

**STOCKHOLDER
QUARTERLY
REPORT**

2Q 2020

Edgewater was an active Paycheck Protection Plan lender, providing over \$26.0 million in PPP funds to approximately 300 business clients.

Financial Highlights

Along with the rest of the world, Edgewater Bank dealt with the COVID-19 pandemic throughout the second quarter of 2020. Edgewater took precautions, including a shift to more non-contact services, work-at-home opportunities, masks, and enhanced cleaning. For several weeks, the offices were closed to the public, although Edgewater never shut down operations. In fact, the Bank was very busy during the quarter as it worked with clients impacted by the pandemic with loan payment accommodations and actively participated in the Paycheck Protection Plan (PPP) loan program for business clients.

Year-to-date net income through 6/30/20 totaled \$634,482 compared to \$949,575 through 6/30/19. The 2019 net income was positively impacted by a \$528,146 deferred tax asset valuation reserve reversal. On a pre-tax basis, net income for the first six months of 2020 was \$808,885 compared to \$525,464 for the first six months of 2019. Net interest income increased \$538,995 or 18.3% from \$2.9 million during the first six months of 2019 to \$3.5 million during the first six months of 2020. Provision expense was \$85,000 through 6/30/20 compared to \$45,000 through 6/30/19. The increase is reflective of continued growth of the Bank's loan portfolio, with the ratio of allowance for loan loss to total loans increasing slightly from 1.01% to 1.02% from 6/30/19 to 6/30/20.

Non-interest income for the first six months of 2020 was \$786,735, more than twice the \$387,827 total for the first six months of 2019. The increase was driven by strong residential mortgage demand, resulting in increased income from the gain on secondary market mortgage sales. Non-interest expense



Edgewater was saddened by the passing in May of Gerald (Jerry) Catania. Jerry was a friend to Edgewater Bank and the artist that designed and created "Confluence," the metal and glass sculpture that adorns the Bank's main lobby and whose image has graced our Stockholder Reports.



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increased from \$2.8 million at 6/30/19 to \$3.4 million at 6/30/20. The increased expense is attributed to personnel costs from staff additions plus a \$261,000 defined benefit plan expense. The defined benefit plan expense represented the final funding in order to withdraw from the multi-employer plan. Edgewater does not expect any additional defined benefit cost expenses as all participants and future funding needs have been transferred to a third-party provider. Non-interest expense also increased due to data processing and technology expenses, required to both provide clients with desired electronic banking options and address non-contact forms of service delivery necessitated by the COVID-19 pandemic.

Total consolidated assets at 6/30/20 were \$228.5 million, up from \$185.9 million at 12/31/19. Total loans (gross) at 6/30/20 includes approximately \$26.4 million in PPP loans, however it also reflects a \$13.2 million reduction in Mortgage Warehouse loans outstanding from 12/31/19. Cash and Cash Equivalents increased \$35.2 million from \$7.4 million at 12/31/19 to \$42.6 million at 6/30/20, and total deposits increased by \$23.6 million to \$175.7 million at 6/30/20, both influenced by the influx of cash from PPP activity.

Federal Home Loan Bank advances decreased \$5.0 million to \$8.0 million at 6/30/20. The Federal Reserve PPP Liquidity Plan (PPPLF) was utilized to fund the PPP loans and represents a \$23.7 million liability item at 6/30/20. The PPPLF borrowing will be paid off as the PPP loans are forgiven and/or paid off.

Total equity increased to \$17.7 million at 6/30/20 compared to \$16.8 million at 12/31/19 with the Return on Average Equity (annualized) improving from 6.68% at 12/31/19 to 7.32% at 6/30/20.

Edgewater Bancorp's Annual Meeting was held on 7/8/20. At the meeting, stockholders elected Lynn Todman, James Marohn, and Richard Dyer to serve additional three-year terms on the board of Edgewater Bancorp.

Condensed Consolidated Balance Sheets

	UNAUDITED	AUDITED
	6/30/2020	12/31/2019
ASSETS		
Cash and Due From Banks	\$ 934,986	\$ 914,818
Federal Funds and Other Deposits	41,651,188	6,441,172
Interest-Bearing Time Deposits	4,436,000	4,436,000
Investment Securities	6,693,442	9,052,997
Loans Held for Sale	2,355,750	50,000
Loans (Gross)	167,041,224	159,723,493
Allowance for Loan Losses	(1,705,903)	(1,614,390)
Loans (Net)	165,335,321	158,109,103
Fixed Assets	2,949,220	3,046,523
Deferred Tax Asset	1,664,599	1,695,219
Other Assets	2,437,287	2,192,011
TOTAL ASSETS	\$ 228,457,793	\$ 185,937,843
LIABILITIES	6/30/2020	12/31/2019
Deposits: Non Interest-Bearing	\$ 34,123,367	\$ 21,195,230
Deposits: Interest-Bearing	141,563,648	130,863,522
Total Deposits	175,687,015	152,058,752
Federal Reserve – PPPLF	23,678,400	–
FHLB Advances	8,000,000	13,000,000
Other Borrowings	1,725,233	1,807,908
Other Liabilities	1,511,160	2,105,094
Total Liabilities	210,601,808	168,971,754
TEMPORARY EQUITY	6/30/2020	12/31/2019
ESOP Shares Subject to Redemption	190,761	180,006
STOCKHOLDERS' EQUITY	6/30/2020	12/31/2019
Common Stock	7,333	7,250
Paid-In-Capital and Surplus	5,394,435	5,074,545
Retained Earnings	12,073,305	11,629,325
Accumulated Other Comprehensive Income	190,151	74,963
Total Stockholders' Equity	17,665,224	16,786,083
TOTAL LIABILITIES & EQUITY	\$ 228,457,793	\$ 185,937,843

Financial Ratios

	6/30/2020	12/31/2019
Return on Average Equity (Annualized)	7.32%	6.68%
Return on Average Assets (Annualized)	0.62%	0.63%
Tier 1 Capital to Average Assets	8.55%	8.84%
Allowance for Loan Loss / Loans	1.02%	1.01%

Condensed Consolidated Statements of Income (UNAUDITED)

FORTHE 6 MONTHS ENDING	6/30/2020	6/30/2019
Interest and Fees On Loans	\$ 4,130,835	\$ 3,224,038
Interest on Fed Funds and Other Deposits	41,873	235,537
Interest on Investments	157,596	197,432
Total Interest Income	4,330,304	3,657,007
Interest Expense	847,389	713,087
Net Interest Income	3,482,915	2,943,920
Provision for Loan Losses	85,000	45,000
Net Interest Income After Provision	3,397,915	2,898,920
Non-Interest Income	786,735	387,827
Non-Interest Expense	3,375,765	2,761,283
Income Before Income Taxes	808,885	525,464
Income Tax Expense	174,403	(424,111)
NET INCOME	\$ 634,482	\$ 949,575
EARNINGS PER SHARE	\$ 0.92	\$ 1.32

STOCKHOLDER INFORMATION

Stock Symbol:
EGDW

Number of Shares Outstanding
June 30, 2020:
733,310

Book Value
June 30, 2020:
\$ 23.83

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, D.H.A.
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


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