



STOCKHOLDER QUARTERLY REPORT

2Q 2017

Edgewater supports numerous community organizations, events, and activities through financial contributions, employee and director involvement, and in-kind support. As "The Real Local Bank," Edgewater believes community support is a key component of its mission and success.

Financial Highlights

Edgewater Bancorp's earnings through the second quarter of 2017 were \$141,672 or \$.21 per share, up from a net loss of (\$19,706), or (\$.03) per share over the same period in 2016. The \$161,378 improvement in net income is attributed to a modest increase in net interest income, a 4.0% increase in non-interest income, a \$43,000 reduction in provision for loan loss, and a slight decrease in non-interest expense.

The net interest income improvement resulted primarily from an increase of \$59,964 in interest and fees on loans and a \$43,735 increase in interest income from Fed Funds and other deposits, compared to only a \$33,433 increase in interest expense. Due to continued improvement in asset quality, provision expense decreased from \$63,000 through the second quarter of 2016 to \$20,000 through the second quarter of 2017. Non-interest expense decreased slightly, despite increased personnel and technology related expenses, due to the elimination or reduction of several expense items associated with deregistering Edgewater's common stock from SEC reporting obligations, reviewing and re-establishing third-party service arrangements, and continued focus on expense control.

Total assets as of June 30, 2017, of \$147.1 million were lower than \$152.2 million at December 31, 2016.



Edgewater supports many local events, such as St. Joseph's annual public art project. This year we sponsored artist Sherry Hiller's "Tiger Shark" sculpture (shown at left), on display in front of Edgewater's St. Joseph branch.



The reduced balance sheet resulted from a \$3.7 million decrease in total deposits and \$2.0 million decrease in FHLB advances. The decrease in deposits was primarily attributed to the seasonal reduction in municipal and public school district deposit balances. The reduced funding sources resulted in a \$6.3 million reduction in Fed Funds and other deposits. Total gross loans decreased less than 1.0%, or \$754,099, from December 31, 2016 to June 30, 2017, but increased 3.1%, or \$3.7 million, from March 31, 2017 to June 30, 2017

Edgewater's Tier 1 capital to assets ratio improved from 8.49% at December 31, 2016 to 9.00% at June 30, 2017 as total capital increased 1.5% to \$13.6 million.

CHARTER CONVERSION

In June 2017, Edgewater Bancorp, Inc., successfully converted its charter from a Savings & Loan Holding Company to a Bank Holding Company. At the same time, Edgewater Bank converted its charter from a Federally-Chartered Thrift to a State of Michigan commercial bank.

STAFF ADDITIONS

Edgewater Bank was pleased to welcome Monica Ward during the second quarter to the commercial lending team at Edgewater. Ms. Ward, along with the rest of the commercial and mortgage lending teams, is charged with continuing to grow the bank's loan portfolio while maintaining high asset quality.

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Consolidated Balance Sheets (UNAUDITED)

ASSETS	6/30/2017	12/31/2016
Cash and Due From Banks	\$ 671,126	\$ 879,168
Federal Funds and Other Deposits	7,094,412	13,360,600
Investment Securities	11,774,286	9,615,090
Loans Held for Sale	60,500	148,000
Loans (Gross)	123,285,337	124,039,436
Allowance for Loan Loss	(1,242,153)	(1,251,647)
Loans (Net)	122,043,184	122,787,789
Fixed Assets	3,156,338	3,318,566
Other Assets	2,272,768	2,117,709
TOTAL ASSETS	\$ 147,072,614	\$ 152,226,922
LIABILITIES	6/30/2017	12/31/2016
Deposits: Non-Interest-Bearing	\$ 18,185,435	\$ 15,509,534
Deposits: Interest-Bearing	105,186,843	111,596,297
Total Deposits	\$ 123,372,278	\$ 127,105,831
FHLB Advances	9,000,000	11,000,000
Other Liabilities	969,147	599,360
Total Liabilities	\$ 133,341,425	\$ 138,705,191
TEMPORARY EQUITY	6/30/2017	12/31/2016
ESOP Shares Subject to Redemption	84,160	73,474
STOCKHOLDERS' EQUITY	6/30/2017	12/31/2016
Common Stock	\$ 6,710	\$ 6,679
Paid-In-Capital	4,683,434	4,683,434
Retained Earnings	8,969,462	8,800,092
Accumulated Other Comprehensive Loss	(12,577)	(41,948)
Total Stockholders' Equity	\$ 13,647,029	\$ 13,448,257
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 147,072,614	\$ 152,226,922

Financial Ratios

	6/30/2017	12/31/2016
Return on Average Equity (Annualized)	2.10%	0.01%
Return on Average Assets (Annualized)	0.19%	0.11%
Tier 1 Capital to Assets	9.00%	8.49%
Allowance for Loan Loss / Loans	1.01%	1.01%

Consolidated Statements of Income (UNAUDITED)

6 MONTHS ENDED JUNE 30	2017	2016
Interest and Fees On Loans	\$ 2,477,615	\$ 2,417,651
Interest on Fed Funds Sold and Other Deposits	75,396	31,661
Interest on Investment Securities	79,238	81,539
Total Interest Income	\$ 2,632,249	\$ 2,530,851
Interest Expense	335,890	302,457
Net Interest Income	\$ 2,296,359	\$ 2,228,394
Provision for Loan Losses	20,000	63,000
Net Interest Income After Provision	\$ 2,276,359	\$ 2,165,394
Non-Interest Income	454,165	407,121
Non-Interest Expense	2,588,852	2,592,221
Income (Loss) Before Income Taxes	141,672	(19,706)
Income Tax Expense	---	---
NET INCOME (LOSS)	\$ 141,672	\$ (19,706)
EARNINGS (LOSS) PER COMMON SHARE	\$.21	\$ (.03)

STOCKHOLDER INFORMATION

Stock symbol:
EGDW

Number of Shares Outstanding
June 30, 2017:
670,958

Book Value
June 30, 2017:
\$ 20.36

INVESTOR RELATIONS CONTACTS

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