



# STOCKHOLDER QUARTERLY REPORT 2Q 2019

*Edgewater continues to focus on relationship-based banking and commercial lending growth with the opening of the Greenville LPO.*



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BRANCHES IN BRIDGMAN, BUCHANAN,  
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## Financial Highlights

During the second quarter of 2019, Edgewater Bank opened a loan production office (LPO) in Greenville, MI. The success of the Fremont, MI LPO, opened during the second quarter of 2018, prompted the organization to consider, and ultimately, open a second LPO in a market wherein it feels Edgewater's community banking approach and philosophy serves the community well. As with the Fremont, LPO, the business focus in Greenville will be commercial lending, commercial deposit generation, and public fund deposit generation. Edgewater anticipates adding residential mortgage lending services to the Greenville LPO in the future.

Edgewater Bancorp's net income for the first six months of 2019 of \$949,575, or \$1.32 per share, compared to net income of \$827,377, or \$1.29 per share, for the same period of 2018. The net income figures for both periods are impacted by reversals of the valuation reserve previously established for Edgewater's deferred tax asset. During the first six months of 2018, \$1.4 million of the reserve was reversed. During the first six months of 2019, the remaining \$528,146 of the deferred tax asset valuation reserve was reversed. In both cases, the valuation reserve reversal is recognized in the financial statements as an income tax benefit.

Net interest income increased \$321,006, or 12.2%, to \$2.9 million for the first six months of 2019, compared to \$2.6 million for the first six months of 2018. Total provision expense of \$45,000 for the first six months of 2019 compared to \$50,000 for the same period of 2018. The level of provision expense is based on Bank management's assessment of current asset quality indicators along with analytical tools based on several historic, portfolio, and economic considerations.



Amy Homich joined Edgewater as Vice President, Commercial Lender. Amy, a seasoned banking professional, will serve as Edgewater's Senior Greenville Officer. Her banking experience and skills, plus her knowledge and active role in the Greenville community led to the decision to open the Greenville LPO and continue to geographically diversify Edgewater's lending portfolio.

Total non-interest income was down \$99,014 from \$486,841 during the first six months of 2018 to \$387,827 during the first six months of 2019. The decrease in non-interest income is primarily the result of a lower volume of secondary market residential mortgage loans on a year-to-date basis in 2019 compared to the same period in 2018. The decline is due to higher market interest rates and an increase in portfolio mortgages. Total non-interest expense at June 30, 2019 of \$2.8 million compares favorably to total non-interest expense of \$3.8 million at June 30, 2018. During the first six months of 2018, a one-time \$1.2 million defined benefit plan expense was recognized, inflating 2018 non-interest expenses. Adjusting for the defined benefit plan expense, total non-interest expense increased \$200,000 during the first six months of 2019 compared to the first six months of 2018, primarily in the areas of data processing and professional services (human resource consulting).

Return on average equity (annualized) improved from 8.45% at June 30, 2018 to 12.08% at June 30, 2019 while return on average assets (annualized) improved from .78% to 1.13% for the same period.

Total consolidated assets at June 30, 2019 were \$169.2 million, down slightly from \$170.0 million at December 31, 2018. Although total assets are fairly flat for the first six months of 2019, total loans (gross) increased \$2.3 million, or 1.8% during the six-month period. Bank securities and interest-bearing time deposits decreased slightly from \$15.4 million at December 31, 2018 to \$15.2 million at June 30, 2019. The Bank's Fed Funds balance and other deposits decreased from \$20.2 million at December 31, 2018 to \$16.3 million at June 30, 2019 as funds were more effectively utilized for the Bank's loan portfolio.

Total deposits decreased slightly from \$143.8 million at December 31, 2018 to \$143.2 million at June 30, 2019. The level of deposits was impacted by the seasonality of the Bank's public fund deposit clients. During the same six-month period, Federal Home Loan Bank advances decreased by \$2.0 million.

Total equity increased by 8.2% from \$15.3 million at December 31, 2018 to \$16.5 million at June 30, 2019. The ratio of Tier 1 Capital to Average Assets increased from 9.23% to 9.52% during the first six months of 2019.

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
	6/30/2019	12/31/2018
<b>ASSETS</b>		
Cash and Due From Banks	\$ 1,129,965	\$ 1,037,182
Federal Funds and Other Deposits	16,251,240	20,254,877
Interest-Bearing Time Deposits	4,436,000	1,964,000
Investment Securities	10,799,004	13,433,921
Loans Held for Sale	262,000	—
Loans (Gross)	130,638,049	128,343,456
Allowance for Loan Losses	(1,436,036)	(1,401,935)
Loans (Net)	129,202,013	126,941,521
Fixed Assets	2,980,929	2,957,803
Deferred Tax Asset	1,921,483	1,393,337
Other Assets	2,239,580	2,012,650
<b>TOTAL ASSETS</b>	<b>\$ 169,222,214</b>	<b>\$ 169,995,291</b>
<b>LIABILITIES</b>		
Deposits: Non Interest-Bearing	\$ 25,125,907	\$ 22,176,701
Deposits: Interest-Bearing	118,052,770	121,574,192
Total Deposits	\$ 143,178,677	\$ 143,750,893
FHLB Advances	5,000,000	7,000,000
Other Borrowings	1,888,486	1,967,263
Other Liabilities	2,494,172	1,878,487
Total Liabilities	\$ 152,561,335	\$ 154,596,643
<b>TEMPORARY EQUITY</b>		
ESOP Shares Subject to Redemption	\$ 153,574	\$ 142,822
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock	\$ 7,208	\$ 7,056
Paid-In-Capital and Surplus	5,110,694	4,844,037
Retained Earnings	11,327,208	10,531,225
Accumulated Other Comprehensive Income (Loss)	62,195	(126,492)
Total Stockholders' Equity	\$ 16,507,305	\$ 15,255,826
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>\$ 169,222,214</b>	<b>\$ 169,995,291</b>

## Financial Ratios

	6/30/2019	12/31/2018
Return on Average Equity (Annualized)	12.08%	8.45%
Return on Average Assets (Annualized)	1.13%	0.78%
Tier 1 Capital to Average Assets	9.52%	9.23%
Allowance for Loan Loss / Loans	1.10%	1.09%

## Consolidated Statements of Income (UNAUDITED)

FORTHE 6 MONTHS ENDING	6/30/2019	6/30/2018
Interest and Fees On Loans	\$ 3,224,038	\$ 2,713,241
Interest on Fed Funds and Other Deposits	235,537	128,407
Interest on Investments	197,432	147,186
Total Interest Income	3,657,007	2,988,834
Interest Expense	713,087	365,920
Net Interest Income	2,943,920	2,622,914
Provision for Loan Losses	45,000	50,000
Net Interest Income After Provision	2,898,920	2,572,914
Non-Interest Income	387,827	486,841
Non-Interest Expense	2,761,283	3,751,776
Income Before Income Taxes	525,464	(692,021)
Income Tax Benefit	(424,111)	(1,519,398)
<b>NET INCOME</b>	<b>\$ 949,575</b>	<b>\$ 827,377</b>
<b>EARNINGS PER SHARE</b>	<b>\$ 1.32</b>	<b>\$ 1.29</b>

## STOCKHOLDER INFORMATION

Stock symbol:  
EGDW

Number of Shares Outstanding  
June 30, 2019:  
720,802

Book Value  
June 30, 2019:  
\$ 22.82

## INVESTOR RELATIONS CONTACTS

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## BOARD OF DIRECTORS

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