



STOCKHOLDER QUARTERLY REPORT

3Q 2020

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- Richard E. Dyer, President & CEO
of Edgewater Bank



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



United Federal Credit Union and Edgewater Bank Announce Strategic Acquisition

United Federal Credit Union ("United"), and Edgewater Bancorp, Inc. ("Edgewater") (OTCPK: EGDW), the holding company of Edgewater Bank, announced on October 27, 2020 that they have signed a definitive purchase and assumption agreement whereby United, headquartered in St. Joseph, Michigan, will acquire the assets and assume the liabilities of Edgewater Bank in an all-cash transaction (the "Transaction"). Following the completion of the Transaction, Edgewater Bancorp and Edgewater Bank will settle their remaining obligations and distribute their remaining cash (the "Liquidation") to the Edgewater stockholders. Edgewater Bank operates five bank branches in Berrien County and two loan production offices in Fremont and Greenville, Michigan and had approximately \$249.1 million in assets as of September 30, 2020. United currently operates 37 branches in six states and has over 177,000 members. This strategic acquisition will increase United's total number of branches to 41 and total assets to approximately \$3.5 billion.

Edgewater was created in connection with the 2014 mutual-to-stock conversion of Edgewater Bank. As a part of such conversion, a liquidation account was created for the benefit of certain depositors of Edgewater Bank. It is anticipated that Edgewater Bank will pay out the balance of this liquidation account to the holders of sub accounts therein in connection with the Liquidation.

Edgewater currently estimates that, upon the completion of the Liquidation, its stockholders will receive between \$39.47 and \$43.22 in cash consideration for each share of Edgewater common stock (the "per share consideration") they own. The amount of the per share consideration is subject to substantial variation based on, among other things, uncertainties with respect to the treatment of and costs associated with the liquidation account, Edgewater Bank's equity at closing, the amount of corporate level taxation of such transaction, the amount of cash held by Edgewater Bancorp at closing, costs related to the dissolution of Edgewater Bank and Edgewater Bancorp and future operating results. Based on these factors, investors should not assume that the ultimate consideration distributed to stockholders will be within the range set forth above.

The Transaction has been unanimously approved by the board of directors of both institutions and is expected to close in the second quarter of 2021, subject to customary closing conditions, the approval of Edgewater's stockholders and regulatory approvals. The distribution of cash to Edgewater stockholders is currently expected to occur within 150 days after completion of the Transaction, although delays in the process of dissolving Edgewater Bank and Edgewater Bancorp could delay the distribution to stockholders.

Edgewater Bank has served its community since 1910. All Edgewater banking locations will operate as United offices after the Transaction except for the Buchanan office which will be merged into United's Buchanan office. The parties expect that Edgewater Bank customers will be offered the opportunity to become members of United with full access to the credit union's wide array of products and services as well as its larger lending limit.

"We are excited to announce the acquisition of Edgewater Bank. We look forward to welcoming the Edgewater Bank customers and employees into the United family," said Terry O'Rourke, United's President and CEO. "This acquisition will allow us to serve more people and communities in Berrien County, and it will result in expanded product, service and technology offerings for Edgewater Bank's customers as well. We believe this is an ideal fit, as we are both deeply engaged in the communities we serve, have a strong organizational culture, and strong commitment to our members' and customers' financial wellness. Additionally, we are committed to working closely together with our Edgewater Bank partners to work towards as smooth a transition as possible."

"We are thrilled about our new partnership with United Federal Credit Union because of the expanded opportunities it brings to our customers, our employees, and our communities," said Richard E. Dyer, President & CEO of Edgewater Bank. "In addition, United shares our strong commitment to community support."

Condensed Consolidated Balance Sheets

	UNAUDITED	AUDITED
	9/30/2020	12/31/2019
ASSETS		
Cash and Due From Banks	\$ 1,157,229	\$ 914,818
Federal Funds and Other Deposits	46,367,110	6,441,172
Interest-Bearing Time Deposits	4,685,000	4,436,000
Investment Securities	6,133,290	9,052,997
Loans Held for Sale	2,487,790	50,000
Loans (Gross)	183,216,608	159,723,493
Allowance for Loan Losses	(1,813,403)	(1,614,390)
Loans (Net)	181,403,205	158,109,103
Fixed Assets	2,873,367	3,046,523
Deferred Tax Asset	1,673,668	1,695,219
Other Assets	2,342,879	2,192,011
TOTAL ASSETS	\$ 249,123,538	\$ 185,937,843
LIABILITIES		
Deposits: Non Interest-Bearing	\$ 32,352,848	\$ 21,195,230
Deposits: Interest-Bearing	163,536,719	130,863,522
Total Deposits	195,889,567	152,058,752
Federal Reserve – PPPLF	23,678,400	–
FHLB Advances	8,000,000	13,000,000
Other Borrowings	1,682,957	1,807,908
Other Liabilities	1,448,872	2,105,094
Total Liabilities	230,699,796	168,971,754
TEMPORARY EQUITY		
ESOP Shares Subject to Redemption	196,138	180,006
STOCKHOLDERS' EQUITY		
Common Stock	7,333	7,250
Paid-In-Capital and Surplus	5,462,528	5,074,545
Retained Earnings	12,601,703	11,629,325
Accumulated Other Comprehensive Income	156,040	74,963
Total Stockholders' Equity	18,227,604	16,786,083
TOTAL LIABILITIES & EQUITY	\$ 249,123,538	\$ 185,937,843

Financial Ratios

	9/30/2020	12/31/2019
Return on Average Equity (Annualized)	8.82%	6.68%
Return on Average Assets (Annualized)	0.71%	0.63%
Tier 1 Capital to Average Assets	8.73%	8.84%
Allowance for Loan Loss / Loans	0.99%	1.01%

Condensed Consolidated Statements of Income (UNAUDITED)

FORTHE 9 MONTHS ENDING	9/30/2020	9/30/2019
Interest and Fees On Loans	\$ 6,224,863	\$ 4,967,541
Interest on Fed Funds and Other Deposits	54,900	321,788
Interest on Investments	227,348	291,935
Total Interest Income	6,507,111	5,581,264
Interest Expense	1,209,112	1,067,185
Net Interest Income	5,297,999	4,514,079
Provision for Loan Losses	190,000	90,000
Net Interest Income After Provision	5,107,999	4,424,079
Non-Interest Income	1,419,736	620,155
Non-Interest Expense	5,039,354	4,151,302
Income Before Income Taxes	1,488,381	892,932
Income Tax Expense (benefit)	320,124	(347,376)
NET INCOME	\$ 1,168,257	\$ 1,240,308
EARNINGS PER SHARE	\$ 1.70	\$ 1.93

STOCKHOLDER INFORMATION

Stock Symbol:
EGDW

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

Book Value
September, 2020:
\$ 24.64

INVESTOR RELATIONS CONTACTS

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BOARD OF DIRECTORS

KENNETH F. ANKLI, III, BOARD CHAIRMAN
Retired

RICHARD E. DYER
Edgewater Bank

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Spectrum Health Lakeland

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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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