



2019 Annual Report For Stockholders

LETTER FROM THE PRESIDENT

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On behalf of the directors, officers, and employees of Edgewater Bancorp, Inc., I am pleased to provide you with this 2019 Annual Report for Stockholders.

Our world, and the banking industry, was impacted by the COVID-19 pandemic. The Bank's Pandemic Policy successfully guided the organization through the COVID-19 challenges. Edgewater focused on employees, clients, and community, including participation in SBA lending programs and other Bank-specific programs for clients. As of this writing, Edgewater is still operating under its Pandemic Plan and the State of Michigan's shelter in place order.

Net income for the year ended 12/31/19 was \$1.1 million, down from \$1.2 million for the year ended 12/31/18. Earnings per share decreased from \$1.89 per share for 2018 to \$1.50 per share for 2019. The decreased net income and earnings per share is attributed in part to a \$112,500, or 75.0%, increase in provision for loan loss expense from the year ended 12/31/18 to the year ended 12/31/19. The increase in provision expense is due to strong loan portfolio growth, not a deterioration in the asset quality of the Bank's loan portfolios.

Total interest income increased \$1.2 million, or 18.9%, from 2018 to 2019, resulting from both increased market interest rates and greater loan volume, especially in the commercial lending area. Total interest expense increased \$540,076, or 55.5%, during the same time period. Net interest income before provision increased from \$5.5 million during 2018 to \$6.1 million during 2019. After provision expense, net interest income increased \$563,345, or 10.6%, from 2018 to 2019.

NOTICE: We intend to hold our annual meeting in person. However, we are actively monitoring the public health concerns of our stockholders and employees in light of the COVID-19 virus, as well as the related protocols that federal, state and local governments have imposed. Our annual meeting will consist exclusively of the required business matters with no presentation or report from Edgewater management. As part of our precautions and to do our part in the fight against COVID-19, we are discouraging in-person attendance. Questions may be directed to President & CEO Richard Dyer via email or telephone.

Non-interest income was flat from year to year with less than a 1% increase in non-interest income. Non-interest expense decreased to \$5.9 million for the year ended 12/31/19 compared to \$6.3 million for the year ended 12/31/18. The \$391,037, or 6.2%, decrease was influenced through a \$860,000 reduction in the expense for continued costs to terminate the Bank's defined benefit plan, from \$1.2 million during 2018 to \$150,068 during 2019. Net of the defined benefit plan expense, non-interest expense increased \$689,895 primarily due to additional expenses in the areas of data processing and lending staff (salaries and benefits) additions. The data processing expense increase is related to enhanced technology to improve client services and meet market demands, as well as to augment IT security features. The additional salaries and benefits expense are directly tied to increased commercial loan activities, with additions to staff in both the loan origination and credit areas of the Bank.

The income tax benefit for both 2018 and 2019 results from the reversal of the Bank's deferred tax asset reserve. As of 12/31/19, the full deferred tax asset reserve was eliminated.

Total assets increased from \$170.0 million at 12/31/18 to \$186.0 million at 12/31/19. Gross loans increased \$31.4 million, or 24.5%, from \$128.3 million at 12/31/18 to \$159.7 million at 12/31/19. The increase is attributed to strong commercial lending activity as well as mortgage warehouse lending. The opening of a second loan production office, this one in Greenville, MI, accounted for some of the growth in the commercial lending portfolio.

Deposits were \$152.1 million at 12/31/19 compared to \$143.8 million at 12/31/18, an increase of \$8.3 million, or 5.8%. Federal Home Loan Bank advances increased \$6.0 million from \$7.0 million at 12/31/18 to \$13.0 million at 12/31/19 to help fund the loan portfolio growth.

Edgewater's total stockholders' equity of \$16.8 million at 12/31/19 compares to \$15.3 million at 12/31/18, an increase of \$1.5 million, or 10.0%.

The value of a community bank is highlighted during challenging times. Edgewater continues to play a leadership role in its communities and with its clients as everyone works through the unique economic and non-economic issues surrounding the COVID-19 pandemic. Edgewater is confident that the relationship it has with its clients, along with the diversity and sound asset quality condition of its balance sheet, allows the organization to do what is necessary for its clients while protecting the financial integrity of Edgewater Bancorp.

Thank you for your support and loyalty.

Richard E. Dyer, President and CEO

CONDENSED CONSOLIDATED BALANCE SHEETS (AUDITED)

ASSETS	12/31/2019	12/31/2018
Cash and Due From Banks	\$ 914,818	\$ 1,037,182
Federal Funds and Other Deposits	6,441,172	20,254,877
Interest-Bearing Time Deposits	4,436,000	1,964,000
Investment Securities	9,052,997	13,433,920
Loans Held for Sale	50,000	—
Loans (Gross)	159,723,493	128,343,456
Allowance for Loan Loss	(1,614,390)	(1,401,935)
Loans (Net)	158,109,103	126,941,521
Fixed Assets	3,046,523	2,957,803
Deferred Tax Asset	1,695,219	1,393,337
Other Assets	2,192,011	2,012,651
Total Assets	\$ 185,937,843	\$ 169,995,291
LIABILITIES	12/31/2019	12/31/2018
Deposits: Non Interest-Bearing	\$ 21,195,230	\$ 22,176,701
Deposits: Interest-Bearing	130,863,522	121,574,192
Total Deposits	\$ 152,058,752	\$ 143,750,893
FHLB Advances	13,000,000	7,000,000
Other Borrowings	1,807,908	1,967,263
Other Liabilities	2,105,094	1,878,487
Total Liabilities	\$ 168,971,754	\$ 154,596,643
TEMPORARY EQUITY	12/31/2019	12/31/2018
ESOP Shares Subject to Redemption	\$ 180,006	\$ 142,822
STOCKHOLDERS' EQUITY	12/31/2019	12/31/2018
Common Stock	\$ 7,250	\$ 7,056
Paid-In-Capital & Surplus	5,074,545	4,844,037
Retained Earnings	11,629,325	10,531,225
Accumulated Other Comprehensive Income (Loss)	74,963	(126,492)
Total Stockholders' Equity	\$ 16,786,083	\$ 15,255,826
Total Liabilities and Equity	\$ 185,937,843	\$ 169,995,291

FINANCIAL RATIOS

	12/31/2019	12/31/2018
Return on Average Equity	6.68%	8.45%
Return on Average Assets	0.63%	0.78%
Tier 1 Capital to Average Assets	8.84%	9.23%
Allowance for Loan Loss / Loans	1.01%	1.09%

CONSOLIDATED STATEMENTS OF INCOME (AUDITED)

INTEREST INCOME	12/31/2019	12/31/2018
Interest and Fees On Loans	\$ 6,911,375	\$ 5,805,923
Interest On Federal Funds and Other Deposits	370,381	317,960
Interest On Investments	379,652	321,604
Total Interest Income	\$ 7,661,408	\$ 6,445,487
Interest Expense	1,513,642	973,566
Net Interest Income	\$ 6,147,766	\$ 5,471,921
Provision for Loan Losses	262,500	150,000
Net Interest Income After Provision	\$ 5,885,266	\$ 5,321,921
Non-Interest Income	856,013	847,919
Non-Interest Expense	5,945,659	6,336,696
Income (Loss) Before Income Taxes	795,620	(166,856)
Income Tax Benefit	302,480	1,412,667
Net Income	\$ 1,098,100	\$ 1,245,811
Earnings Per Common Share	\$ 1.50	\$ 1.89

Complete CPA-Audited financial statements are available at www.edgewaterbank.com.

STOCKHOLDER INFORMATION

Stock symbol:
EGDW

Number of Shares Outstanding
December 31, 2019:
724,999

Book Value
December 31, 2019
\$ 23.05

INVESTOR RELATIONS CONTACTS

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