



STOCKHOLDER QUARTERLY REPORT

3Q 2019

Solid balance sheet growth occurred during the third quarter of 2019, leading to improved earnings and financial performance ratios.



269-982-4175
WWW.EDGEWATERBANK.COM

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



Financial Highlights

Solid balance sheet growth occurred during the third quarter of 2019 as total assets grew 8.7% from \$170.0 million at December 31, 2018 to \$184.7 million at September 30, 2019. Total loans (gross) increased \$20.3 million, or 15.8% during the nine-month period. A portion of the loan growth is attributed to mortgage warehouse loans generated through a participation with another community bank. Bank securities and interest-bearing time deposits decreased \$721,140 during the first nine months of 2019 while the Bank's Fed Funds balance decreased from \$20.3 million at December 31, 2018 to \$13.3 million at September 30, 2019 as funds were shifted to the loan portfolio.

Total deposits increased from \$143.8 million at December 31, 2018 to \$155.9 million at September 30, 2019 through retail, business, and public fund deposit accounts. The seasonal increase in school district deposit account balances helped to drive the overall increase. Such seasonal peaks are anticipated and typical from the Bank's public fund clients. Total Federal Home Loan Bank advances increased by \$1.0 million from \$7.0 million at December 31, 2018 to \$8.0 million at September 30, 2019 to help fund the Bank's balance sheet growth.

Total equity increased by 10.6% from \$15.3 million at December 31, 2018 to \$16.9 million at September 30, 2019. Tier 1 Capital to Average Assets increased from 9.23% to 9.60% during the first nine months of 2019.

Edgewater Bancorp's net income for the first nine months of 2019 of \$1,240,308, or \$1.93 per share, compared to net income of \$1,027,708, or \$1.59 per share, for the same period of 2018. The net income



In keeping with its **real local** focus and its healthy lifestyle culture, Edgewater Bank announced a new partnership to sponsor and promote the "Edgewater Fitness Trail at Harbor Shores." The nearly 12-mile system includes six scenic loops for hikers, runners, bicyclists and cross-country skiers. On October 19, Edgewater hosted the **11K + Change Fitness Relay**, the first of two annual fitness events planned for the trails.

Relay event committee member Al Mussman (left) with President and CEO Rick Dyer.

figures for both periods are impacted by reversals of the valuation allowance previously established for the Bank's deferred tax asset. During the first nine months of 2019, \$528,146 of the valuation allowance was reversed, compared to \$1.4 million during the first nine months of 2018. The 2019 reversal represented the remaining amount so the valuation allowance against the deferred tax asset no longer exists.

Total provision expense of \$90,000 for the first nine months of 2019 compared to \$80,000 for the same period of 2018. Total non-interest income was down \$30,391 from the first nine months of 2018 to the first nine months of 2019. The decrease in non-interest income is primarily the result of a lower volume of secondary market residential mortgage loans. Total non-interest expense from the first nine months of 2019 of \$4.2 million compares favorably to total non-interest expense of \$5.1 million from the first nine months of 2018. During 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 \$100,000 during the first nine months of 2019 compared to the first nine months of 2018.

Return on average equity (annualized) improved from 8.45% at December 31, 2018 to 10.24% at September 30, 2019 while return on average assets (annualized) improved from 0.78% to 0.97% for the same period.

Edgewater Bank has been working diligently to withdraw from a multiple employer defined benefit plan. The \$1.2 million defined benefit plan expense recognized during 2018 was believed, at the time, by the third-party defined benefit plan administrator to be adequate to exit the plan. The plan administrator expects the exit to be finalized prior to the end of 2019, but there may be an additional expense during the fourth quarter of 2019 due to the passage of time and market interest rate fluctuations.

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.

Condensed Consolidated Balance Sheets

	UNAUDITED	AUDITED
	9/30/2019	12/31/2018
ASSETS		
Cash and Due From Banks	\$ 1,479,380	\$ 1,037,182
Federal Funds and Other Deposits	13,320,469	20,254,877
Interest-Bearing Time Deposits	4,436,000	1,964,000
Investment Securities	10,240,781	13,433,921
Loans (Gross)	148,670,317	128,343,456
Allowance for Loan Losses	(1,483,536)	(1,401,935)
Loans (Net)	147,186,781	126,941,521
Fixed Assets	2,967,182	2,957,803
Deferred Tax Asset	1,921,483	1,393,337
Other Assets	2,078,531	2,012,650
TOTAL ASSETS	\$ 184,732,407	\$ 169,995,291
LIABILITIES		
Deposits: Non Interest-Bearing	\$24,465,571	\$ 22,176,701
Deposits: Interest-Bearing	131,406,593	121,574,192
Total Deposits	\$ 155,872,164	\$ 143,750,893
FHLB Advances	8,000,000	7,000,000
Other Borrowings	1,848,326	1,967,263
Other Liabilities	1,988,390	1,878,487
Total Liabilities	\$ 167,708,880	\$ 154,596,643
TEMPORARY EQUITY		
ESOP Shares Subject to Redemption	\$ 158,950	\$ 142,822
STOCKHOLDERS' EQUITY		
Common Stock	\$ 7,204	\$ 7,056
Paid-In-Capital and Surplus	5,171,995	4,844,037
Retained Earnings	11,612,564	10,531,225
Accumulated Other Comprehensive Income (Loss)	72,814	(126,492)
Total Stockholders' Equity	\$ 16,864,577	\$ 15,255,826
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 184,732,407	\$ 169,995,291

Financial Ratios

	9/30/2019	12/31/2018
Return on Average Equity (Annualized)	10.24%	8.45%
Return on Average Assets (Annualized)	0.97%	0.78%
Tier 1 Capital to Average Assets	9.60%	9.23%
Allowance for Loan Loss / Loans	1.00%	1.09%

Condensed Consolidated Statements of Income (UNAUDITED)

FORTHE 9 MONTHS ENDING	9/30/2019	9/30/2018
Interest and Fees On Loans	\$ 4,967,541	\$ 4,271,922
Interest on Fed Funds and Other Deposits	321,788	184,752
Interest on Investments	291,935	233,248
Total Interest Income	\$ 5,581,264	\$ 4,689,922
Interest Expense	1,067,185	613,188
Net Interest Income	\$ 4,514,079	\$ 4,076,734
Provision for Loan Losses	90,000	80,000
Net Interest Income After Provision	\$ 4,424,079	\$ 3,996,734
Non-Interest Income	620,155	650,546
Non-Interest Expense	4,151,302	5,087,670
Income (Loss) Before Income Taxes	892,932	(440,390)
Income Tax Benefit	347,376	1,468,098
NET INCOME	\$ 1,240,308	\$ 1,027,708
EARNINGS PER SHARE	\$ 1.93	\$ 1.59

STOCKHOLDER INFORMATION

Stock symbol:
EGDW

Number of Shares Outstanding
September 30, 2019:
720,352

Book Value
September 30, 2019:
\$ 23.31

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

BOARD OF DIRECTORS

KENNETH F. ANKLI, III, BOARD CHAIRMAN
Retired

RICHARD E. DYER
Edgewater Bank

NORMA TIRADO-KELLENBERGER
Spectrum Health Lakeland

JAMES R. MAROHN
Doubleday Office Products, Inc.

STEPHEN ROSS
Stephen Ross & Company, P.C.

THOMAS L. STARKS
Starks Family Funeral Homes

LYNN C. TODMAN, PH.D.
Spectrum Health Lakeland


EDGEWATER
BANCORP, INC.

269-982-4175
WWW.EDGEWATERBANK.COM

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

Member
FDIC

