Edgewater Bancorp Reports 484% increase in Net Income

SAINT JOSEPH, Mich., July 26, 2018 (GLOBE NEWSWIRE) -- **Edgewater Bancorp, Inc**. (OTC PINK:EGDW) announced year-to-date June 30, 2018 net income of $827,377, or $1.29 per share, compared to net income of $141,735, or $0.21 per share, for the same period of 2017. The six-month 2018 net income represents a 484% increase over the first six months of 2017.

Return on Average Assets (annualized) was 1.09% at June 30, 2018 compared to 0.32% for December 31, 2017 while return on average equity (annualized) was 11.61% at June 30, 2018 compared to 3.52% for December 31, 2017. President & CEO Richard Dyer indicated "We are pleased to report net income of $596,472 for the second quarter of 2018, compared to $230,905 for the first quarter of the year. The year-to-date 2018 net income of $827,377 exceeds the full-year 2017 net income figure of $485,322". Dyer indicated that the stronger earnings performance is attributed to growth in the organization's loan and investment portfolios, increased market interest rates, reduced non-interest expenses (net of one-time charges), and positive outcomes from strategic decisions.

Several strategic items occurred during the second quarter that are reflected in Edgewater's financial statements. The first was a $2.0 million term loan, obtained from one of Edgewater's correspondent banks. Loan proceeds were used to downstream $1.5 million into Edgewater Bank with the remaining $500,000 retained at the holding company level for liquidity purposes.

The second item was a $1.37 million reversal of the total $1.87 million deferred tax asset reserve. The 100% reserve against the deferred tax asset was established in 2009. The reversal is shown on the Consolidated Statement of Income as a contra tax item. Reversal of the remaining $496,527 reserve is anticipated in the future.

Offsetting the income created through the reserve reversal was a $1.2 million defined benefit plan expense. Edgewater Bank notified Pentegra Financial, its defined benefit plan administrator, of its intention to withdraw from the multi-employer pension plan, effective June 30, 2018. Edgewater Bank had previously frozen the plan in 2010. The withdrawal process is expected to take several months, but will eliminate Edgewater's annual defined benefit expense. The defined benefit expense was $128,074 during 2017 and has averaged $142,204 over the past four years.

The last strategic item occurred late in the second quarter. A loan production office (LPO) was opened in Fremont, MI to provide commercial and agricultural lending services. The LPO is led by a seasoned commercial banker and long-time Fremont resident Donald Farmer. Edgewater anticipates adding residential lending services in the Fremont market during the second half of 2018.

Total interest income increased $356,586, or 13.5%, to $3.0 million, compared to $2.6 million during the first two quarters of 2017. Total interest expense increased only $30,030 for the first half of 2018, from $335,890 through the first six months of 2017 to $365,920 during the same period of 2018. Total provision expense of $50,000 for the first two quarters of 2018 exceeded provision expense of $20,000 for the first two quarters of 2017.

Total non-interest expense increased from $2.6 million to $3.8 million from the second quarter of 2017 to the second quarter of 2018, with $1.2 million representing the one-time defined benefit plan contribution. Excluding the contribution, non-interest expenses decreased from second quarter 2017 to second quarter 2018.

Total consolidated assets at June 30, 2018 were $154.4 million, down from $156.4 million at December 31, 2017. Total net loans, however, increased to $121.3 million from $118.9 million and securities increased from $11.2 million to $15.9 million. Edgewater's loan growth is expected to continue as several commercial loans were approved during the second quarter but will fund throughout the remainder of 2018 and early 2019.

Total deposits decreased from $137.6 million to $128.3 million because of seasonally-low public fund balances. Federal Home Loan Bank advances increased from $4.0 million to $7.0 million from December 31, 2017 to June 30, 2018 to offset the decline in deposits.

Total equity increased to $14.7 million as of June 30, 2018, with Edgewater Bank's Tier 1 capital ratio improving from 9.01% at December 31, 2017 to 9.68% at June 31, 2018.

Based in Saint Joseph, Michigan, Edgewater Bancorp is the bank holding company for Edgewater Bank. Edgewater provides commercial, mortgage, and consumer loan and deposit banking services from 6 offices in St. Joseph, Bridgman, Buchanan, Coloma, Fremont, and Royalton Township. Edgewater Bancorp's common stock is listed under the symbol "EGDW."

This news release contains comments or information that constitute forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on current expectations that involve a number of risks and uncertainties. Actual results may differ materially from the results expressed in forward-looking statements. Factors that might cause such a difference include changes in interest rates and interest rate relationships; demand for products and services; the degree of competition by traditional and nontraditional competitors; changes in banking regulation or actions by bank regulators; changes in tax laws; changes in prices, levies, and assessments; the impact of technological advances; governmental and regulatory policy changes; the outcomes of contingencies; trends in customer behavior as well as their ability to repay loans; changes in local real estate values; changes in the national and local economies; and other factors. Edgewater undertakes no obligation to update or clarify forward-looking statements, whether as a result of new information, future events or otherwise.

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