

Wayne Savings Bancshares, Inc. Announces Record Earnings for the Quarter ended December 31, 2018

Wooster, Ohio, January 24, 2019 – Wayne Savings Bancshares, Inc. (OTCQX: WAYN), (the “Company”), the holding company parent of Wayne Savings Community Bank, reported net income (unaudited) of \$1.6 million, or \$0.58 per common share, for the quarter ended December 31, 2018. This represents an increase of \$639,000, or 69.3%, compared to \$922,000, or \$0.34 per common share, for the quarter ended December 31, 2017. The increase in net income was due to an increase in net interest income, an increase in other income and a decrease in noninterest expenses. The return on average equity and return on average assets for the fourth quarter of 2018 were 14.23% and 1.34%, respectively, compared to 8.66% and 0.81%, respectively, for the same period in 2017.

President and CEO James R. VanSickle commented, “We are delighted to announce a sixth consecutive quarter of record earnings for our shareholders. Our 14.23% quarterly return on average equity, 1.34% quarterly return on average assets and an efficiency ratio of 55.7% are just a few among many highlights for the quarter ending December 31, 2018.”

“Our Board of Directors and leadership team are transforming our organization to maintain a positive community impact while delivering stronger and more sustainable shareholder value”, stated VanSickle. “I believe our 2018 results show we are a profoundly different and much stronger Company than we were a few years ago.”

2018 Quarterly Business Highlights

- Net interest income was \$4.0 million for the quarter ended December 31, 2018, an increase of \$283,000, or 7.6%, compared to the quarter ended December 31, 2017. The quarterly average loan balances increased \$26.8 million, or 7.7%, to \$372.4 million from the December 31, 2017 period. Our net interest margin increased from 3.44% for the quarter ended December 31, 2017, to 3.57% at December 31, 2018. The yield on average interest-earning assets went from 3.92% at December 31, 2017 to 4.27% at December 31, 2018. The average cost of interest-bearing liabilities increased from 0.48% at December 31, 2017, to 0.70% at December 31, 2018.
- Provision for loan losses was \$90,000 in the fourth quarter of 2018, mainly due to increased growth in the loan portfolio.
- Noninterest expense totaled \$2.5 million for the three-month period ended December 31, 2018, a decrease of \$262,000, or 9.4%, compared to the three months ended December 31, 2017, primarily due to reduced salaries and employee benefits and stockholder expenses. The Company’s efficiency ratio improved from 66.4% for the three-month period ended December 31, 2017, to 55.7% for the same period in 2018.

The Company reported net income (unaudited) of \$5.1 million, or \$1.92 per common share, for the year ended December 31, 2018, an increase of \$2.0 million or 65.6%, compared to \$3.1 million, or \$1.13 per common share, for the same period ended December 31, 2017. The increase in net income was due to an increase in net interest income, a decrease in noninterest expenses and a decrease in federal income tax expense, partially offset by an increase in provision for loan losses. The return on average equity and return on average assets for the year-to-date period ended December 31, 2018, was 12.03% and 1.12%, respectively, compared to 7.39% and 0.69%, respectively, for the same period in 2017.

Net income for both the year ended December 31, 2018 and the year ended December 31, 2017 was negatively impacted by proxy contests for the election of directors during those years. The proxy contest expenses, which were included in noninterest expense, totaled \$164,000 for year ended December 31, 2018, and \$426,000 for the same period in 2017. The return on average equity and return on assets adjusted for the

proxy expenses for the twelve months of 2018 would have been 12.33% and 1.15%, respectively, compared to 8.05% and 0.76%, respectively for the same period in 2017.

2018 Year-to-Date Business Highlights

- Net interest income was \$15.6 million for the year ended December 31, 2018, an increase of \$1.1 million, or 7.9%, compared to the same period in 2017 as the annual average net loan balances increased \$21.9 million from the December 31, 2017 period. Net interest margin grew to 3.55% for the year ended December 31, 2018, compared to 3.38% at December 31, 2017. The net interest margin change was the result of 26 basis points of growth in the yield on interest-earning assets, partially offset by an increase in the average cost of interest-bearing liabilities of 9 basis points.
- Net loan balances increased \$32.0 million, or 9.3%, from \$345.9 million at December 31, 2017, to \$377.9 million, despite selling \$14.1 million in mortgage loans through December 31, 2018, compared to \$10.1 million during the 2017 year-to-date period.
- Provision for loan losses was \$518,000 for the year ending December 31, 2018, as a result of growth in the loan portfolio and increased specific reserves for classified credits in 2018.
- Noninterest expense totaled \$11.1 million for the year ended December 31, 2018, a decrease of \$901,000, or 7.5%, compared to the same period in 2017. This decrease was primarily due to reduced salaries and employee benefits, legal and stockholder expenses mostly related to the proxy contest as the Company utilized our prior proxy contest experience. Accounting and auditing expense was reduced due to the deregistration from the Securities and Exchange Commission. The Company's efficiency ratio improved from 72.06% for the year ended December 2017, to 62.04% for the same period in 2018.
- On December 22, 2017, H.R.1, formerly known as the Tax Cuts and Jobs Act (the "Tax Reform Act"), was enacted into law. Beginning in 2018, the Tax Reform Act reduces the federal tax rate for corporations from 35% to 21% and changes or limits certain deductions. Income before federal income taxes for the twelve months ended December 31, 2018 increased to \$6.2 million from \$4.3 million for the same prior year period. As a result of the federal rate reduction, the provision for federal income taxes for the year ended December 31, 2018, declined to \$1.1 million, compared to the prior year period of \$1.2 million, despite the increase in income. The effect of this change lowered the Company's effective tax rate from 28% for the year ended December 31, 2017, to 18% for the same period in 2018.

Financial Condition as of December 31, 2018

At December 31, 2018, the Company had total assets of \$472.9 million, an increase of \$33.1 million, from December 31, 2017, mainly due to the \$32.0 million increase in net loans compared to the prior year which was mainly nonresidential real estate loans generated from commercial relationships.

The allowance for loan losses was \$2.9 million at December 31, 2017, increasing to \$3.4 million at December 31, 2018. This increase was due to portfolio growth and related increased specific reserves for classified credits in 2018. The allowance for loan losses and the related provision for loan losses is based on management's judgment and evaluation of the loan portfolio. Management believes the current allowance for loan losses is adequate, however changing economic and other conditions may require future adjustments to the allowance for loan losses.

Total nonperforming loans decreased to \$1.8 million at December 31, 2018, from \$1.9 million at December 31, 2017.

Total liabilities increased from \$398.2 at December 31, 2017 to \$428.0 million at December 31, 2018, mainly due to increased Federal Home Loan Bank advances and deposit growth. The deposit growth was primarily due to the Platinum checking account introduced to the market in the fourth quarter of 2017 which totaled \$43.4 million at December 31, 2018. The high-interest checking accounts were partially offset with declines in savings accounts and money market balances. The Company is continuing to enhance its deposit products in an effort to serve its customers and increase deposit balances.

Established in 1899, Wayne Savings Community Bank, the wholly owned subsidiary of Wayne Savings Bancshares, Inc., has eleven full-service banking locations in the communities of Wooster, Ashland, Millersburg, Rittman, Lodi, North Canton, and Creston, Ohio. Additional information about Wayne Savings Community Bank is available at www.waynesavings.com.

Forward-Looking Statements

This release contains forward-looking statements that are not historical facts and that are intended to be "forward-looking statements" as that term is defined by the Private Securities Litigation Reform Act of 1995. These forward-looking statements may include, but are not limited to, statements about the Company's plans, objectives, expectations and intentions and other statements contained in this release that are not historical facts and pertain to the Company's future operating results. When used in this release, the words "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions are generally intended to identify forward-looking statements. Actual results may differ materially from the results discussed in these forward-looking statements, because such statements are inherently subject to significant assumptions, risks and uncertainties, many of which are difficult to predict and are generally beyond the Company's control. These include but are not limited to: the possibility of adverse economic developments that may, among other things, increase default and delinquency risks in the Company's loan portfolios; shifts in interest rates; shifts in the rate of inflation; shifts in the demand for the Company's loan and other products; unforeseen increases in costs and expenses; lower-than-expected revenue or cost savings in connection with acquisitions; changes in accounting policies; changes in the monetary and fiscal policies of the federal government; and changes in laws, regulations and the competitive environment. Unless legally required, the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

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WAYNE SAVINGS BANCSHARES, INC.
Selected Condensed Consolidated Financial Data
(Dollars in thousands, except per share data - unaudited)

	December 2018	September 2018	June 2018	March 2018
Interest and dividend income	\$ 4,737	\$ 4,590	\$ 4,436	\$ 4,220
Interest expense	734	640	541	484
Net interest income	4,003	3,950	3,895	3,736
Provision for loan losses	90	90	218	120
Net interest income after provision for loan losses	3,913	3,860	3,677	3,616
Non-interest income	524	611	609	493
Non-interest expense	2,520	2,738	2,846	2,952
Income before federal income taxes	1,917	1,733	1,440	1,157
Provision for federal income taxes	356	315	236	192
Net income	\$ 1,561	\$ 1,418	\$ 1,204	\$ 965
Earnings per share - basic and diluted	\$ 0.58	\$ 0.53	\$ 0.45	\$ 0.36
Dividends per share	\$ 0.16	\$ 0.15	\$ 0.11	\$ 0.11
Return on average assets	1.34%	1.22%	1.05%	0.86%
Return on average equity	14.23%	13.12%	11.40%	9.23%
Shares outstanding	2,696,844	2,705,844	2,705,844	2,705,844
Book value per share	\$ 16.64	\$ 15.98	\$ 15.70	\$ 15.39
	December 2017	September 2017	June 2017	March 2017
Interest and dividend income	\$ 4,202	\$ 4,154	\$ 4,095	\$ 3,977
Interest expense	482	491	499	508
Net interest income	3,720	3,663	3,596	3,469
Provision for loan losses	92	99	83	27
Net interest income after provision for loan losses	3,628	3,564	3,513	3,442
Non-interest income	470	548	640	487
Non-interest expense	2,782	2,915	3,101	3,159
Income before federal income taxes	1,316	1,197	1,052	770
Provision for federal income taxes	394	342	291	199
Net income	\$ 922	\$ 855	\$ 761	\$ 571
Earnings per share - basic and diluted	\$ 0.34	\$ 0.31	\$ 0.27	\$ 0.21
Dividends per share	\$ 0.10	\$ 0.09	\$ 0.09	\$ 0.09
Return on average assets	0.81%	0.77%	0.68%	0.51%
Return on average equity	8.66%	8.06%	7.26%	5.53%
Shares outstanding	2,705,844	2,781,839	2,781,839	2,781,839
Book value per share	\$ 15.37	\$ 15.31	\$ 15.11	\$ 14.88

WAYNE SAVINGS BANCSHARES, INC.
Condensed Consolidated Statements of Income
(Dollars in thousands, except per share data - unaudited)

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2018	2017	Percentage change	2018	2017	Percentage change
Interest and dividend income	\$ 4,737	\$ 4,202	12.7%	\$ 17,983	\$ 16,428	9.5%
Interest expense	734	482	52.3%	2,399	1,980	21.2%
Net interest income	4,003	3,720	7.6%	15,584	14,448	7.9%
Provision for loan losses	90	92	(2.2)%	518	301	72.1%
Net interest income after provision for loan losses	3,913	3,628	7.9%	15,066	14,147	6.5%
Non-interest income	524	470	11.5%	2,237	2,145	4.3%
Non-interest expense						
Salaries and employee benefits	1,434	1,593	(10.0)%	6,012	6,374	(5.7)%
Net occupancy and equipment expense	454	242	87.6%	1,947	1,960	(0.7)%
Franchise taxes	82	88	(6.8)%	367	362	1.4%
Advertising and marketing	40	71	(43.7)%	299	271	10.3%
Legal	16	41	(61.0)%	155	486	(68.1)%
Professional fees	26	39	(33.3)%	154	282	(45.4)%
ATM network	76	64	18.8%	276	246	12.2%
Auditing and accounting	21	32	(34.4)%	222	353	(37.1)%
Other	371	612	(39.4)%	1,624	1,623	0.1%
Total non-interest expense	2,520	2,782	(9.4)%	11,056	11,957	(7.5)%
Income before federal income taxes	1,917	1,316	45.7%	6,247	4,335	44.1%
Provision for federal income taxes	356	394	(9.6)%	1,099	1,226	(10.4)%
Net income	<u>\$ 1,561</u>	<u>\$ 922</u>	69.3%	<u>\$ 5,148</u>	<u>\$ 3,109</u>	65.6%
Earnings per share						
Basic and diluted	<u>\$ 0.58</u>	<u>\$ 0.34</u>		<u>\$ 1.92</u>	<u>\$ 1.13</u>	

WAYNE SAVINGS BANCSHARES, INC.
Condensed Consolidated Balance Sheets
(Dollars in thousands, except per share data - unaudited)

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
ASSETS		
Cash and cash equivalents	\$ 11,161	\$ 6,041
Securities, net (1)	58,705	63,011
Loans held for sale	213	-
Loans receivable, net	377,930	345,900
Federal Home Loan Bank stock	4,226	4,226
Premises and equipment, net	5,406	6,051
Bank-owned life insurance	10,368	10,142
Other assets	4,878	4,426
TOTAL ASSETS	\$ 472,887	\$ 439,797
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	\$ 387,449	\$ 372,465
Other short-term borrowings	7,172	7,409
Federal Home Loan Bank advances	28,500	13,500
Accrued interest payable and other liabilities	4,888	4,838
TOTAL LIABILITIES	428,009	398,212
Common stock (3,978,731 shares of \$.10 par value issued)	398	398
Additional paid-in capital	36,152	36,093
Retained earnings	28,290	24,414
Shares acquired by ESOP	(142)	(206)
Treasury Stock, at cost - 1,281,887 shares at December 31, 2018 and 1,272,887 shares at December 31, 2017.	(18,543)	(18,361)
Accumulated other comprehensive loss	(1,277)	(753)
TOTAL STOCKHOLDERS' EQUITY	44,878	41,585
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 472,887	\$ 439,797

(1) Includes held-to-maturity classifications.

Note: The December 31, 2017 Condensed Consolidated Balance Sheet has been derived from the audited Consolidated Balance Sheet as of that date.