



STOCKHOLDER QUARTERLY REPORT

3Q 2018

*Edgewater Bank's
commercial lending portfolio
at September 30, 2018
has increased \$7.9 million,
or 13.5% since
December 31, 2017.*



269-982-4175
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BRANCHES IN BRIDGMAN, BUCHANAN,
COLOMA, ROYALTON AND ST. JOSEPH



Financial Highlights

Edgewater Bancorp's third quarter 2018 net income of \$1,027,708, or \$1.59 per share, compares favorably to net income of \$313,889 or \$0.50 per share, for the third quarter of 2017, representing a 227% increase in net income. Return on Average Equity (annualized) was 9.44% at September 30, 2018 compared to 3.52% for December 31, 2017 and Return on Average Assets (annualized) was .88% compared to .32%. The organization's financial results continue to exceed previous years' results due to the growth in the balance sheet, especially the commercial loan portfolio and the investment portfolio.

Total interest income for the first three quarters of 2018 increased \$638,542, or 15.8%, to \$4.7 million from \$4.1 million during the first three quarters of 2017. The increase in interest income comes from both increased volume and increased market interest rates. Offsetting the increase in interest income is a \$108,187, or 21.4% increase in interest expense, attributed to higher market-based deposit rates and an \$8.2 million increase in total deposit balances and FHLB advances from December 31, 2017 to September 30, 2018. Competitive pressures and overall interest rate trends have pushed funding rates higher in the past several months. The overall impact of volume and market interest rates on the organization's net interest income is a \$530,355, or 15.0% increase through the first nine months of 2018 versus the first nine months of 2017.



Conybeare Law Office is one of Edgewater Bank's longest established commercial loan clients. Barry Conybeare and his law firm are examples of the full-relationship style of banking offered by Edgewater Bank, as Edgewater assists with business, personal, and employee deposit and loan needs.

The provision for loan losses of \$80,000 at September 30, 2018 is twice the level it was for the same period in 2017. The increase is due to loan portfolio growth, not a deterioration of asset quality.

Non-interest income (primarily the gain on sale of residential mortgage loans) decreased \$54,612 for the first nine months of 2018 compared to the first nine months of 2017. The drop is a result of the slower residential mortgage loan market.

Total non-interest expense increased 30.5% from \$3.9 million at September 30, 2017 to \$5.1 million at September 30, 2018, however \$1.2 million, or almost the entire increase, is due to a one-time defined benefit plan contribution made during the second quarter of 2018. Without the one-time expense, total non-interest expense has been flat even with balance sheet growth.

Edgewater's income tax benefit is the result of a \$1.4 million reversal of the total \$1.9 million deferred tax asset valuation reserve that was recognized during the second quarter of 2018. The reversal more than offsets the \$1.2 million defined benefit plan expense.

The loan portfolio, investment portfolio, and deposit growth resulted in an increase in Edgewater's balance sheet with consolidated total assets increasing from \$156.4 million at December 31, 2017 to \$168.9 million at September 30, 2018. Total deposits grew from \$137.6 million at December 31, 2017 to \$142.8 million at September 30, 2018, or 3.8%, while Federal Home Loan Bank advances increased from \$4.0 million to \$7.0 million over the same time frame for loan funding, liquidity, and interest rate management purposes. The overall growth of the balance sheet was 8.0% from December 31, 2017 to September 30, 2018.

Total equity increased to \$14.9 million as of September 30, 2018, with Edgewater Bank's Tier 1 capital ratio improving from 9.01% at December 31, 2017 to 9.64% at September 30, 2018.

Certain statements in this communication are forward-looking and are based on certain assumptions and reflect our current expectations. As a result, these forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ from current expectations.

Consolidated Balance Sheets

	UNAUDITED	AUDITED
	9/30/2018	12/31/2017
ASSETS		
Cash and Due From Banks	\$ 784,099	\$ 715,152
Federal Funds and Other Deposits	22,325,952	20,159,757
Investment Securities	15,553,143	11,220,499
Loans Held for Sale	—	—
Loans (Gross)	125,089,304	120,224,820
Allowance for Loan Loss	(1,331,935)	(1,276,434)
Loans (Net)	123,757,369	118,948,386
Fixed Assets	2,989,293	3,026,108
Deferred Tax Asset	1,371,127	—
Other Assets	2,159,760	2,314,439
TOTAL ASSETS	\$ 168,940,743	\$ 156,384,341
LIABILITIES		
Deposits: Non-Interest-Bearing	\$ 21,968,955	\$ 20,277,320
Deposits: Interest-Bearing	120,833,992	117,352,952
Total Deposits	\$ 142,802,947	\$ 137,630,272
FHLB Advances	7,000,000	4,000,000
Other Borrowings	2,000,000	—
Other Liabilities	2,087,884	680,217
Total Liabilities	\$ 153,890,831	\$ 142,310,489
TEMPORARY EQUITY		
ESOP Shares Subject to Redemption	\$ 123,522	\$ 107,493
STOCKHOLDERS' EQUITY		
Common Stock	\$ 6,984	\$ 6,832
Paid-In-Capital and Surplus	4,917,348	4,734,077
Retained Earnings	10,189,583	9,285,414
Accumulated Other Comprehensive Loss	(187,525)	(59,964)
Total Stockholders' Equity	14,926,390	\$ 13,966,359
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 168,940,743	\$ 156,384,341

Financial Ratios

	9/30/2018	12/31/2017
Return on Average Equity (Annualized)	9.44%	3.52%
Return on Average Assets (Annualized)	0.88%	0.32%
Tier 1 Capital to Average Assets	9.64%	9.01%
Allowance for Loan Loss / Loans	1.06%	1.06%

Consolidated Statements of Income (UNAUDITED)

9 MONTHS ENDING	9/30/2018	9/30/2017
Interest and Fees On Loans	\$ 4,271,922	\$ 3,802,237
Interest on Fed Funds and Other Deposits	184,752	134,975
Interest on Investments	233,248	114,168
Total Interest Income	4,689,922	4,051,380
Interest Expense	613,188	505,001
Net Interest Income	4,076,734	3,546,379
Provision for Loan Losses	80,000	40,000
Net Interest Income After Provision	3,996,734	3,506,379
Non-Interest Income	650,546	705,158
Non-Interest Expense	5,087,670	3,897,648
Income (Loss) Before Income Taxes	(440,390)	313,889
Income Tax Benefit	(1,468,098)	—
NET INCOME	\$ 1,027,708	\$ 313,889
EARNINGS PER SHARE	\$ 1.59	\$ 0.50

STOCKHOLDER INFORMATION

Stock symbol:
EGDW

Number of Shares Outstanding
September 30, 2018:
698,392

Book Value
September 30, 2018:
\$ 21.64

INVESTOR RELATIONS CONTACTS

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

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

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