



EDGEWATER

BANCORP, INC.

2017

ANNUAL REPORT

FOR STOCKHOLDERS

2017 Annual Report For Stockholders

LETTER FROM THE PRESIDENT

On behalf of the directors, officers and employees of Edgewater Bancorp, Inc., I am pleased to provide you with this 2017 Annual Report.

The year ending 12/31/17 marked another year of improved financial performance. Net income for the year of \$485,322 was up 223% over prior year net income of \$150,040. Earnings per share of \$.77 for 2017 increased from \$.24 for 2016, even with the number of shares outstanding increasing from 667,898 to 683,198 year-over-year.

The improved net income was generated from increased interest income, primarily from the residential real estate and commercial loan portfolios. Edgewater realized solid growth in both areas during 2017, while experiencing a decline in the mortgage warehouse line of credit, which are short-term loans to home mortgage originators until they sell the mortgage loans they originate. Mortgage warehouse loan volume varies considerably, sometimes daily, depending on changes in interest rates, the housing market and other factors. A \$11.9 million decline in mortgage warehouse loans was the primary reason for the overall \$3.8 million drop in total loans outstanding from



Total deposits increased 8.3% from \$127.1 million to \$137.6 million, with a 30.7% increase in noninterest bearing deposit balances at year-end.

BOARD OF DIRECTORS

Kenneth F. Ankli, III, Board Chairman

Retired
Benton Harbor

Richard E. Dyer

Edgewater Bank
St. Joseph

Norma Tirado-Kellenberger

Lakeland Health
St. Joseph

James R. Marohn

Doubleday Office Products, Inc.
Benton Harbor

Stephen Ross

Stephen Ross & Company, P.C.
Stevensville

Thomas L. Starks

Starks Family Funeral Homes
St. Joseph

Lynn C. Todman, Ph.D.

Lakeland Health
St. Joseph

12/31/16 to 12/31/17. Excluding the mortgage warehouse loan portfolio, total loans increased year-over-year \$8.1 million, or 7.4%, from \$109.9 million to \$118.0 million.

Growth in the bank's residential and commercial loan portfolios, plus the volatility of the mortgage warehouse loan volume, led the organization to exit the third-party mortgage warehouse business. The strategic decision allows the bank to better manage its balance sheet on an on-going basis by better deploying funds into higher yielding and more stable loans.

Non-interest income declined \$25,040 from 2016 to 2017 primarily because of a drop in secondary market mortgage sales. Increased mortgage interest rates throughout the year, plus the slowdown of residential mortgage refinance business, were the reasons for fewer secondary market sales. The secondary market slowdown was offset by the increase in portfolio mortgage loan volume, primarily through adjustable rate mortgage products.

From an expense perspective, provision for loan losses decreased \$123,000 from 2016 to 2017 due to continued asset quality improvement. The level of special mention, substandard, and doubtful loans decreased 68.6% from \$2.9 million on 12/31/16 to \$901,676 on 12/31/17. Noninterest expense increased less than 1.0% from \$5.17 million to \$5.22 million as the organization continues to focus on cost reductions that do not impact client services, and improved operating efficiencies and practices.

We anticipate continued growth in both loans and deposits throughout 2018, with the growth leading to improved overall financial performance. We thank you for your support and loyalty as a shareholder of Edgewater Bancorp, Inc.

Sincerely,



Richard E. Dyer
President and CEO

CONSOLIDATED BALANCE SHEETS

ASSETS	12/31/2017	12/31/2016
Cash and Due From Banks	\$ 715,152	\$ 879,168
Federal Funds and Other Deposits	20,159,757	13,360,600
Investment Securities	11,220,499	9,615,090
Loans Held for Sale	—	148,000
Loans (Gross)	120,224,820	124,039,436
Allowance for Loan Loss	(1,276,434)	(1,251,647)
Loans (Net)	118,948,386	122,787,789
Fixed Assets	3,026,108	3,318,566
Other Assets	2,314,439	2,117,709
Total Assets	\$ 156,384,341	\$ 152,226,922
LIABILITIES	12/31/2017	12/31/2016
Deposits: Non-Interest-Bearing	\$ 20,277,320	\$ 15,509,534
Deposits: Interest-Bearing	117,352,952	111,596,297
Total Deposits	\$ 137,630,272	\$ 127,105,831
FHLB Advances	4,000,000	11,000,000
Other Liabilities	680,217	599,360
Total Liabilities	\$ 142,310,489	\$ 138,705,191
TEMPORARY EQUITY	12/31/2017	12/31/2016
ESOP Shares Subject to Redemption	\$ 107,493	\$ 73,474
STOCKHOLDERS' EQUITY	12/31/2017	12/31/2016
Common Stock	\$ 6,832	\$ 6,679
Paid-In-Capital & Surplus	4,734,077	4,683,434
Retained Earnings	9,285,414	8,800,092
Accumulated Other Comprehensive Loss	(59,964)	(41,948)
Total Stockholders' Equity	\$ 13,966,359	\$ 13,448,257
Total Liabilities and Equity	\$ 156,384,341	\$ 152,226,922

FINANCIAL RATIOS

	12/31/2017	12/31/2016
Return on Average Equity	3.52%	0.01%
Return on Average Assets	0.32%	0.11%
Tier 1 Capital to Average Assets	9.01%	8.49%
Allowance for Loan Loss / Loans	1.06%	1.01%

CONSOLIDATED STATEMENTS OF INCOME

INTEREST INCOME	2017	2016
Interest and Fees On Loans	\$ 5,190,182	\$ 4,984,390
Interest On Federal Funds Sold and Other Deposits	152,111	51,977
Interest On Investment Securities	184,444	170,890
Total Interest Income	\$ 5,526,737	\$ 5,207,257
Interest Expense	685,020	647,488
Net Interest Income	\$ 4,841,717	\$ 4,559,769
Provision for Loan Losses	60,000	183,000
Net Interest Income After Provision	\$ 4,781,717	\$ 4,376,769
Non-Interest Income	922,401	947,441
Non-Interest Expense	5,218,796	5,174,170
Income Before Income Taxes	485,322	150,040
Income Tax Expense	—	—
Net Income	\$ 485,322	\$ 150,040
Earnings Per Common Share	\$ 0.77	\$ 0.24

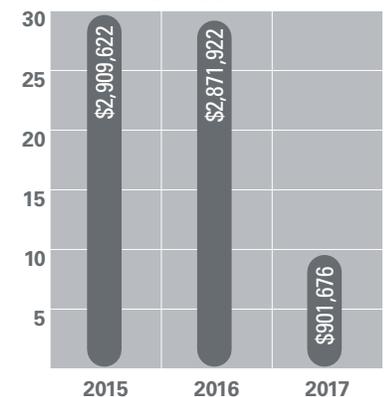
TOTAL DEPOSITS



TOTAL LOANS, NET OF MORTGAGE WAREHOUSE



SPECIAL MENTION/SUBSTANDARD/DOUBTFUL LOANS



NONINTEREST EXPENSE



COMMUNITY INVOLVEMENT



BOYS & GIRLS CLUB OF BENTON HARBOR

"To inspire and enable all young people to realize their full potential as productive, responsible, and caring citizens" – that is the mission of the Boys & Girls Club of Benton Harbor. For 20 years, the Boys & Girls Club of Benton Harbor has been changing and too often saving lives of members 6 to 18 years. Club programs focus

on three priority outcomes; academic success, character and leadership development, and engaging in healthy lifestyles. "Club kids" consistently out-perform their peers not attending a Boys & Girls Club. For example, 92% of the Club's high school seniors graduated the past two years and 85% of all members greater than 9 years old avoid risky behavior such as using tobacco, drinking, or using marijuana because of their involvement at the Club.

Edgewater Bank supports Boys & Girls Club of Benton Harbor character development programs such as Passport to Manhood and Smart Girls. The bank provides financial support, as well as hiring a recent "Youth of the Year" as a summer intern to help her develop work skills and save for college and enabling employees to serve as volunteers of the board of directors and project committees. We are proud to support The Boys & Girls Club of Benton Harbor where over 1,800 local children and teens are building their "Great Futures."

CLIENT PROFILE



JA Foodservice

Established in 1993, JA Foodservice is a woman-owned, locally-based business dedicated to providing superior and affordable food for meal programs. Founder, Jackie Abbott, created JA Foodservice with the vision of feeding area seniors and schools. Out of that vision, she expanded to a company serving thousands of meals per day to food banks, day care centers, senior centers, schools,

universities, Boys and Girls Clubs and more, with integrity and compassion.

Shelf-stable nutrition-conscious meals are hand-packed by JA Foodservice employees and delivered both locally and nationally. The meals are hot, chilled, frozen, or customizable, and targeted at K-12, college, and senior markets. Meals are packaged and provided for victims of disasters nationwide, along with area homebound individuals.

JA Foodservice is committed *"to nourish the young and the old In body, mind, and spirit"*. This mission is accomplished not only with the meals provided, but also through the company's commitment to provide job training for autistic and handicapped workers.

Edgewater Bank is honored to work with a company demonstrating the values and approach of JA Foodservice, and was proud to assist Jackie and her company with a recent expansion into larger facilities in Stevensville, needed to accommodate the growth and success of the business.



STOCKHOLDER INFORMATION

Stock symbol:
EGDW

Number of Shares Outstanding
December 31, 2017:
683,198

Book Value
December 31, 2017:
\$ 20.53

INVESTOR RELATIONS CONTACTS

RICHARD E. DYER
President & CEO
rdyer@edgewaterbank.com
269-982-7655

COLEEN ROSSMAN
Senior VP & CFO
crossman@edgewaterbank.com
269-982-4176

SAVE TIME – AND TREES!

Get your Edgewater Bank
Stockholders Quarterly Newsletter
sooner and go green at the same
time by signing up for email delivery.
Simply fill out the online form at:
www.edgewaterbankinvestor.com


EDGEWATER
BANCORP, INC.

269-982-4175
WWW.EDGEWATERBANK.COM

BRANCHES IN BRIDGMAN, BUCHANAN,
COLOMA, ROYALTON AND ST. JOSEPH

