

Waterstone Financial, Inc.  
Form 424B3  
November 22, 2013

**Filed pursuant to Rule 424(b)(3)**

**Registration Statement No. 333-189160**

Dear Fellow Stockholder:

Waterstone Financial, Inc. is soliciting stockholder votes regarding the mutual-to-stock conversion of Lamplighter Financial, MHC. Pursuant to a Plan of Conversion and Reorganization, our organization will convert from a partially public company to a fully public company by selling a minimum of 18,700,000 shares of common stock of a newly formed company, also named Waterstone Financial, Inc. (“New Waterstone”), which will become the holding company for WaterStone Bank SSB.

**The Proxy Vote**

We have received regulatory approval of the application that includes the Plan of Conversion and Reorganization. However, we must also receive the approval of our stockholders. Enclosed is a proxy statement/prospectus describing the proposals being presented at our special meeting of stockholders. Please promptly vote the enclosed proxy card. Our Board of Directors urges you to vote “FOR” the approval of the Plan of Conversion and Reorganization and “FOR” the other matters being presented at the special meeting.

**The Exchange**

At the conclusion of the conversion, your shares of Waterstone Financial, Inc. common stock will be exchanged for shares of New Waterstone common stock. The number of new shares that you receive will be based on an exchange ratio that is described in the proxy statement/prospectus. Shortly after the completion of the conversion, our exchange agent will send a transmittal form to each stockholder of Waterstone Financial, Inc. who holds stock certificates. The transmittal form explains the procedure to follow to exchange your shares. Please do not deliver your certificate(s) before you receive the transmittal form. Shares of Waterstone Financial, Inc. that are held in street name (e.g., in a brokerage account) will be converted automatically at the conclusion of the conversion; no action or documentation is required of you.

**The Stock Offering**

We are offering the shares of common stock of New Waterstone for sale at \$10.00 per share. The shares are first being offered in a subscription offering to eligible depositors of WaterStone Bank SSB. If all shares are not subscribed for in the subscription offering, shares would be available in a community offering to Waterstone Financial, Inc. public stockholders and others not eligible to place orders in the subscription offering. If you may be interested in purchasing shares of our common stock, contact our Stock Information Center at (414) 459-4700 to receive a stock order form and prospectus. The stock offering period is expected to expire on December 17, 2013.

If you have any questions, please refer to the Questions & Answers section herein.

We thank you for your support as a stockholder of Waterstone Financial, Inc.

Sincerely,

Douglas S. Gordon  
President and Chief Executive Officer

These securities are not deposits or savings accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. None of the Securities and Exchange Commission, the Board of Governors of the Federal Reserve System, or any state securities regulator has approved or disapproved of these securities or determined if this proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

PROSPECTUS OF WATERSTONE FINANCIAL, INC., A MARYLAND CORPORATION  
PROXY STATEMENT OF WATERSTONE FINANCIAL, INC., A FEDERAL CORPORATION

WaterStone Bank SSB, which we sometimes refer to in this document as “WaterStone Bank,” is converting from the mutual holding company structure to a fully-public stock holding company structure. Currently, WaterStone Bank is a wholly-owned subsidiary of Waterstone Financial, Inc., a federally chartered corporation, which we sometimes refer to in this document as “Waterstone-Federal,” and Lamplighter Financial, MHC owns 73.5% of Waterstone Financial, Inc.’s common stock. The remaining 26.5% of Waterstone Financial, Inc.’s common stock is owned by public stockholders. As a result of the conversion, a newly formed Maryland corporation named Waterstone Financial, Inc. (“New Waterstone”) will replace Waterstone Financial, Inc. as the holding company of WaterStone Bank. Each share of Waterstone Financial, Inc. common stock owned by the public will be exchanged for between 0.8111 and 1.0973 shares of common stock of New Waterstone, so that immediately after the conversion Waterstone Financial, Inc.’s existing public stockholders will own the same percentage of New Waterstone common stock as they owned of Waterstone Financial, Inc.’s common stock immediately prior to the conversion, excluding any new shares purchased by them in the offering and their receipt of cash in lieu of fractional exchange shares. The actual number of shares that you will receive will depend on the percentage of Waterstone Financial, Inc. common stock held by the public at the completion of the conversion, the final independent appraisal of New Waterstone and the number of shares of New Waterstone common stock sold in the offering described in the following paragraph. It will not depend on the market price of Waterstone Financial, Inc. common stock. See “Proposal 1—Approval of the Plan of Conversion and Reorganization—Share Exchange Ratio” for a discussion of the exchange ratio. Based on the \$10.64 per share closing price of Waterstone Financial, Inc. common stock as of the last trading day prior to the date of this proxy statement/prospectus, unless at least 24,531,544 shares of New Waterstone common stock are sold in the offering (which is between the midpoint and the maximum of the offering range), the initial value of the New Waterstone common stock you receive in the share exchange would be less than the market value of the Waterstone Financial, Inc. common stock you currently own. See “Risk Factors—The market value of New Waterstone common stock received in the share exchange may be less than the market value of Waterstone Financial, Inc. common stock exchanged.”

Concurrently with the exchange offer, we are offering for sale up to 25,300,000 shares of common stock of New Waterstone, representing the ownership interest of Lamplighter Financial, MHC in Waterstone Financial, Inc. We are offering the shares of common stock to eligible depositors of WaterStone Bank, to WaterStone Bank’s tax qualified benefit plans and to the public, including Waterstone Financial, Inc. stockholders, at a price of \$10.00 per share. The conversion of Lamplighter Financial, MHC and the offering and exchange of common stock by New Waterstone is referred to herein as the “conversion and offering.” After the conversion and offering are completed, WaterStone Bank will be a wholly-owned subsidiary of New Waterstone, and 100% of the common stock of New Waterstone will be owned by public stockholders. As a result of the conversion and offering, Waterstone Financial, Inc., the federal corporation, and Lamplighter Financial, MHC will cease to exist.

Waterstone Financial, Inc.’s common stock is currently traded on the Nasdaq Global Select Market under the trading symbol “WSBF,” and we expect New Waterstone’s shares of common stock will also trade on the Nasdaq Global Select Market under the symbol “WSBF.”

The conversion and offering cannot be completed unless the stockholders of Waterstone Financial, Inc. approve the Plan of Conversion and Reorganization of Lamplighter Financial, MHC, which may be referred to herein as the “plan of conversion.” Waterstone Financial, Inc. is holding a special meeting of stockholders at 11200 West Plank Court, Wauwatosa, Wisconsin, on December 27, 2013, at 11:00 a.m., Central Time, to consider and vote upon the plan of conversion. We must obtain the affirmative vote of the holders of (i) two-thirds of the total number of votes entitled

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to be cast at the special meeting by Waterstone Financial, Inc. stockholders, including shares held by Lamplighter Financial, MHC, and (ii) a majority of the total number of votes entitled to be cast at the special meeting by Waterstone Financial, Inc. stockholders other than Lamplighter Financial, MHC. Waterstone Financial, Inc.'s board of directors unanimously recommends that stockholders vote "FOR" the plan of conversion.

This document serves as the proxy statement for the special meeting of stockholders of Waterstone Financial, Inc. and the prospectus for the shares of New Waterstone common stock to be issued in exchange for shares of Waterstone Financial, Inc. common stock. We urge you to read this entire document carefully. You can

also obtain information about us from documents that we have filed with the Securities and Exchange Commission and the Board of Governors of the Federal Reserve System. This document does not serve as the prospectus relating to the offering by New Waterstone of its shares of common stock in the offering, which is being made pursuant to a separate prospectus. Stockholders of Waterstone Financial, Inc. are not required to participate in the stock offering.

This proxy statement/prospectus contains information that you should consider in evaluating the plan of conversion. In particular, you should carefully read the section captioned "Risk Factors" beginning on page 21 for a discussion of certain risk factors relating to the conversion and offering.

These securities are not deposits or savings accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

None of the Securities and Exchange Commission, the Board of Governors of the Federal Reserve System, the Wisconsin Department of Financial Institutions or any state securities regulator has approved or disapproved of these securities or determined if this proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

For answers to your questions, please read this proxy statement/prospectus including the Questions and Answers section, beginning on page 1. Questions about voting on the plan of conversion may be directed to AST Phoenix Advisors, at (800) 283-8518, Monday through Friday from 9:00 a.m. to 10:00 p.m., Eastern Time, and Saturdays from 10:00 a.m. to 6:00 p.m., Eastern Time.

The date of this proxy statement/prospectus is November 6, 2013, and it is first being mailed to stockholders of Waterstone Financial, Inc. on or about November 19, 2013.

WATERSTONE FINANCIAL, INC.  
11200 West Plank Court  
Wauwatosa, Wisconsin 53226  
(414) 761-1000

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

On December 27, 2013, Waterstone Financial, Inc. will hold a special meeting of stockholders at 11200 West Plank Court, Wauwatosa, Wisconsin. The meeting will begin at 11:00 a.m., Central Time. At the meeting, stockholders will consider and act on the following:

1. The approval of a plan of conversion and reorganization, whereby Lamplighter Financial, MHC and Waterstone Financial, Inc., a federal corporation, will convert and reorganize from the mutual holding company structure to the stock holding company structure, as more fully described in the attached proxy statement;
2. The approval of the adjournment of the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the plan of conversion and reorganization;

The following informational proposals:

3. Approval of a provision in New Waterstone's articles of incorporation requiring a super-majority vote of stockholders to approve certain amendments to New Waterstone's articles of incorporation;
4. Approval of a provision in New Waterstone's articles of incorporation requiring a super-majority vote of stockholders to approve stockholder-proposed amendments to New Waterstone's bylaws;
5. Approval of a provision in New Waterstone's articles of incorporation to limit the voting rights of shares beneficially owned in excess of 10% of New Waterstone's outstanding voting stock; and

Such other business that may properly come before the meeting.

NOTE: The board of directors is not aware of any other business to come before the meeting.

The provisions of New Waterstone's articles of incorporation that are summarized as informational proposals 3 through 5 were approved as part of the process in which our board of directors approved the plan of conversion and reorganization (referred to herein as the "plan of conversion"). These proposals are informational in nature only because the Board of Governors of the Federal Reserve System's regulations governing mutual-to-stock conversions do not provide for votes on matters other than the plan of conversion. While we are asking you to vote with respect to each of the informational proposals listed above, the proposed provisions for which an informational vote is requested will become effective if stockholders approve the plan of conversion, regardless of whether stockholders vote to approve any or all of the informational proposals.

The board of directors has fixed October 31, 2013, as the record date for the determination of stockholders entitled to notice of and to vote at the special meeting and at any adjournment or postponement thereof.

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Upon written request addressed to the Corporate Secretary of Waterstone Financial, Inc. at the address given above, stockholders may obtain an additional copy of this proxy statement/prospectus and/or a copy of the plan of conversion. In order to assure timely receipt of the additional copy of the proxy statement/prospectus and/or the plan of conversion, the written request should be received by Waterstone Financial, Inc. by December 13, 2013.

Please complete and sign the enclosed proxy card, which is solicited by the board of directors, and mail it promptly in the enclosed envelope. The proxy will not be used if you attend the meeting and vote in person.

BY ORDER OF THE BOARD OF DIRECTORS

William F. Bruss  
Corporate Secretary

Wauwatosa, Wisconsin  
November 6, 2013

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QUESTIONS AND ANSWERS  
FOR STOCKHOLDERS OF WATERSTONE FINANCIAL, INC.  
REGARDING THE PLAN OF CONVERSION AND REORGANIZATION

You should read this document for more information about the conversion. The application that includes the plan of conversion described herein has been approved by Waterstone Financial, Inc.'s primary federal regulator, the Board of Governors of the Federal Reserve System. However, such approval by the Board of Governors of the Federal Reserve System does not constitute a recommendation or endorsement of the plan of conversion.

Q. WHAT ARE STOCKHOLDERS BEING ASKED TO APPROVE?

A. Waterstone Financial, Inc. stockholders as of October 31, 2013 are being asked to vote on the plan of conversion pursuant to which Lamplighter Financial, MHC will convert from the mutual to the stock form of organization. As part of the conversion, a newly formed Maryland corporation, New Waterstone, is offering its common stock to eligible depositors of WaterStone Bank, to WaterStone Bank's tax qualified benefit plans, to stockholders of Waterstone Financial, Inc. as of October 31, 2013 and to the public. The shares offered represent Lamplighter Financial, MHC's current ownership interest in Waterstone Financial, Inc. Voting for approval of the plan of conversion will also include approval of the exchange ratio and the articles of incorporation of New Waterstone (including the anti-takeover provisions and provisions limiting stockholder rights). Your vote is important. Without sufficient votes "FOR" its adoption, we cannot implement the plan of conversion and complete the stock offering.

In addition, Waterstone Financial, Inc. stockholders are being asked to approve the adjournment of the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the plan of conversion.

Stockholders also are asked to vote on the following informational proposals with respect to the articles of incorporation of New Waterstone:

Approval of a provision requiring a super-majority vote to approve certain amendments to New Waterstone's articles of incorporation;

Approval of a provision requiring a super-majority vote of stockholders to approve stockholder-proposed amendments to New Waterstone's bylaws; and

Approval of a provision to limit the voting rights of shares beneficially owned in excess of 10% of New Waterstone's outstanding voting stock.

The provisions of New Waterstone's articles of incorporation that are included as informational proposals were approved as part of the process in which our board of directors approved the plan of conversion. These proposals are informational in nature only, because the Board of Governors of the Federal Reserve System's regulations governing mutual-to-stock conversions do not provide for votes on matters other than the plan of conversion. While we are asking you to vote with respect to each of the informational proposals listed above, the proposed provisions for which an informational vote is requested will become effective if stockholders approve the plan of conversion, regardless of whether stockholders vote to approve any or all of the informational proposals. The provisions of New Waterstone's articles of incorporation that are summarized above as informational proposals may have the effect of deterring, or rendering more difficult, attempts by third parties to obtain control of New Waterstone if such attempts are not approved by the board of directors, or may make the removal of the board of directors or management, or the

appointment of new directors, more difficult.

Your vote is important. Without sufficient votes “FOR” adoption of the plan of conversion, we cannot implement the plan of conversion and the related stock offering.

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Q. WHAT ARE THE REASONS FOR THE CONVERSION AND RELATED OFFERING?

A. The primary reasons for the conversion and offering are to:

eliminate some of the uncertainties associated with the mutual holding company structure under financial reform legislation;

transition us to a more familiar and flexible organizational structure;

enhance our regulatory capital position;

improve the liquidity of our shares of common stock; and

facilitate future mergers and acquisitions.

As a fully converted stock holding company, we will have greater flexibility in structuring mergers and acquisitions, including the form of consideration that we can use to pay for an acquisition. Our current mutual holding company structure limits our ability to offer shares of our common stock as consideration in a merger or acquisition since Lamplighter Financial, MHC is required to own a majority of Waterstone Financial, Inc.'s outstanding shares of common stock. Potential sellers often want stock for at least part of the purchase price. Our new stock holding company structure will enable us to offer stock or cash consideration, or a combination of stock and cash, and therefore will enhance our ability to compete with other bidders when acquisition opportunities arise. We currently have no arrangements or understandings regarding any specific acquisition.

Q. WHAT WILL STOCKHOLDERS RECEIVE FOR THEIR EXISTING WATERSTONE FINANCIAL, INC. SHARES?

A. As more fully described in "Proposal 1 — Approval of the Plan of Conversion and Reorganization — Share Exchange Ratio," depending on the number of shares sold in the offering, each share of common stock that you own at the time of the completion of the conversion will be exchanged for between 0.8111 shares at the minimum and 1.0973 shares at the maximum of the offering range of New Waterstone common stock (cash will be paid in lieu of any fractional shares). For example, if you own 100 shares of Waterstone Financial, Inc. common stock, and the exchange ratio is 1.0973 (at the maximum of the offering range), after the conversion you will receive 109 shares of New Waterstone common stock and \$7.30 in cash, the value of the fractional share based on the \$10.00 per share purchase price of stock in the offering.

If you own shares of Waterstone Financial, Inc. common stock in a brokerage account in "street name," your shares will be automatically exchanged within your account, and you do not need to take any action to exchange your shares of common stock or receive cash in lieu of fractional shares. If you own shares in the form of Waterstone Financial, Inc. stock certificates, after the completion of the conversion and stock offering, our exchange agent will mail to you a transmittal form with instructions to surrender your stock certificates. A statement reflecting your ownership of shares of common stock of New Waterstone and a check representing cash in lieu of fractional shares will be mailed to you within five business days after the transfer agent receives a properly executed transmittal form and your existing Waterstone Financial, Inc. stock certificate(s). New Waterstone will not issue stock certificates. You should not submit a stock certificate until you receive a transmittal form.

**Q. WHY WILL THE SHARES THAT I RECEIVE BE BASED ON A PRICE OF \$10.00 PER SHARE RATHER THAN THE TRADING PRICE OF THE COMMON STOCK PRIOR TO COMPLETION OF THE CONVERSION?**

A. The shares will be based on a price of \$10.00 per share because that is the price at which New Waterstone will sell shares in its stock offering. The amount of common stock New Waterstone will issue at \$10.00 per share in the offering and the exchange is based on an independent appraisal of the estimated market value of New Waterstone, assuming the conversion and offering are completed. RP Financial, LC., an appraisal firm experienced in the appraisal of financial institutions, has estimated that, as of July 19, 2013, this market value was \$299.2 million. Based on Board of Governors of the Federal Reserve System regulations, the market value forms the midpoint of a range with a minimum of \$254.3 million and a maximum of \$344.1 million. Based on this valuation and the valuation range, the number of shares of common stock of New Waterstone that existing public stockholders of Waterstone Financial, Inc. will receive in exchange for their shares of Waterstone Financial, Inc. common stock is expected to range from 6,731,209 to 9,106,929 with a midpoint of 7,919,069 (a value of approximately \$67.3 million to \$91.1 million, with a midpoint of \$79.2 million, at \$10.00 per share). The number of shares received by the existing public stockholders of Waterstone Financial, Inc. is intended to maintain their existing ownership in our organization (excluding any new shares purchased by them in the offering and their receipt of cash in lieu of fractional exchange shares). The independent appraisal is based in part on Waterstone Financial, Inc.'s financial condition and results of operations, the pro forma impact of the additional capital raised by the sale of shares of common stock in the offering, and an analysis of a peer group of ten publicly traded savings bank and thrift holding companies that RP Financial, LC. considered comparable to Waterstone Financial, Inc.

**Q. DOES THE EXCHANGE RATIO DEPEND ON THE TRADING PRICE OF WATERSTONE FINANCIAL, INC. COMMON STOCK?**

A. No, the exchange ratio will not be based on the market price of Waterstone Financial, Inc. common stock. Instead, the exchange ratio will be based on the appraised value of New Waterstone. The purpose of the exchange ratio is to maintain the ownership percentage of existing public stockholders of Waterstone Financial, Inc. Therefore, changes in the price of Waterstone Financial, Inc. common stock between now and the completion of the conversion and offering will not affect the calculation of the exchange ratio.

**Q. SHOULD I SUBMIT MY STOCK CERTIFICATES NOW?**

A. No. If you hold stock certificate(s), instructions for exchanging the certificates will be sent to you by our exchange agent after completion of the conversion. If your shares are held in "street name" (e.g., in a brokerage account) rather than in certificate form, the share exchange will be reflected automatically in your account upon completion of the conversion.

**Q. HOW DO I VOTE?**

A. Mark your vote, sign each proxy card enclosed and return the card(s) to us, in the enclosed proxy reply envelope. For information on submitting your proxy, please refer to instructions on the enclosed proxy card. **YOUR VOTE IS IMPORTANT. PLEASE VOTE PROMPTLY.**

**Q. IF MY SHARES ARE HELD IN STREET NAME, WILL MY BROKER, BANK OR OTHER NOMINEE AUTOMATICALLY VOTE ON THE PLAN ON MY BEHALF?**

A.No. Your broker, bank or other nominee will not be able to vote your shares without instructions from you. You should instruct your broker, bank or other nominee to vote your shares, using the directions that they provide to you.

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**Q. WHY SHOULD I VOTE? WHAT HAPPENS IF I DON'T VOTE?**

A. Your vote is very important. We believe the conversion and offering are in the best interests of our stockholders. Not voting all the proxy card(s) you receive will have the same effect as voting "against" the plan of conversion. Without sufficient favorable votes "for" the plan of conversion, we cannot complete the conversion and offering.

**Q. WHAT IF I DO NOT GIVE VOTING INSTRUCTIONS TO MY BROKER, BANK OR OTHER NOMINEE?**

A. Your vote is important. If you do not instruct your broker, bank or other nominee to vote your shares, the unvoted proxy will have the same effect as a vote "against" the plan of conversion.

**Q. MAY I PLACE AN ORDER TO PURCHASE SHARES IN THE COMMUNITY OFFERING, IN ADDITION TO THE SHARES THAT I WILL RECEIVE IN THE EXCHANGE?**

A. Yes. If you would like to receive a prospectus and stock order form, you must call our Stock Information Center at (414) 459-4700, Monday through Friday between 10:00 a.m. and 4:00 p.m., Central Time. The Stock Information Center is closed weekends and bank holidays.

Eligible depositors of WaterStone Bank have priority subscription rights allowing them to purchase common stock in a subscription offering. Shares not purchased in the subscription offering may be available for sale to the public in a community offering, as described herein. In the event orders for New Waterstone common stock in a community offering exceed the number of shares available for sale, shares may be allocated (to the extent shares remain available) first to cover orders of natural persons residing in Milwaukee, Washington and Waukesha Counties, Wisconsin; second to cover orders of Waterstone Financial, Inc. stockholders as of October 31, 2013; and thereafter to cover orders of the general public.

Stockholders of Waterstone Financial, Inc. are subject to an ownership limitation. Shares of common stock purchased in the offering by a stockholder and his or her associates or individuals acting in concert with the stockholder, plus any shares a stockholder and these individuals receive in the exchange for existing shares of Waterstone Financial, Inc. common stock, may not exceed 9.9% of the total shares of common stock of New Waterstone to be issued and outstanding after the completion of the conversion.

Please note that properly completed and signed stock order forms, with full payment, must be received (not postmarked) no later than 5:00 p.m., Central Time on December 17, 2013.

**Q. WILL THE CONVERSION HAVE ANY EFFECT ON DEPOSIT AND LOAN ACCOUNTS AT WATERSTONE BANK?**

A. No. The account number, amount, interest rate and withdrawal rights of deposit accounts will remain unchanged. Deposits will continue to be federally insured by the Federal Deposit Insurance Corporation up to the legal limit. Loans and rights of borrowers will not be affected. Depositors will no longer have voting rights in Lamplighter Financial, MHC as to matters currently requiring such vote. Lamplighter Financial, MHC will cease to exist after the conversion and offering. Only stockholders of New Waterstone will have voting rights after the conversion and offering.

**OTHER QUESTIONS?**

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For answers to other questions, please read this proxy statement/prospectus. Questions about voting on the plan of conversion may be directed to AST Phoenix Advisors, at (800) 283-8518, Monday through Friday from 9:00 a.m. to 10:00 p.m., Eastern Time, and Saturdays from 10:00 a.m. to 6:00 p.m., Eastern Time. Questions about the stock offering may be directed to our Stock Information Center at (414) 459-4700,

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Monday through Friday between 10:00 a.m. and 4:00 p.m., Central Time. The Stock Information Center is closed weekends and bank holidays.

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## SUMMARY

This summary highlights material information from this proxy statement/prospectus and may not contain all the information that is important to you. To understand the conversion and other proposals fully, you should read this entire document carefully, including the sections entitled “Risk Factors,” “Proposal 1 — Approval of The Plan of Conversion and Reorganization,” “Proposal 2 — Adjournment of the Special Meeting,” “Proposals 3 through 5 — Informational Proposals Related to the Articles of Incorporation of New Waterstone” and the consolidated financial statements and the notes to the consolidated financial statements.

### The Special Meeting

**Date, Time and Place.** Waterstone Financial, Inc. will hold its special meeting of stockholders at 11200 West Plank Court, Wauwatosa, Wisconsin, on December 27, 2013, at 11:00 a.m., Central Time.

**The Proposals.** Stockholders will be voting on the following proposals at the special meeting:

1. The approval of a plan of conversion and reorganization whereby: (a) Lamplighter Financial, MHC and Waterstone Financial, Inc., a federal corporation, will convert and reorganize from the mutual holding company structure to the stock holding company structure; (b) Waterstone Financial, Inc., a Maryland corporation (“New Waterstone”), will become the new stock holding company of WaterStone Bank; (c) the outstanding shares of Waterstone Financial, Inc., other than those held by Lamplighter Financial, MHC, will be converted into shares of common stock of New Waterstone; and (d) New Waterstone will offer shares of its common stock for sale in a subscription offering, a community offering and, if necessary, a syndicated offering;
2. The approval of the adjournment of the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the plan of conversion;

The following informational proposals:

3. Approval of a provision in New Waterstone’s articles of incorporation requiring a super-majority vote of stockholders to approve certain amendments to New Waterstone’s articles of incorporation;
4. Approval of a provision in New Waterstone’s articles of incorporation requiring a super-majority vote of stockholders to approve stockholder-proposed amendments to New Waterstone’s bylaws;
5. Approval of a provision in New Waterstone’s articles of incorporation to limit the voting rights of shares beneficially owned in excess of 10% of New Waterstone’s outstanding voting stock; and

Such other business that may properly come before the meeting.

The provisions of New Waterstone's articles of incorporation that are summarized as informational proposals 3 through 5 were approved as part of the process in which our board of directors approved the plan of conversion. These proposals are informational in nature only, because the Board of Governors of the Federal Reserve System's regulations governing mutual-to-stock conversions do not provide for votes on matters other than the plan of conversion. While we are asking you to vote with respect to each of the informational proposals listed above, the proposed provisions for which an informational vote is requested will become effective if stockholders approve the plan of conversion, regardless of whether stockholders vote to approve any or all of the informational proposals. The provisions of New Waterstone's articles of incorporation that are summarized as informational proposals may have the effect of deterring or rendering more difficult attempts by third parties to obtain control of New Waterstone, if such attempts are not approved by the board of directors, or may make the removal of the board of directors or management, or the appointment of new directors, more difficult.

Vote Required for Approval of Proposals by the Stockholders of Waterstone Financial, Inc.

Proposal 1: Approval of the Plan of Conversion. We must obtain the affirmative vote of the holders of (i) two-thirds of the total number of votes entitled to be cast at the special meeting by Waterstone Financial, Inc. stockholders, including shares held by Lamplighter Financial, MHC, and (ii) a majority of the total number of votes entitled to be cast at the special meeting by Waterstone Financial, Inc. stockholders other than Lamplighter Financial, MHC.

Proposal 1 must also be approved by the members of Lamplighter Financial, MHC (depositors of WaterStone Bank) at a special meeting of members called for that purpose. Members will receive separate informational materials from Lamplighter Financial, MHC regarding the conversion.

Proposal 2: Approval of the adjournment of the special meeting. We must obtain the affirmative vote of at least a majority of the votes cast by Waterstone Financial, Inc. stockholders at the special meeting to adjourn the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the proposal to approve the plan of conversion.

Informational Proposals 3 through 5. The provisions of New Waterstone's articles of incorporation that are summarized as informational proposals were approved as part of the process in which the board of directors of Waterstone Financial, Inc. approved the plan of conversion. These proposals are informational in nature only, because the Board of Governors of the Federal Reserve System's regulations governing mutual-to-stock conversions do not provide for votes on matters other than the plan of conversion. While we are asking you to vote with respect to each of the informational proposals listed above, the proposed provisions for which an informational vote is requested will become effective if stockholders approve the plan of conversion, regardless of whether stockholders vote to approve any or all of the informational proposals. The provisions of New Waterstone's articles of incorporation that are summarized as informational proposals may have the effect of deterring or rendering more difficult attempts by third parties to obtain control of New Waterstone, if such attempts are not approved by the board of directors, or may make the removal of the board of directors or management, or the appointment of new directors, more difficult.

Other Matters. We must obtain the affirmative vote of the majority of the votes cast by holders of outstanding shares of common stock of Waterstone Financial, Inc. At this time, we know of no other matters that may be presented at the special meeting.

Revocability of Proxies

You may revoke your proxy at any time before the vote is taken at the special meeting. To revoke your proxy, you must advise the corporate secretary of Waterstone Financial, Inc. in writing before your common stock has been voted at the special meeting, deliver a later-dated proxy or attend the special meeting and vote your shares in person. Attendance at the special meeting will not in itself constitute revocation of your proxy.

Vote by Lamplighter Financial, MHC

Management anticipates that Lamplighter Financial, MHC, our majority stockholder, will vote all of its shares of common stock in favor of all the matters set forth above. If Lamplighter Financial, MHC votes all of its shares in favor of each proposal, the approval of the adjournment of the special meeting, if necessary, would be assured,

and the approval of the plan of conversion and reorganization by stockholders holding at least two-thirds of the outstanding shares of common stock of Waterstone-Federal, including shares held by Lamplighter Financial, MHC, would also be assured.

As of October 31, 2013 the directors and executive officers of Waterstone Financial, Inc. beneficially owned 1,551,892 shares, or approximately 4.9% of the outstanding shares of Waterstone Financial, Inc. common stock, and Lamplighter Financial, MHC owned 23,050,183 shares, or approximately 73.5% of the outstanding shares of Waterstone Financial, Inc. common stock.

## Vote Recommendations

Your board of directors unanimously recommends that you vote “FOR” the plan of conversion, “FOR” the adjournment of the special meeting, if necessary, and “FOR” the Informational Proposals 3 through 5.

## Our Business

Our business operations are conducted through our wholly-owned subsidiary, WaterStone Bank. WaterStone Bank is a community bank that has served the banking needs of its customers in the metropolitan Milwaukee area and surrounding markets since 1921. WaterStone Bank also has an active mortgage banking subsidiary, Waterstone Mortgage Corporation, which had 71 offices in 14 states as of June 30, 2013.

WaterStone Bank conducts its community banking business from eight banking offices and nine automated teller machines located in Milwaukee, Washington and Waukesha Counties, Wisconsin. In October 2013, WaterStone Bank opened a loan production office in Maple Grove, Minnesota, a part of the greater Minneapolis-St. Paul metropolitan area. WaterStone Bank has also received regulatory approval to open a new full-service banking office in Brookfield, Wisconsin, and expects to open that office in January 2014. WaterStone Bank’s principal lending activity is originating one- to four-family and over four-family, or “multi-family,” residential real estate loans, for retention in its portfolio. At June 30, 2013, such loans comprised 38.5% and 46.9%, respectively, of WaterStone Bank’s loan portfolio. WaterStone Bank also offers, to a lesser extent, home equity loans and lines of credit, construction and land loans, commercial real estate and commercial business loans, and consumer loans. WaterStone Bank funds its loan production primarily with retail deposits and Federal Home Loan Bank advances. WaterStone Bank’s deposits consist primarily of certificates of deposit, which accounted for 76.4% of total deposits at June 30, 2013. Our investment securities portfolio is comprised principally of mortgage-backed securities, government-sponsored enterprise bonds and municipal obligations. WaterStone Bank is subject to comprehensive regulation and examination by the Wisconsin Department of Financial Institutions (the “WDFI”) and the Federal Deposit Insurance Corporation.

WaterStone Bank’s mortgage banking operations are conducted through its wholly-owned subsidiary, Waterstone Mortgage Corporation. Waterstone Mortgage Corporation originates residential real estate loans for sale in the secondary market. Waterstone Mortgage Corporation utilizes lines of credit provided by WaterStone Bank as a primary source of funds, and also utilizes lines of credit with other financial institutions as needed. During the six months ended June 30, 2013 and the years ended December 31, 2012 and 2011, Waterstone Mortgage Corporation originated \$978.3 million, \$1.75 billion and \$1.03 billion, respectively, in mortgage loans held for sale.

New Waterstone’s executive offices are located at 11200 West Plank Court, Wauwatosa, Wisconsin 53226, and its telephone number is (414) 761-1000. Our website address is [www.wsbonline.com](http://www.wsbonline.com). Information on this website is not and should not be considered a part of this proxy statement/prospectus.

## Plan of Conversion and Reorganization

The Boards of Directors of Waterstone Financial, Inc., Lamplighter Financial, MHC, WaterStone Bank and New Waterstone have adopted a plan of conversion pursuant to which WaterStone Bank will reorganize from a mutual holding company structure to a stock holding company structure. Public stockholders of Waterstone Financial, Inc. will receive shares in New Waterstone in exchange for their shares of Waterstone Financial, Inc. common

stock based on an exchange ratio. See “—The Exchange of Existing Shares of Waterstone-Federal Common Stock.” This conversion to a stock holding company structure also includes the offering by New Waterstone of shares of its common stock to eligible depositors of WaterStone Bank and to the public, including Waterstone Financial, Inc. stockholders, in a subscription offering and, if necessary, in a community offering and/or in a separate public offering through a syndicate of broker-dealers, referred to in this proxy statement/prospectus as the syndicated offering. Following the conversion and offering, Lamplighter Financial, MHC and Waterstone Financial, Inc. will no longer exist, and New Waterstone will be the parent company of WaterStone Bank.

The conversion and offering cannot be completed unless the stockholders of Waterstone Financial, Inc. approve the plan of conversion. Waterstone Financial, Inc.'s stockholders will vote on the plan of conversion at Waterstone Financial, Inc.'s special meeting. This document is the proxy statement used by Waterstone Financial, Inc.'s board of directors to solicit proxies for the special meeting. It is also the prospectus of New Waterstone regarding the shares of New Waterstone common stock to be issued to Waterstone Financial, Inc.'s stockholders in the share exchange. This document does not serve as the prospectus relating to the offering by New Waterstone of its shares of common stock in the subscription offering and any community offering or syndicated community offering, which will be made pursuant to a separate prospectus.

#### Our Organizational Structure

Since 2005 we have operated in a two-tiered mutual holding company structure. Waterstone-Federal is our federally chartered, publicly-traded stock holding company and the parent company of WaterStone Bank SSB, which we refer to as "WaterStone Bank" in this proxy statement/prospectus. At June 30, 2013, Waterstone-Federal had consolidated assets of \$1.63 billion, deposits of \$893.0 million and stockholders' equity of \$209.3 million. Waterstone-Federal's parent company is Lamplighter Financial, MHC, a federally chartered mutual holding company. At June 30, 2013, Waterstone-Federal had 31,349,317 shares of common stock outstanding, of which 8,299,134 shares, or 26.5%, were owned by the public and the remaining 23,050,183 shares were held by Lamplighter Financial, MHC.

Pursuant to the terms of the plan of conversion and reorganization, we are now converting from the mutual holding company corporate structure to the stock holding company corporate structure. Upon completion of the conversion, Lamplighter Financial, MHC and Waterstone-Federal will cease to exist, and New Waterstone will become the successor corporation to Waterstone-Federal. The shares of New Waterstone being offered in this offering represent the majority ownership interest in Waterstone-Federal currently held by Lamplighter Financial, MHC. Public stockholders of Waterstone-Federal will receive shares of common stock of New Waterstone in exchange for their shares of Waterstone-Federal at an exchange ratio intended to preserve the same aggregate ownership interest in New Waterstone as they had in Waterstone-Federal. Lamplighter Financial, MHC's shares of Waterstone-Federal will be cancelled.

The following diagram shows our current organizational structure, reflecting ownership percentages as of June 30, 2013:

After the conversion and offering are completed, we will be organized as a fully public holding company, as follows:

## Business Strategy

Our goal is to build stockholder value by operating a well-capitalized and profitable financial institution that delivers a superior banking experience to our customers. Beginning in 2007, due to the adverse economic environment, we experienced significant increases in non-performing assets, which resulted in net losses and increased regulatory oversight. In response, we concentrated our efforts on resolving problem assets, curtailing growth, and preserving a strong capital position. We have made significant progress in our efforts while simultaneously building our mortgage banking business, which resulted in a return to profitability in 2012. Net income for the year ended December 31, 2012 was \$34.9 million (which reflected a reversal of a valuation allowance on our deferred tax assets of \$17.0 million), and for the six months ended June 30, 2013 net income was \$9.6 million.

Our current principal business strategies are summarized below:

Continued reduction of problem assets. Our non-performing assets have decreased to \$83.2 million, or 5.10% of total assets at June 30, 2013, from \$141.9 million, or 7.85% of total assets at December 31, 2010. Our non-performing assets at June 30, 2013 included \$53.3 million of non-performing loans and \$30.0 million of real estate owned. Of the \$53.3 million of non-accrual loans, \$20.9 million, or 39.2%, were troubled debt restructurings that were on non-accrual status either due to being past due 90 days or more or because they had not yet performed under the modified terms for a required period of time. At June 30, 2013, total troubled debt restructurings totaled \$47.1 million, of which \$39.9 million, or 84.7%, were performing in accordance with their restructured terms. Reducing our level of non-performing assets will continue to be a key element of our business strategy.

Controlled loan growth with a focus on multi-family and commercial real estate lending. Our principal business activity historically has been the origination of residential mortgage loans, including multi-family residential real estate loans, for retention in our portfolio. As part of our strategy of increasing our commercial business and commercial real estate loan portfolios, we established a commercial loan department in 2007. We currently have four commercial business loan officers and six commercial real estate loan officers. Multi-family residential and commercial real estate loans comprised 73.5% and 66.9% of total loans originated for investment during the six months ended June 30, 2013 and the year ended December 31, 2012, respectively, while one- to four-family residential mortgage loans comprised 14.4% and 17.2% of total originations during the same periods. We intend to continue our emphasis on multi-family residential and commercial real estate lending. However, we would purchase adjustable-rate one-to

four-family mortgage loans from Waterstone Mortgage Corporation in the future in the event changes in interest rates or consumer preferences enable Waterstone Mortgage Corporation to originate such loans.

Continued emphasis on mortgage banking operations. Waterstone Mortgage Corporation has become a significant originator of fixed-rate, one-to-four family mortgage loans, with total originations of \$978.3 million, \$1.75 billion and \$1.03 billion during the six months ended June 30, 2013 and the years ended December 31, 2012 and 2011, respectively. Subject to market conditions and particularly changes in the interest rate environment, we intend to continue to grow our mortgage banking business, which has been a significant source of our net income in recent periods. Such growth may occur through geographic expansion, online direct consumer origination, or both.

Enhance core earnings by increasing lower cost transaction and savings accounts. Demand, checking and money market accounts are a lower cost source of funds than time deposits, and we have made a concerted effort to increase lower-cost transaction deposit accounts and reduce time deposits. Our ratio of time deposits to total deposits has decreased from 87.1% at December 31, 2008 to 76.4% at June 30, 2013. We intend to continue to aggressively market our core

transaction accounts and savings accounts, emphasizing our high quality service and competitive pricing of these products. In the past two years we have also introduced remote deposit capture, internet banking and mobile banking.

Stockholder-focused management of capital. We recognize that a strong capital position is essential to achieving our long-term objective of building stockholder value. Following the offering, at the minimum of the offering range, our pro forma tier 1 leverage ratio is expected to be 16.80% and our pro forma total risk-based capital ratio is expected to be 26.50%. This capital position will support our future growth and expansion, and will give us flexibility to pursue other capital management strategies to enhance stockholder value. In particular, New Waterstone intends to commence paying regular quarterly dividends following completion of the conversion. See “Our Dividend Policy” for a discussion of our expected dividend policy following the completion of the conversion.

Disciplined expansion through organic growth coupled with opportunistic acquisitions. Since our initial public offering, we have opened three additional branches in the Milwaukee area. In October 2013, we opened a loan production office in Maple Grove, Minnesota, a part of the greater Minneapolis-St. Paul metropolitan area. We have also received regulatory approval to open a new full-service banking office in Brookfield, Wisconsin, which we expect to open in January 2014. Subject to regulatory approval, we plan to open two offices in each of 2014 through 2016 (including our new Brookfield office), all in our local market area, and we may also seek to open additional loan production offices or full service branches in other markets. Waterstone Mortgage Corporation now has locations in 14 states and does business nationally. While organic growth has been our primary focus, we will also consider acquisition opportunities that we believe will enhance our franchise and yield financial benefits for our stockholders.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Business Strategy” for a more complete discussion of our business strategy.

#### Reasons for the Conversion

Our primary reasons for converting to the fully public stock form of ownership and undertaking the stock offering are to:

Eliminate the uncertainties associated with the mutual holding company structure under financial reform legislation. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, or Dodd-Frank Act, the Federal Reserve Board became the federal regulator of all savings and loan holding companies and mutual holding companies, which has resulted in changes in regulations applicable to Lamplighter Financial, MHC and Waterstone-Federal. Among other things, these changes have adversely affected our ability to pay cash dividends to our stockholders, including the ability of Lamplighter Financial, MHC to waive any dividends declared by Waterstone-Federal. The conversion will eliminate our mutual holding company structure and will enable us to pay dividends to our stockholders, subject to the customary legal, regulatory and financial considerations applicable to all financial institutions. See “Our Dividend Policy.” It also will eliminate the risk that the Federal Reserve Board will amend existing regulations applicable to the conversion process in a manner disadvantageous to our public stockholders or depositors.

Transition us to a more familiar and flexible organizational structure. The stock holding company structure is a more familiar form of organization, which we believe will make our common stock more appealing to investors, and will give us greater flexibility to access the capital markets through possible future equity and debt offerings, although we have no current plans, agreements or understandings regarding any additional securities offerings.

Enhance our regulatory capital position. A strong capital position is essential to achieving our long-term objective of building stockholder value. While WaterStone Bank significantly exceeds all regulatory capital requirements, the proceeds from the offering will greatly strengthen our capital position and enable us to support our planned growth and expansion. Minimum regulatory capital requirements will also increase in the future under recently adopted regulations, and compliance with these new requirements will be essential to the continued implementation of our business strategy.

Improve the liquidity of our shares of common stock. The larger number of shares that will be outstanding after completion of the conversion and offering is expected to result in a more liquid and active market for Waterstone-Federal common stock. A more liquid and active market will make it easier for our stockholders to buy and sell our common stock and will give us greater flexibility in implementing capital management strategies.

Facilitate future mergers and acquisitions. Although we do not currently have any understandings or agreements regarding any specific acquisition transaction, the stock holding company structure will give us greater flexibility to structure, and make us a more attractive and competitive bidder for, mergers and acquisitions of other financial institutions as opportunities arise. The additional capital raised in the offering also will enable us to consider larger merger transactions. In addition, although we intend to remain an independent financial institution, the stock holding company structure may make us a more attractive acquisition candidate for other institutions. Applicable regulations prohibit the acquisition of New Waterstone for three years following completion of the conversion.

See “Proposal 1 — Approval of the Plan of Conversion and Reorganization” for a more complete discussion of our reasons for conducting the conversion and offering.

#### Conditions to Completion of the Conversion

We cannot complete the conversion and offering unless:

The plan of conversion and reorganization is approved by at least a majority of votes eligible to be cast by members of Lamplighter Financial, MHC (depositors of WaterStone Bank) as of October 31, 2013;

The plan of conversion and reorganization is approved by Waterstone-Federal stockholders holding at least two-thirds of the outstanding shares of common stock of Waterstone-Federal as of October 31, 2013, including shares held by Lamplighter Financial, MHC;

The plan of conversion and reorganization is approved by Waterstone-Federal stockholders holding at least a majority of the outstanding shares of common stock of Waterstone-Federal as of October 31, 2013, excluding shares held by Lamplighter Financial, MHC;

We sell at least the minimum number of shares of common stock offered in the offering;

The WDFI approves New Waterstone's acquisition of WaterStone Bank and an amendment to WaterStone Bank's Articles of Incorporation to provide for a liquidation account; and

We receive the approval of the Federal Reserve Board to complete the conversion and offering.

Lamplighter Financial, MHC intends to vote its shares in favor of the plan of conversion and reorganization. At October 31, 2013, Lamplighter Financial, MHC owned 73.5% of the outstanding shares of

common stock of Waterstone-Federal. Therefore, the condition requiring that the plan of conversion and reorganization be approved by Waterstone-Federal stockholders holding at least two-thirds of the outstanding shares of common stock of Waterstone-Federal, including shares held by Lamplighter Financial, MHC, would be satisfied. The directors and executive officers of Waterstone-Federal and their affiliates owned 939,892 shares of Waterstone-Federal (excluding exercisable options), or 3.0% of the outstanding shares of common stock and 11.3% of the outstanding shares of common stock excluding shares held by Lamplighter Financial, MHC. They intend to vote those shares in favor of the plan of conversion and reorganization.

#### The Exchange of Existing Shares of Waterstone-Federal Common Stock

If you are currently a stockholder of Waterstone-Federal, at the completion of the conversion your shares will be exchanged for shares of common stock of New Waterstone. The number of shares of common stock you will receive will be based on the exchange ratio, which will depend upon our final appraised value and the percentage of outstanding shares of Waterstone-Federal common stock owned by public stockholders immediately prior to the completion of the conversion. The following table shows how the exchange ratio will adjust, based on the appraised value of New Waterstone as of July 19, 2013, assuming public stockholders of Waterstone-Federal own 26.5% of Waterstone-Federal common stock immediately prior to the completion of the conversion. The table also shows the number of shares of New Waterstone common stock a hypothetical owner of Waterstone-Federal common stock would receive in exchange for 100 shares of Waterstone-Federal common stock owned at the completion of the conversion, depending on the number of shares of common stock issued in the offering.

	Shares to be Sold in This Offering		Shares of New Waterstone to be Issued for Shares of Waterstone-Federal		Total Shares of Common Stock to be Issued in Exchange and Offering	Exchange Ratio	Equivalent Value of Shares Based Upon Offering Price (1)	Equivalent Pro Forma Tangible Book Value Per Share Exchanged (2)	Shares to be Received for 100 Existing Shares (3)
	Amount	Percent	Amount	Percent			Offering		
Minimum	18,700,000	73.5%	6,731,209	26.5%	25,431,209	0.8111	\$ 8.11	\$ 11.69	81
Midpoint	22,000,000	73.5	7,919,069	26.5	29,919,069	0.9542	9.54	12.59	95
Maximum	25,300,000	73.5	9,106,929	26.5	34,406,929	1.0973	10.97	13.47	109

- (1) Represents the value of shares of New Waterstone common stock to be received in the conversion by a holder of one share of Waterstone-Federal, pursuant to the exchange ratio, based upon the \$10.00 per share purchase price.
- (2) Represents the pro forma tangible book value per share at each level of the offering range multiplied by the respective exchange ratio.
- (3) Cash will be paid in lieu of fractional shares.

No fractional shares of New Waterstone common stock will be issued to any public stockholder of Waterstone-Federal. For each fractional share that otherwise would be issued, New Waterstone will pay in cash an

amount equal to the product obtained by multiplying the fractional share interest to which the holder otherwise would be entitled by the \$10.00 per share offering price.

Outstanding options to purchase shares of Waterstone-Federal common stock also will convert into and become options to purchase shares of New Waterstone common stock based upon the exchange ratio. The aggregate exercise price, duration and vesting schedule of these options will not be affected by the conversion. At June 30, 2013, there were 1,011,500 outstanding options to purchase shares of Waterstone-Federal common stock, 781,500 of which have vested. Such outstanding options will be converted into options to purchase 820,428 shares of common stock at the minimum of the offering range and 1,109,919 shares of common stock at the maximum of the offering range. Because federal regulations prohibit us from repurchasing our common stock during the first year following the conversion unless compelling business reasons exist for such repurchases, we may use authorized but unissued shares to fund option exercises that occur during the first year following the conversion. If all existing options were exercised and funded with authorized but unissued shares of common stock following the conversion, stockholders would experience ownership dilution of approximately 5.0% at the minimum of the offering range.

## How We Determined the Offering Range, the Exchange Ratio and the \$10.00 Per Share Stock Price

The amount of common stock we are offering for sale and the exchange ratio for the exchange of shares of New Waterstone for shares of Waterstone-Federal are based on an independent appraisal of the estimated market value of New Waterstone, assuming the offering has been completed. RP Financial, LC., our independent appraiser, has estimated that, as of July 19, 2013, this market value was \$299.2 million. Based on federal regulations, this market value forms the midpoint of a valuation range with a minimum of \$254.3 million and a maximum of \$344.1 million. Based on this valuation range, the 73.5% ownership interest of Lamplighter Financial, MHC in Waterstone-Federal as of June 30, 2013 being sold in the offering and the \$10.00 per share price, the number of shares of common stock being offered for sale by New Waterstone ranges from 18,700,000 shares to 25,300,000 shares. The \$10.00 per share price was selected primarily because it is the price most commonly used in mutual-to-stock conversions of financial institutions, and it more closely reflects the market price of Waterstone-Federal's common stock than a lower price previously considered by the board of directors. The exchange ratio ranges from 0.8111 shares at the minimum of the offering range to 1.0973 shares at the maximum of the offering range, and will preserve the existing percentage ownership of public stockholders of Waterstone-Federal (excluding any new shares purchased by them in the stock offering and their receipt of cash in lieu of fractional shares).

The appraisal is based in part on Waterstone-Federal's financial condition and results of operations, the pro forma effect of the additional capital raised by the sale of shares of common stock in the offering, and an analysis of a peer group of ten publicly traded thrift holding companies that RP Financial, LC. considers comparable to Waterstone-Federal. The appraisal peer group consists of the following companies, all of which are traded on the Nasdaq Stock Market.

Company Name	Ticker Symbol	Headquarters	Total Assets (1) (In millions)
Bank Mutual Corporation	BKMU	Milwaukee, WI	\$ 2,394
First Defiance Financial Corp.	FDEF	Defiance, OH	\$ 2,039
Meta Financial Group, Inc.	CASH	Sioux Falls, SD	\$ 1,740
Pulaski Financial Corporation	PULB	St. Louis, MO	\$ 1,351
HF Financial Corp.	HFFC	Sioux Falls, SD	\$ 1,197
NASB Financial, Inc.	NASB	Grandview, MO	\$ 1,179
Fox Chase Bancorp, Inc.	FXCB	Hatboro, PA	\$ 1,085
Franklin Financial Corporation	FRNK	Glen Allen, VA	\$ 1,052
First Financial Northwest, Inc.	FFNW	Renton, WA	\$ 887
Simplicity Bancorp, Inc.	SMPL	Covina, CA	\$ 882

(1) Asset size for all companies is as of March 31, 2013.

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The following table presents a summary of selected pricing ratios for New Waterstone (on a pro forma basis) based on earnings and other information as of and for the twelve months ended June 30, 2013 and for the peer group companies based on earnings and other information as of and for the twelve months ended March 31, 2013, and stock prices as of July 19, 2013, as reflected in the appraisal report. Compared to the average pricing of the peer group, our pro forma pricing ratios at the midpoint of the offering range indicated a discount of 28.7% on a price-to-book value basis, a discount of 31.7% on a price-to-tangible book value basis, and a discount of 34.8% on a price-to-earnings basis.

	Price-to-earnings multiple (1)	Price-to-book value ratio	Price-to-tangible book value ratio
New Waterstone (on a pro forma basis, assuming completion of the conversion)			
Maximum	20.19x	81.23%	81.38%
Midpoint	17.40x	75.70%	75.81%
Minimum	14.66x	69.25%	69.38%
Valuation of peer group companies, all of which are fully converted (on an historical basis)			
Averages	26.67x	106.18%	111.04%
Medians	28.78x	106.77%	110.01%

(1) Price-to-earnings multiples calculated by RP Financial, LC. in the independent appraisal are based on an estimate of “core” or recurring earnings on a trailing twelve-month basis through June 30, 2013 for NewWaterstone and March 31, 2013 for the peer group. These ratios are different than those presented in “Pro Forma Data.”

The independent appraisal does not indicate trading market value. Do not assume or expect that our valuation as indicated in the appraisal means that after the conversion and offering the shares of our common stock will trade at or above the \$10.00 per share purchase price. Furthermore, the pricing ratios presented in the appraisal were used by RP Financial, LC. to estimate our pro forma appraised value for regulatory purposes and not to compare the relative value of shares of our common stock with the value of the capital stock of the peer group. The value of the capital stock of a particular company may be affected by a number of factors such as financial performance, asset size and market location.

For a more complete discussion of the amount of common stock we are offering for sale and the independent appraisal, see “Proposal 1 — Approval of the Plan of Conversion and Reorganization—Stock Pricing and Number of Shares to be Issued.”

#### How We Intend to Use the Proceeds From the Offering

We intend to invest at least 50% of the net proceeds from the stock offering in WaterStone Bank, loan funds to our employee stock ownership plan to fund its purchase of shares of common stock in the stock offering and retain the remainder of the net proceeds from the offering at New Waterstone. Therefore, assuming we sell 22,000,000 shares of common stock in the stock offering, and we have net proceeds of \$212.3 million, we intend to invest \$106.1 million in WaterStone Bank, loan \$17.6 million to our employee stock ownership plan to fund its purchase of shares of common stock, and retain the remaining \$88.5 million of the net proceeds at New Waterstone.

New Waterstone may use the funds it retains for investment, to pay cash dividends, to repurchase shares of common stock, to acquire other financial institutions and for other general corporate purposes. WaterStone Bank may use the proceeds it receives to expand its branch network, to support increased lending and other products and services or to acquire other financial institutions.

Please see the section of this proxy statement/prospectus entitled “How We Intend to Use the Proceeds from the Offering” for more information on the proposed use of the proceeds from the offering.

### Our Dividend Policy

After the completion of the conversion, we intend to pay cash dividends on a quarterly basis. Initially, we expect the quarterly dividends to be \$0.05 per share, which equals \$0.20 per share on an annualized basis and an annual yield of 2.0% based on a price of \$10.00 per share.