36 months from the date of termination.

In the event of Mr. Gordon's disability and subsequent termination of employment, Mr. Gordon will receive the benefits provided under any disability program sponsored by Waterstone Financial or WaterStone Bank. To the extent such benefits are less than Mr. Gordon's base salary at the date of termination, and less than 66 2/3% of Mr. Gordon's base salary after the first year following termination, Mr. Gordon will be entitled to the difference between the disability benefits provided under any disability program sponsored by Waterstone Financial or WaterStone Bank and his base salary for a period of one year. After the first year following termination, Mr. Gordon will be entitled to

the difference between the disability benefits provided under any disability program sponsored by Waterstone Financial or WaterStone Bank and 66 2/3% of Mr. Gordon's base salary, through the earliest to occur of the date of Mr. Gordon's death, recovery from disability or the date Mr. Gordon attains age 65.

In the event of Mr. Gordon's death during the term of the agreement, Mr. Gordon's beneficiary, legal representatives or estate will be paid Mr. Gordon's base salary for one year and WaterStone Bank will continue to provide Mr. Gordon's family the same medical, dental, and other health benefits that were provided by WaterStone Bank to Mr. Gordon's family immediately prior the Mr. Gordon's death, on the same terms, including cost.

In the event of termination due to Mr. Gordon's retirement, no amount or benefit will be due Mr. Gordon under the Agreement.

The employment agreement restricts Mr. Gordon from revealing confidential information of Waterstone Financial and WaterStone Bank. In addition, for one year following termination of employment (other than upon termination following a change in control), Mr. Gordon may not compete with Waterstone Financial and WaterStone Bank or solicit or hire WaterStone Bank's employees.

Employment Agreement with Eric J. Egenhoefer. Waterstone Mortgage Corporation is a party to an employment agreement with its President, Eric J. Egenhoefer. The agreement has a term continuing through December 31, 2017, and will be extended at the end of each year for a period of one year unless terminated as provided in the agreement. Under the agreement, Mr. Egenhoefer is entitled to a base salary, which will be \$300,000, effective January 1, 2015 and participation in company-wide employee benefits, including Waterstone Mortgage Corporation's 401(k) Plan and other qualified and non-qualified plans that may be maintained by the company. Mr. Egenhoefer is also entitled to annual bonus compensation pursuant to the bonus formula set forth in the agreement.

Mr. Egenhoefer may terminate his employment for "good reason," which includes any material breach of the agreement by Waterstone Mortgage Corporation, including the failure, without "good cause" (as defined in the agreement), to pay the amounts due under the agreement on a timely basis. In the event the agreement is terminated for good reason or in the event Waterstone Mortgage Corporation terminates Mr. Egenhoefer's employment for any reason other than "good cause," Mr. Egenhoefer will be entitled to receive his base salary through the remaining term of the agreement. In the event of termination due to disability, Mr. Egenhoefer will receive any unpaid base salary earned prior to the effective date of termination and reimbursement of expenses to which Mr. Egenhoefer is entitled. In the event of Mr. Egenhoefer's death during the term of the agreement, the agreement will terminate with no payment of severance compensation to Mr. Egenhoefer's estate. Similarly, in the event of his termination for good cause, Mr. Egenhoefer will not be entitled to any severance compensation.

In the event of Mr. Egenhoefer's termination of employment, the agreement contains provisions which prevent him from soliciting business from customers of Waterstone Mortgage Corporation, withdrawing any customers' business, hiring any employees, consultants or personnel of Waterstone Mortgage Corporation, disclosing confidential information or competing with Waterstone Mortgage Corporation for one year following termination of employment.

Plan-Based Awards

The following table sets forth for the year ended December 31, 2014 certain information as to grants of plan-based awards. The non-equity award granted to Mr. Egenhoefer is described above in "—Compensation Discussion and Analysis—Bonus—Waterstone Mortgage Corporation."

GRANTS OF PLAN-BASED AWARDS FOR THE YEAR ENDED DECEMBER 31, 2014

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards		
		Grant Threshold	Target	Maximum
		(\$)	(\$)	(\$)
Eric J. Egenhoefer	(1)	(1)	273,960	(1)

(1) On an annual basis, Mr. Egenhoefer is entitled to earn a bonus under the criteria described under "—Compensation Discussion and Analysis—Bonus." There is no minimum, target or maximum amount. Therefore, pursuant to Securities and Exchange Commission regulations, the target amount listed is based upon operating results for the year ended December 31, 2013 and equals the actual 2013 award.

Outstanding Equity Awards at Year End. The following table sets forth information with respect to outstanding equity awards as of December 31, 2014. All grants were made under our 2006 Equity Incentive Plan. Information has been restated for the 1.0973-for-one stock split in connection with the completion of the mutual-to-stock conversion of Lamplighter Financial, MHC on January 22, 2014.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2014

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That	Market Value of Shares or Units of Stock That Have

						Have Not Vested (#)(1)	Vested (\$)(2)
Douglas S. Gordon	274,325	—		16.11	1/5/2017	—	—
Eric J. Egenhoefer	43,892	10,973	(3)	3.47	10/20/2020	—	—
William F. Bruss	54,865	—		16.11	1/5/2017	16,460	216,449
	15,362	23,043	(3)	1.73	1/4/2022		
Rebecca M. Arndt	27,432	—		16.11	1/5/2017	9,876	129,869
	—	13,168	(3)	1.73	1/4/2022		

(1) Consists of restricted shares awarded on January 4, 2012 under the 2006 Equity Incentive Plan. The restricted shares vest in five annual increments of 20% each beginning on the first anniversary of the initial award.

(2) Based on the \$13.15 per share closing price of our common stock on December 31, 2014.

(3) Options vest in five annual increments of 20% each beginning on the first anniversary of the grant date.

Option Exercises and Stock Vested. The following table sets forth information with respect to option exercises and stock that vested during the year ended December 31, 2014. Information has been restated for the 1.0973-for-one stock split in connection with the completion of the mutual-to-stock conversion of Lamplighter Financial, MHC on January 22, 2014.

OPTION EXERCISES AND STOCK VESTED DURING THE YEAR ENDED DECEMBER 31, 2014

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(1)
William F. Bruss	—	—	5,486	55,299
Richard C. Larson	13,167	112,841	5,486	55,299
Rebecca M. Arndt	8,778	78,388	3,292	33,183

(1) Based on the \$10.08 per share closing price of our common stock on January 3, 2014.

(2) Mr. Larson resigned from Waterstone Financial, effective February 7, 2014.

Potential Payments Upon Termination or Change in Control

The following table sets forth estimates of the amounts that would become payable to our Named Executive Officers, under employment agreements and/or equity award agreements in the event of their termination of employment on December 31, 2014, under designated circumstances. The table does not include vested or accrued benefits under any tax-qualified benefit plans that do not discriminate in scope, terms or operation in favor of Executive Officers or equity awards or other benefits in which the executive is vested without regard to the change in control. The estimates shown are highly dependent on a variety of factors, including but not limited to the date of termination, interest rates, federal, state, and local tax rates, and compensation history. Actual payments due could vary substantially from the estimates shown. We consider each termination scenario listed below to be exclusive of all other scenarios and do not expect that any of our Executive Officers would be eligible to collect the benefits shown under more than one termination scenario. If a Named Executive Officer is terminated for "cause" as defined in the applicable agreement or award, we have no contractual payment or other obligations under the agreement.

Mr. Larson resigned from his position as Chief Executive Officer, effective February 7, 2014. Pursuant to a severance agreement, Mr. Larson received a cash payment of \$125,027 and was provided a company car, with an estimated value of \$12,150.

	Mr. Gordon	Mr. Egenhoefer	Mr. Bruss	Mr. Hosack	Ms. Arndt
Discharge Without Cause or Resignation With Good Reason — no Change in Control					
Severance payment	\$3,772,753 (1)	\$ 62,500 (1)	\$—	\$ —	\$—
Medical, dental and life insurance benefits	72,455 (2)	—	—	—	—
Acceleration of vesting of stock options	—	—	—	—	—
Total	\$3,847,208	\$ 62,500	\$—	\$ —	\$—
Discharge Without Cause or Resignation With Good Reason — Change in Control Related					
Severance payment (lump sum)	\$3,772,753 (3)	\$ 62,500 (3)	\$—	\$ —	\$—
Medical, dental and life insurance benefits	74,455 (2)	—	—	—	—
Acceleration of vesting of stock options	—	106,219 (4)	263,151 (4)	—	150,379 (4)
Acceleration of vesting of restricted stock	—	—	216,449 (5)	—	129,869 (5)
Total	\$3,847,208	\$ 168,719	\$479,600	\$ —	\$280,248
Disability					
Severance/disability payment	\$4,420,000 (6)	\$ 83,250 (6)	\$—	\$ —	\$—
Acceleration of vesting of stock option	—	106,219 (4)	263,151 (4)	—	150,379 (4)
Acceleration of vesting of restricted stock	—	—	216,449 (5)	—	129,869 (5)
Total	\$4,420,000	\$ 189,489	\$479,600	\$ —	\$280,248
Death					
Salary continuation payment	\$780,000	\$—	\$—	\$ —	\$—
Medical, dental and life insurance benefits	24,818	—	—	—	—
Acceleration of vesting of stock options	—	106,219 (4)	263,151 (4)	—	150,379 (4)
Acceleration of vesting of restricted stock	—	—	216,449 (5)	—	129,869 (5)
Total	\$804,818	\$ 106,219	\$479,600	\$ —	\$280,248

(1) The cash severance payment under Mr. Gordon's employment agreement equals (i) the remaining base salary and employee benefits to which he is entitled under his employment agreement over the remaining term of the

- agreement, assuming he had earned a bonus equal to the average bonus or incentive award earned over the three calendar years preceding the year of termination, as determined under the agreement; (ii) the annual contributions that would have been made on Mr. Gordon's behalf under any employee benefit plans in which he participated; and the annual payments towards country club dues and automobile lease and expenses that he would be entitled to for the remaining term of the agreement. The severance payment is paid under Mr. Egenhoefer's employment agreement in the event of his termination for good reason. The payment is equal to 25% of his then base salary. Mr. Gordon will be entitled to non-taxable medical and dental coverage and life insurance coverage for the remaining term of the agreement, in the event of a termination without cause or for good reason not related to a
- (2) change in control. In the event of an involuntary termination without cause or for good reason following a change in control, Mr. Gordon will be entitled to the continuation of the same benefits for a period of 36 months from the date of termination.
- For Mr. Gordon, the cash severance benefit payable on an involuntary termination of employment or termination for good reason in connection with a change in control is the same as the payment in such a termination that occurs
- (3) without regard to a change in control, except that such payments would be calculated based on a 36-month term. For Mr. Egenhoefer, the severance payment is paid under his employment agreement in the event of his termination for good reason. The payment is equal to 25% of his then base salary.
- For Mr. Egenhoefer, based on the cash difference between the exercise price of the option (\$3.47, on a split adjusted basis) and the fair market value of our stock on December 31, 2014, which was \$13.15, multiplied by 10,973 unvested stock options. For Mr. Bruss, based on the cash difference between the exercise price of the
- (4) option (\$1.73, on a split adjusted basis) and the fair market value of our stock on December 31, 2014, which was \$13.15, multiplied by 23,043 unvested stock options. For Ms. Arndt, based on the cash difference between the exercise price of the option (\$1.73, on a split adjusted basis) and the fair market value of our stock on December 31, 2014, which was \$13.15, multiplied by 13,168 unvested stock options.
- For Mr. Bruss, represents the fair market value on December 31, 2014 of 16,460 shares of restricted stock that
- (5) would vest on the occurrence of the specified event. For Ms. Arndt, represents the fair market value on December 31, 2014 of 9,876 shares of restricted stock that would vest on the occurrence of the specified event.
- In the event of Mr. Gordon's disability, to the extent that any disability benefits payable under a disability program sponsored by the Bank is less than his base salary during the first year after termination or less than 66-2/3% of his base salary after the first year of his termination, Mr. Gordon will receive a supplement to such disability benefit
- (6) under the employment agreement to ensure that his aggregate disability benefit is equal to his base salary during the first year and equal to 66-2/3% of his base salary after the first year of his disability. (This benefit can be provided under a supplemental disability policy providing such benefit, in lieu of providing it under the employment agreement.) In the event of Mr. Egenhoefer's disability, his employment agreement provides for a payment equal to 33% of his then base salary.

Director Compensation

Set forth below is summary compensation for each of our non-employee directors for the year ended December 31, 2014.

**DIRECTOR COMPENSATION TABLE FOR THE
YEAR ENDED DECEMBER 31, 2014**

Name	Fees earned or paid in cash	
	(\$)(1)	Total (\$)
Ellen S. Bartel Nominating Committee Co-chairman	55,500	55,500
Thomas E. Dalum Compensation Committee Chairman	55,500	55,500
Michael L. Hansen Audit Committee Chairman	61,500	61,500
Patrick S. Lawton Chairman of the Board	78,000	78,000
Kristine A. Rappé Executive Committee Chairman	55,500	55,500
Stephen J. Schmidt Nominating Committee Co-chairman	55,500	55,500

(1) Includes annual retainer, committee and chairmanship fees.

(2) As of December 31, 2014, each of Messrs. Lawton, Hansen, Schmidt and Dalum had 54,865 vested but unexercised stock options, respectively (split adjusted), and no unvested stock options, respectively.

In 2014, we paid each non-officer director an annual retainer of \$36,000 plus annual meeting fees of \$12,000. In addition, annual fees paid to the Chairman of the Board totaled \$25,000, annual fees paid to the Chairman of the Audit Committee totaled \$10,000, annual fees paid to the Chairmen of the compensation committee and the executive committee totaled \$5,000 each and annual fees paid to the two Co-chairmen of the nominating committee totaled \$2,500 each. Each non-chair member of the audit committee, the compensation committee and the executive committee also received an annual fee of \$2,500 for each committee served. Each non-chair member of the nominating committee also received an annual fee of \$1,000.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under the federal securities laws, Waterstone Financial directors, its executive officers and any person holding more than 10% of the common stock are required to report their initial ownership of the common stock and any change in that ownership to the SEC. Specific due dates for these reports have been established and we are required to disclose in this Proxy Statement any failure to file such reports by these dates during the last year. We believe that all of these filing requirements were satisfied on a timely basis for the year ended December 31, 2014.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of the members of the compensation committee was an officer or employee of Waterstone Financial, WaterStone Bank or any subsidiary, nor did any of them have any other reportable interlock.

TRANSACTIONS WITH CERTAIN RELEATED PERSONS

WaterStone Bank has had, and expects to continue to have, regular business dealings with its officers and directors, as well as their associates and the firms which they serve. Our historical policy has been that transactions with our directors and executive officers be on terms that are no more beneficial to the director or executive officer than we

would provide to unaffiliated third parties. Under our policies and procedures, all of our transactions with officers and directors require review, approval or ratification by the board of directors. Directors and executive officers, and their associates, regularly deposit funds with WaterStone Bank. The deposits are made on the same terms and conditions which are offered to other depositors.

In the ordinary course of business, WaterStone Bank makes loans available to its directors, officers and employees. After six months of continuous employment, full-time employees of WaterStone Bank were entitled to receive a mortgage loan at a reduced interest rate, consistent with applicable laws and regulations. In December 2005, the board discontinued the employee loan program for employee loans originated after March 31, 2006. Employee loans at reduced interest rates originated on or before March 31, 2006 continue on their same terms.

The chart below lists the named executive officers who participated in the employee mortgage loan program during the year ended December 31, 2014 and certain information with respect to their loans. No directors or other executive officers of Waterstone Financial participated in the employee mortgage loan program during the year ended December 31, 2014.

Name	Largest Aggregate Balance 01/01/14 to 12/31/14	Interest Rate	Non-employee Interest Rate	Principal Balance 01/01/14 to 12/31/14	Principal Paid 01/01/14 to 12/31/14	Interest Paid 01/01/14 to 12/31/14
William F. Bruss	\$ 261,631	1.65 %	5.50 %	\$ 251,088	\$ 10,543	\$ 4,250

Name	Largest Aggregate Balance 01/01/13 to 12/31/13	Interest Rate	Non-employee Interest Rate	Principal Balance 01/01/13 to 12/31/13	Principal Paid 01/01/13 to 12/31/13	Interest Paid 01/01/13 to 12/31/13
William F. Bruss	\$ 271,866	1.68 %	5.50 %	\$ 261,631	\$ 10,235	\$ 6,546

Name	Largest Aggregate Balance 01/01/12 to 12/31/12	Interest Rate	Non-employee Interest Rate	Principal Balance 01/01/12 to 12/31/12	Principal Paid 01/01/12 to 12/31/12	Interest Paid 01/01/12 to 12/31/12
William F. Bruss	\$ 281,517	2.06 %	5.50 %	\$ 271,866	\$ 9,651	\$ 5,754

At the time of termination of employment with WaterStone Bank, the interest rate will be adjusted to the non-employee interest rate as set forth in the mortgage note.

These loans neither involve more than the normal risk of collection nor present other unfavorable features. Federal regulations permit executive officers and directors to participate in loan programs that are available to other employees, as long as the director or executive officer is not given preferential treatment compared to other participating employees. Loans made to directors or executive officers, including any modification of such loans, must be approved by a majority of disinterested members of the board of directors. The interest rate on loans to directors and officers is the same as that offered to other employees.

Other than described above, and except for loans to directors made in the ordinary course of business that were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to WaterStone Bank and for which management believes neither involve more than the normal risk of collection nor present other unfavorable features, since January 1, 2014, the beginning of our last fiscal year, we and our subsidiaries have not had any transaction or series of transactions, or business relationships, nor are any such transactions or relationships proposed, in which the amount involved exceeds \$120,000 and in which our directors, executive officers or 5% or more shareholders have a direct or indirect material interest.

REPORT OF THE AUDIT COMMITTEE

The audit committee of the Waterstone Financial board of directors was created in accordance with Section 3(a)(58)(a) of the Exchange Act. The audit committee's functions include meeting with our independent registered public accounting firm and making recommendations to the board regarding the independent registered public accounting firm; assessing the adequacy of internal controls, accounting methods and procedures; review of public disclosures required for compliance with securities laws; and consideration and review of various other matters relating to the our financial accounting and reporting. No member of the audit committee is employed by or has any other material relationship with us other than as a customer or shareholder. The members are "independent" as defined in Rule 5605(a)(2) of the NASDAQ listing standards. The board of directors has adopted a written charter for the audit committee which can be found on our website.

In connection with its function to oversee and monitor our financial reporting process, the audit committee has done the following:

- reviewed and discussed the audited financial statements for the year ended December 31, 2014 with management;
- discussed with McGladrey LLP, our independent registered public accounting firm, those matters which are required to be discussed by Statements on Auditing Standards, AU §380; and
- received the written disclosures and the letter from McGladrey LLP required by the Public Company Accounting Oversight Board and has discussed with McGladrey LLP its independence.

This report has been provided by the audit committee:

Michael L. Hansen, Chairman

Ellen S. Bartel

Thomas E. Dalum

Kristine A. Rappé

Based on the foregoing, the audit committee recommended to the board that those audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2014. In addition, the audit committee also considered the fees paid to McGladrey LLP for services provided by McGladrey LLP during the year ended December 31, 2014.

PROPOSAL 4 – RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The firm of McGladrey LLP has audited the books and records of Waterstone Financial as of and for the year ended December 31, 2014 and has served as WaterStone Financial's principal independent accountant since June 3, 2014. Representatives of McGladrey LLP are expected to be present at the annual meeting to respond to appropriate questions and to make a statement if they so desire.

The Audit Committee of the Board of Directors has selected McGladrey LLP as our independent registered public accountants for the fiscal year ended December 31, 2015. We are submitting the selection of independent registered public accountants for shareholder ratification at the annual meeting. If our shareholders do not ratify the selection, the Audit Committee will reconsider whether to retain McGladrey LLP, but may still retain them.

KPMG LLP was previously the principal accountants for Waterstone Financial, Inc. On June 2, 2014, the firm was dismissed as Waterstone Financial's principal accountants. The decision to dismiss KPMG LLP was approved by the Audit Committee of Waterstone Financial.

During the years ended December 31, 2013 and 2012 and the subsequent interim period through June 2, 2014, there were no: (1) disagreements with KPMG LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements, if not resolved to their satisfaction, would have caused them to make reference in connection with their opinion to the subject matter of the disagreement, or (2) reportable events under Item 304(a)(1)(v) of Regulation S-K.

The audit reports of KPMG LLP on the consolidated financial statements of Waterstone Financial as of and for the years ended December 31, 2013 and 2012 did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles.

A letter from KPMG LLP addressed to the Securities and Exchange Commission stating whether it agrees with the above statements was filed as Exhibit 16.1 to Waterstone Financial's Report on Form 8-K filed with the Securities and Exchange Commission on June 5, 2014.

On June 3, 2014, Waterstone Financial engaged McGladrey LLP as Waterstone Financial's new principal accountants for the year ending December 31, 2014. The engagement was approved by the Audit Committee of the Board of Directors of Waterstone Financial. During the years ended December 31, 2013 and 2012, and the subsequent interim period prior to the engagement of McGladrey LLP, Waterstone Financial did not consult with McGladrey LLP regarding any of the matters or events set forth in Item 304(a)(2)(i) and (ii) of Regulation S-K.

- 18 -

Edgar Filing: Waterstone Financial, Inc. - Form DEF 14A

As reflected in the tables below, Waterstone Financial incurred fees in fiscal year 2014 for professional services provided by McGladrey LLP related to that period. Waterstone Financial incurred fees in fiscal years 2014 and 2013 for professional services provided by KPMG LLP related to such periods.

	Year Ended	
	December 31, 2014	December 31, 2013
McGladrey LLP		
Audit Fees (1).....	\$203,100	\$-
Audit-related Fees.....	-	-
Total	\$203,100	\$-

KPMG LLP		
Audit Fees (1).....	\$97,561	\$ 231,600
Audit-related Fees (2).....	-	287,500
Total	\$97,561	\$ 519,100

(1) Audit fees consist of professional services rendered for the audit of our financial statements and review of our Forms 10-Q.

(2) Preparation and issuance of all consents and comfort letters related to the conversion and reorganization from a two-tier mutual holding company structure to a fully public company.

Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services of the Independent Registered Public Accounting Firm

The audit committee's policy is to pre-approve all audit and non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to particular service or category of services and is generally subject to a specific budget. The audit committee has delegated pre-approval authority to its Chairman when expedition of services is necessary. The independent registered public accounting firm and management are required to periodically report to the full audit committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date. All audit and non-audit services for the past two fiscal years were pre-approved by the audit committee.

SHAREHOLDER PROPOSALS AND NOTICES

Shareholder proposals must be received by the Secretary of Waterstone Financial, William F. Bruss, no later than December 2, 2015 in order to be considered for inclusion in next year's annual meeting proxy materials pursuant to Securities and Exchange Commission Rule 14a-8.

Under Securities and Exchange Commission rules relating to the discretionary voting of proxies at shareholder meetings, if a proponent of a matter for shareholder consideration (other than a shareholder proposal) fails to notify Waterstone Financial at least 45 days prior to the month and day of mailing the prior year's Proxy Statement, then management proxies are allowed to use their discretionary voting authority if a proposal is raised at the annual meeting, without any discussion of the matter in the Proxy Statement. Therefore, any such matters must be received by February 14, 2016 in the case of the 2016 annual meeting of shareholders. Waterstone Financial is not aware of any such proposals for the 2015 annual meeting.

Our Bylaws provide an advance notice procedure for certain business, or nominations to the board of directors, to be brought before an annual meeting of shareholders. In order for a stockholder to properly bring business before an annual meeting, or to propose a nominee to the board of directors, our Secretary must receive written notice not earlier than the 90th day nor later than the 80th day prior to date of the annual meeting; provided, however, that in the event that less than 90 days' notice or prior public disclosure of the date of the annual meeting is provided to shareholders, then, to be timely, notice by the stockholder must be so received not later than the tenth day following the day on which public announcement of the date of such meeting is first made.

The notice with respect to stockholder proposals that are not nominations for director must set forth as to each matter such stockholder proposes to bring before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting; (ii) the name and address of such stockholder as they appear on our books and of the beneficial owner, if any, on whose behalf the proposal is made; (iii) the class or series and number of shares of our capital stock which are owned beneficially or of record by such stockholder and such beneficial owner; (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business; and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

The notice with respect to director nominations must include (i) as to each individual whom the stockholder proposes to nominate for election as a director, (A) all information relating to such person that would indicate such person's qualification under Article 2, Section 12 of our Bylaws, including an affidavit that such person would not be disqualified under the provisions of Article 2, Section 12 of the Bylaws and (B) all other information relating to such individual that is required to be disclosed in connection with solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, or any successor rule or regulation; and (ii) as to the stockholder giving the notice, (A) the name and address of such stockholder as they appear on our books and of the beneficial owner, if any, on whose behalf the nomination is made; (B) the class or series and number of shares of our capital stock which are owned beneficially or of record by such stockholder and such beneficial owner; (C) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder; (D) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice; and (E) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934 or any successor rule or regulation. Such notice must be accompanied by a written consent of each proposed nominee to be named as a nominee and to serve as a director if elected.

The date on which the next Annual Meeting of Shareholders is expected to be held is May 17, 2016. Advance written notice for certain business, or nominations to the Board of Directors, to be brought before the next annual meeting must be given to us no earlier than February 16, 2016 and no later than February 26, 2016. If notice is received before February 16, 2016 or after February 26, 2016, it will be considered untimely, and we will not be required to present the matter at the shareholders meeting.

By Order of the Board of Directors

William F. Bruss
Senior Vice President and Secretary

Wauwatosa, Wisconsin
April 3, 2015

Edgar Filing: Waterstone Financial, Inc. - Form DEF 14A

We will provide a copy of the Waterstone Financial Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2014 (without exhibits) without charge to any record or beneficial owner of our common stock on the written request of that person directed to: Allan R. Hosack, Chief Financial Officer, Waterstone Financial, Inc., 11200 W. Plank Ct., Wauwatosa, WI 53226. The 10-K provides a list of exhibits, which will be provided for a reasonable fee to reflect duplication and mailing costs; exhibits are also available through the Securities and Exchange Commission's website at www.sec.gov.

WATERSTONE
FINANCIAL, INC
WILLIAM F.
BRUSS
11200 W. PLANK
COURT
WAUWATOSA,
WI 53226

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Daylight Time on May 15, 2015. Have your 401K Vote Authorization Form in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Daylight Time on May 15, 2015. Have your 401K Vote Authorization Form in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your 401K Vote Authorization Form and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK
BLOCKS BELOW IN
BLUE OR BLACK INK
AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

**THIS 401K VOTE
AUTHORIZATION
FORM IS VALID
ONLY WHEN
SIGNED AND
DATED**

DETACH AND RETURN THIS PORTION ONLY

WATERSTONE
FINANCIAL, INC.

For WithholdFor All To withhold authority to vote for any individual

All All Except nominee(s), mark "For All Except" and write the

The Board of Directors
recommends you vote
FOR

number(s) of the nominee(s) on the line below.

the following:

1. Election of Directors o o o

Nominees

- 01) Patrick S. Lawton
- 02) Douglas S. Gordon

The Board of Directors recommends
you vote FOR the following proposal:

For Against Abstain

- | | | | |
|---|-----------------------|-----------------------|-----------------------|
| 2. Ratification of McGladrey LLP as the Company's auditors for the year ending December 31, 2015. | ☐ | ☐ | ☐ |
| 3. An advisory, non-binding resolution with respect to our executive compensation. | ☐ | ☐ | ☐ |

Please sign exactly as
your name appears
hereon.

Signature [PLEASE
SIGN WITHIN BOX] Date

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:
The Annual Report on Form 10-K, Notice of Annual Meeting and Proxy Statement are available at
www.proxyvote.com.

WATERSTONE FINANCIAL, INC.

Annual Meeting of Shareholders

May 20, 2015 9:30 AM

This 401K Vote Authorization Form is solicited by the 401K Trustee

The 401K participant signing on the reverse side hereby directs the 401K Trustee to vote all shares of common stock of Waterstone Financial, Inc. as to which the 401K participant is entitled to direct the voting at the Annual Meeting of Shareholders ("Annual Meeting"), to be held at Waterstone Bank SSB, 11200 West Plank Court, Wauwatosa, Wisconsin, at 9:30 a.m., Central Time, on May 20, 2015. The 401K Trustee is authorized to cast all votes with respect to the shares held in the 401K participant's account as indicated on the reverse side.

THE 401K VOTE AUTHORIZATION FORM WILL BE VOTED AS DIRECTED, BUT IF NO INSTRUCTIONS ARE SPECIFIED AND THIS 401K VOTE AUTHORIZATION FORM IS RETURNED SIGNED, THIS 401K VOTE AUTHORIZATION FORM WILL BE VOTED FOR THE NOMINEES LISTED, FOR PROPOSAL 2 AND FOR PROPOSAL 3.

THIS 401K TRUSTEE WILL VOTE ANY SHARES FOR WHICH IT HAS RECEIVED NO VOTING INSTRUCTIONS AND SHARES FOR WHICH PARTICIPANTS VOTE TO "ABSTAIN" IN THE SAME PROPORTION AS IT VOTES SHARES FOR WHICH IT HAS RECEIVED INSTRUCTIONS FROM THE PARTICIPANTS. IF ANY OTHER BUSINESS IS PRESENTED AT THE ANNUAL MEETING, THIS 401K VOTE AUTHORIZATION FORM WILL BE VOTED BY THE 401K TRUSTEE IN THE BEST INTEREST OF PARTICIPANTS AND BENEFICIARIES OF THE 401K. AT THE PRESENT TIME, THE BOARD OF DIRECTORS KNOWS OF NO OTHER BUSINESS TO BE PRESENTED AT THE ANNUAL MEETING.

Continued and to be signed on reverse side

WATERSTONE
FINANCIAL, INC
WILLIAM F.
BRUSS
11200 W. PLANK
COURT
WAUWATOSA,
WI 53226

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Daylight Time on May 15, 2015. Have your ESOP Vote Authorization Form in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Daylight Time on May 15, 2015. Have your ESOP Vote Authorization Form in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your ESOP Vote Authorization Form and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK
BLOCKS BELOW IN
BLUE OR BLACK INK
AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

**THIS ESOP VOTE
AUTHORIZATION
FORM IS VALID
ONLY WHEN
SIGNED AND
DATED**

DETACH AND RETURN THIS PORTION ONLY

WATERSTONE
FINANCIAL, INC.

For WithholdFor All To withhold authority to vote for any individual

All All Except nominee(s), mark "For All Except" and write the

The Board of Directors
recommends you vote
FOR
the following:

number(s) of the nominee(s) on the line below.

Edgar Filing: Waterstone Financial, Inc. - Form DEF 14A

1. Election of Directors
Nominees

01) Patrick S. Lawton
02) Douglas S. Gordon

The Board of Directors recommends
you vote FOR the following proposal:

For Against Abstain

2. Ratification of McGladrey LLP as the Company's auditors for the year ending December 31, 2015.

3. An advisory, non-binding resolution with respect to our executive compensation.	o o o
--	-----------

Please sign exactly as
your name appears
hereon.

Signature [PLEASE SIGN WITHIN BOX] Date

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:
The Annual Report on Form 10-K, Notice of Annual Meeting and Proxy Statement are available at
www.proxyvote.com.

WATERSTONE FINANCIAL, INC.

Annual Meeting of Shareholders

May 20, 2015 9:30 AM

This ESOP Vote Authorization Form is solicited by the ESOP Trustee

The ESOP participant signing on the reverse side hereby directs the ESOP Trustee to vote all shares of common stock of Waterstone Financial, Inc. as to which the ESOP participant is entitled to direct the voting at the Annual Meeting of Shareholders ("Annual Meeting"), to be held at Waterstone Bank SSB, 11200 West Plank Court, Wauwatosa, Wisconsin, at 9:30 a.m., Central Time, on May 20, 2015. The ESOP Trustee is authorized to cast all votes with respect to the shares held in the ESOP participant's account as indicated on the reverse side.

THE ESOP VOTE AUTHORIZATION FORM WILL BE VOTED AS DIRECTED, BUT IF NO INSTRUCTIONS ARE SPECIFIED AND THIS ESOP VOTE AUTHORIZATION FORM IS RETURNED SIGNED, THIS ESOP VOTE AUTHORIZATION FORM WILL BE VOTED FOR THE NOMINEES LISTED, FOR PROPOSAL 2 AND FOR PROPOSAL 3.

THIS ESOP TRUSTEE WILL VOTE ANY SHARES FOR WHICH IT HAS RECEIVED NO VOTING INSTRUCTIONS IN THE SAME PROPORTION AS IT VOTES SHARES FOR WHICH IT HAS RECEIVED INSTRUCTIONS FROM THE PARTICIPANTS. IF ANY OTHER BUSINESS IS PRESENTED AT THE ANNUAL MEETING, THIS ESOP VOTE AUTHORIZATION FORM WILL BE VOTED BY THE ESOP TRUSTEE IN THE BEST INTEREST OF PARTICIPANTS AND BENEFICIARIES OF THE ESOP. AT THE PRESENT TIME, THE BOARD OF DIRECTORS KNOWS OF NO OTHER BUSINESS TO BE PRESENTED AT THE ANNUAL MEETING.

Continued and to be signed on reverse side

WATERSTONE
FINANCIAL, INC
WILLIAM F.
BRUSS
11200 W. PLANK
COURT
WAUWATOSA,
WI 53226

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Daylight Time the day before the meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Daylight Time the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK
AS FOLLOWS:

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND
DATED**

**KEEP THIS PORTION FOR YOUR
RECORDS**

**DETACH AND RETURN THIS PORTION
ONLY**

WATERSTONE
FINANCIAL, INC.

For WithholdFor All To withhold authority to vote for any individual

All All Except nominee(s), mark "For All Except" and write the

The Board of Directors
recommends you vote
FOR

number(s) of the nominee(s) on the line below.

the following:

1. Election of Directors
Nominees o o o

01) Patrick S. Lawton
02) Douglas S. Gordon

Edgar Filing: Waterstone Financial, Inc. - Form DEF 14A

The Board of Directors recommends
you vote FOR the following proposal:

For Against Abstain

2. Ratification of McGladrey LLP as the Company's auditors for the year ending December 31, 2015. o o o

3. An advisory, non-binding resolution with respect to our executive compensation. o o o

Please sign exactly as
your name appears
hereon.

Signature [PLEASE
SIGN WITHIN BOX] Date

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:
The Annual Report on Form 10-K, Notice of Annual Meeting and Proxy Statement are available at
www.proxyvote.com.

WATERSTONE FINANCIAL, INC.
ANNUAL MEETING OF SHAREHOLDERS MAY 20, 2015 9:30 AM
This proxy is solicited by the Board of Directors

The shareholder(s) signing the proxy card hereby appoints the Board of Directors of Waterstone Financial, Inc. (the "Board of Directors"), and each of them, with full power of substitution, to act as attorneys and proxies for the shareholders(s) to vote all shares of common stock of Waterstone Financial, Inc., which the undersigned is entitled to vote at the Annual Meeting of Shareholders (the "Meeting") to be held at WaterStone Bank SSB, 11200 West Plank Court, Wauwatosa, Wisconsin on Tuesday, May 20, 2015 at 9:30 a.m., and at any and all adjournments and postponements thereof.

THE PROXY WILL BE VOTED AS DIRECTED, BUT IF NO INSTRUCTIONS ARE SPECIFIED, THIS PROXY WILL BE VOTED FOR THE NOMINEES LISTED, FOR PROPOSAL 2 AND FOR PROPOSAL 3. IF ANY OTHER BUSINESS IS PRESENTED AT THE MEETING, THIS PROXY WILL BE VOTED BY THOSE NAMED IN THIS PROXY AS DETERMINED BY A MAJORITY OF THE BOARD OF DIRECTORS. AT THE PRESENT TIME THE BOARD OF DIRECTORS KNOWS OF NO OTHER BUSINESS TO BE PRESENTED AT THE MEETING.

Should the shareholder(s) be present and choose to vote at the Meeting or at any adjournments or postponements thereof, and after notification to the Secretary of Waterstone Financial, Inc., at the Meeting of the shareholders' decision to terminate this proxy, then the power of such attorneys or proxies shall be deemed terminated and of no further force and effect. This proxy may also be revoked by filing a written notice of revocation with the Secretary of Waterstone Financial, Inc. or by duly executing a proxy bearing a later date.

PLEASE COMPLETE, DATE, SIGN AND MAIL THIS PROXY PROMPTLY IN THE ENCLOSED POSTAGE-PAID ENVELOPE.

Continued and to be signed on reverse side

*** Exercise Your Right to Vote ***

Important Notice Regarding the Availability of Proxy Materials for the
Shareholder Meeting to Be Held on May 20, 2015.

WATERSTONE FINANCIAL, INC. Meeting Information

Meeting Type: Annual Meeting
For holders as of: March 23, 2015
Date: May 20, 2015 **Time:** 9:30 AM, Central Time
Waterstone Bank SSB
Location: 11200 West Plank Court
Wauwatosa, WI 53226

You are receiving this communication because you hold shares in
the company named above.

WATERSTONE FINANCIAL, INC.
ATTN: WILLIAM F. BRUSS
11200 W. PLANK COURT
WAUWATOSA, WI 53226

This is not a ballot. You cannot use this notice to vote these shares.
This communication presents only an overview of the more
complete proxy materials that are available to you on the Internet.
You may view the proxy materials online at
www.proxyvote.com or easily request a paper copy (see reverse
side).

We encourage you to access and review all of the important
information contained in the proxy materials before voting.

See the reverse side of this notice to obtain proxy materials and
voting instructions.

See the reverse side of this notice to obtain proxy materials and voting instructions.

--- Before You Vote ---

How to Access the Proxy Materials

Proxy Materials Available to VIEW or RECEIVE:

ANNUAL REPORT ON FORM 10-K	NOTICE OF ANNUAL MEETING AND PROXY STATEMENT
-------------------------------	--

How to View Online:

Have the information that is printed in the box marked by the arrow XXXX XXXX XXXX following page) and visit: www.proxyvote.com.

How to Request and Receive a PAPER or E-MAIL Copy:

If you want to receive a paper or e-mail copy of these documents, you must request one. There is NO charge for requesting a copy. Please choose one of the following methods to make your request:

- 1) BY INTERNET: www.proxyvote.com
- 2) BY TELEPHONE: 1-800-579-1639
- 3) BY E-MAIL*: sendmaterial@proxyvote.com

* If requesting materials by e-mail, please send a blank e-mail with the information that is printed in the box marked by the arrow XXXX XXXX XXXX (located on the following page) in the subject line.

Requests, instructions and other inquiries sent to this e-mail address will NOT be forwarded to your investment advisor. Please make the request as instructed above on or before May 6, 2015 to facilitate timely delivery.

--- How To Vote ---

Please Choose One of the Following Voting Methods

Vote In Person: Many shareholder meetings have attendance requirements including, but not limited to, the possession of an attendance ticket issued by the entity holding the meeting. Please check the meeting materials for any special requirements for meeting attendance. At the meeting, you will need to request a ballot to vote these shares.

Vote By Internet: To vote now by Internet, go to www.proxyvote.com. Have the information that is printed in the box marked by the arrow XXXX XXXX XXXX (located on the following page) available and follow the instructions.

Vote By Mail: You can vote by mail by requesting a paper copy of the materials, which will include a proxy card.

Voting Items

The Board of Directors
recommends you vote
FOR

the following:

1. Election of Directors
Nominees

- 01) Patrick S. Lawton
- 02) Douglas S. Gordon

The Board of Directors
recommends you vote
FOR the following
proposal:

2. Ratification of
McGladrey LLP as the
Company's auditors for
the year ending
December 31, 2015.

3. An advisory,
non-binding resolution
with respect to our
executive compensation.