

Edgewater Bancorp Reports Earnings for 2018

SAINT JOSEPH, Mich., March 29, 2019 (GLOBE NEWSWIRE) -- **Edgewater Bancorp, Inc.** (EGDW) announced net income of \$1,245,811 for 2018, Richard E. Dyer, President and CEO, announced today. Edgewater Bancorp, Inc. is the holding company for Edgewater Bank.

Dyer indicated “We experienced a successful year in 2018 as we grew the balance sheet, enhanced profitability, maintained sound asset quality metrics, and improved efficiencies.” He also said, “Edgewater continues to emphasize its leadership role in the communities it serves and remains very active in numerous community organizations, projects, and events.”

Key financial highlights for 2018 include:

- Net income for 2018 was \$1,245,811, or \$1.89 per share, compared to net income of \$485,322, or \$.77 per share, in 2017.
- Total Assets at December 31, 2018 were \$170.0 million, compared to \$156.4 million at December 31, 2017.
- Total Loans at December 31, 2018 were \$128.3 million, compared to \$120.2 million at December 31, 2017.
- Total Deposits increased to \$143.8 million at December 31, 2018 from \$137.6 million at December 31, 2017.
- Capital ratios exceeded “well-capitalized” requirements with Tier 1 capital at 9.23% of average assets and total capital at 14.86% at December 31, 2018.

Key strategic highlights for 2018 include:

- Opening a loan production office in Fremont, MI
- Obtaining a \$2.0 million term loan from a correspondent bank, retaining \$500,000 at the holding company level for liquidity purposes and down streaming \$1.5 million to Edgewater Bank to support total asset and total loan growth.
- Recording an income tax benefit of \$1.41 million due primarily to a reduction in the deferred tax asset valuation allowance.
- Accruing \$1.2 million for the Bank’s defined benefit plan and notifying the plan administrator of the decision to withdraw from the multi-employer plan.

Income Statement Comments - Net income for the year ended December 31, 2018 increased to \$1,245,811, or \$1.89 per share from net income of \$485,322, or \$.77 per share, for 2017. Net interest income increased 13.0% to \$5.5 million, from \$4.8 million for 2017. The increase in net interest income is primarily due to growth in the commercial loan and residential mortgage portfolios, along with only modest increases in the rate paid on deposit balances.

The provision expense for loan losses was \$150,000 for the year ended December 31, 2018, compared to \$60,000 for the year ended December 31, 2017. The provision was based upon management’s assessment of relevant factors, including types and amounts of non-performing loans, historical and anticipated loss experience on such types of loans, and economic conditions. The increased expense is reflective of the growth in the Bank’s loan portfolio.

Noninterest income was \$847,919 in 2018, compared to \$922,401 in 2017. Secondary market mortgage banking activities represent the largest component of noninterest income. Increased secondary market mortgage interest rates and the slowdown of refinance activity during 2018 reduced the amount received in “gain on mortgage sales” and total noninterest income.

Noninterest expense increased to \$6.3 million in 2018 versus \$5.2 million in 2017. The \$1.2 million contribution to the Bank’s defined benefit plan during 2018 was the primary reason for the increase in noninterest expense. Without the \$1.2 million pension contribution, total noninterest expense for 2018 would have been \$5.1 million, modestly less than the 2017 total. Edgewater continues to focus on efficient operations that do not impact client services.

Income before income tax for 2018 is impacted by the \$1.2 million defined benefit plan expense. The reduction in deferred tax asset valuation allowance and other tax related adjustments, however, created a \$1.41 million income tax benefit. The income statement tax benefit more than offset the defined benefit plan expense.

Balance Sheet Comments - Total assets increased 8.7% to \$170.0 million at December 31, 2018 from \$156.4 million at December 31, 2017. Net loans increased \$8.0 million, or 6.7%, primarily due to an increase in commercial lending activity. Investment securities increased \$2.2 million, or 19.7% year-over-year.

The deferred tax asset reserve reversal of \$1.37 million resulted in the deferred tax asset increasing the total assets by the same amount.

Deposits were \$143.8 million at December 31, 2018 compared to \$137.6 million at December 31, 2017, an increase of \$6.1 million. Noninterest-bearing demand deposits increased \$1.9 million from \$20.3 million to \$22.2 million while interest-bearing deposits increased \$4.2 million from \$117.4 million to \$121.6 million during the same period.

Federal Home Loan Bank advances increased \$3.0 million from \$4.0 million at December 31, 2017 to \$7.0 million at December 31, 2018 to help fund the loan portfolio growth.

Edgewater’s total stockholders’ equity was \$15.3 million at December 31, 2018 compared to \$14.0 million at December 31, 2017, an increase of \$1.3 million, or 9.2%. Edgewater’s Tier 1 capital to average assets ratio improved from 9.01% at December 31, 2017 to 9.23% at December 31, 2018. Over the same period, the Tier 1 capital to risk-weighted assets decreased from 14.20% to 13.62%, and the total capital to risk-weighted assets ratio changed from 15.45% to 14.86%. The decrease in the risk-weighted capital ratios was caused by a

balance sheet shift in the loan portfolio.

Book value per share of Edgewater Bancorp common stock increased to \$21.80 at December 31, 2018 from \$20.53 at December 31, 2017.

About Edgewater Bancorp

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 5 banking offices in St. Joseph, Bridgman, Buchanan, Coloma, and Royalton Township, plus a loan production office in Fremont, MI.

Edgewater Bancorp's common stock is listed under the symbol "EGDW."

Forward-Looking Statements

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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