2020 ANNUAL REPORT

Endeavor Bank

STORIES OF HOPE

Through the Paycheck Protection Program (PPP), small businesses everywhere received much needed funding. Endeavor Bank is proud and humbled to support over 1,300 businesses with more than $282 million in funded PPP loans thus far. Throughout this report, we highlight Stories of Hope through PPP clients' testimonials.

Cover brewery photo credit:
The Brewtography Project

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YOUR COMMUNITY YOUR BANK

2020 was an unprecedented year of challenges, yet the Endeavor team witnessed first-hand the resilience, kindness, and innovative spirit of our San Diego community.

We had the privilege to serve many businesses by helping them find funding through programs like the PPP and provide resources through the Endeavor network.

In this year's annual report, we are proud to share some of our clients' Stories of Hope.

"Even though we did not have a previous banking relationship, you saw our need and made miracles happen, and for that I am grateful."

"I feel like it is the "good old days" when you felt your banker was a part of your business and there to help."

"You guys crushed it with the biz community getting so many help with PPP. Well done!"

PPP client testimonials

TO OUR SHAREHOLDERS

Since last year's annual report, the toll of human suffering and financial loss has been staggering, both around the world, as well as in our San Diego community, creating challenges for all of us.

Despite the unprecedented challenges, we persevered, individually, as families, as a business, and as a community. We learned new ways to cope. First, we are most thankful for the health and safety of our team. To date, not a single Endeavor team member has contracted COVID-19. Likewise, we are very thankful for the prosperity that the Endeavor Bank team delivered – as our growth and profitability surpassed even our expectations. These achievements stand alone and are a source of pride, indeed. But our greatest accomplishment in 2020 was serving as a financial first responder to the pandemic, by participating in the Cares Act Paycheck Protection Program (PPP).

The PPP program began with much confusion. Necessity required the government to roll out a program that ultimately delivered over a trillion dollars to businesses in desperate need of assistance. Our nation's leaders called on the banking industry to deliver that aid to save workers' jobs through loans to their employers, and to do so within weeks. The entire Endeavor Bank team worked tirelessly for months to create a delivery process that was able to aid extraordinary numbers of businesses in an incredibly short time period, for a product that only weeks before did not exist. The rules changed daily, yet the Endeavor Bank team remained dedicated to finding solutions to each new hurdle, with the ultimate goal of providing relief to both our clients and the greater San Diego community.

When PPP is done, Endeavor Bank will have made well over 1,300 loans with the vast majority of those to local San Diego businesses. Endeavor Bank's effort ranks in the top 5 in the nation for extending the most PPP loan dollars relative to the bank's size. In fact, Endeavor delivered close to three times more loans to non-customers than clients. The focus of our participation in PPP was not to acquire clients, but to help save our community's businesses and our local economy.

Although not the impetus to serve as a PPP good citizen, Endeavor's participation in PPP was prosperous for the Bank. The bank began 2020 at $125,000,000 in total assets and ended the year at $390,000,000. We started the year with monthly net losses and ended 2020 by recording our first annual profit of over $1,400,000.

Not only were we able to originate far more PPP loans than what would be expected of a bank our size, but we did so with our traditional consultative approach. Businesses needed guidance interpreting the complex and ever-changing PPP rules, forms, and forgiveness process, to maximize the PPP assistance their business qualified for. Because consultative banking is what we do, Endeavor was uniquely positioned to assist and provide advice to the many devastated business owners impacted by the pandemic. PPP proved the Endeavor Bank model more than ever, and solidified that San Diego wanted, and needed, its own consultative community bank.

As we celebrate achieving profitability, we remain dedicated to maintaining high asset quality. Our business model focuses on operating companies, and we believe the nature of this business model resulted in limited exposure to the most negatively affected sectors of the economy. The evidence suggests that most of our clients either held their own or learned to thrive during these unusual times. As a result, Endeavor's loan loss history continues to be minimal as our credit quality remains strong.

Technology during this past year was crucial, both for the safety of our staff and clients, as well as the ability to continue to provide the services that many of our clients so desperately needed. The forward looking approach when we created the Bank's technology infrastructure, combined with the high quality technology experts we partner with, ensured that throughout the crisis, the entire Endeavor Bank team was able to work together – remotely - with efficiency and effectiveness. Both our technology and our partners played critical roles in our successes during the past year.

We believe our success is defined not only by our ability to help our clients meet their financial challenges, but also by the mark we leave on the world at large. How we served and took care of people; our team members, our clients, and the hundreds of small businesses and their employees that needed our support during these times: is what counts. Our shared Endeavor Bank philosophy is to give first and good things will result. We believe that 2020 affirmed this philosophy as we successfully lived it. It's who we are and why we exist.

Matthew H. Rattner
Chairman

Steven D. Sefton, President
(858) 230-4243

Dan C. Yates, CEO
(858) 230-5185

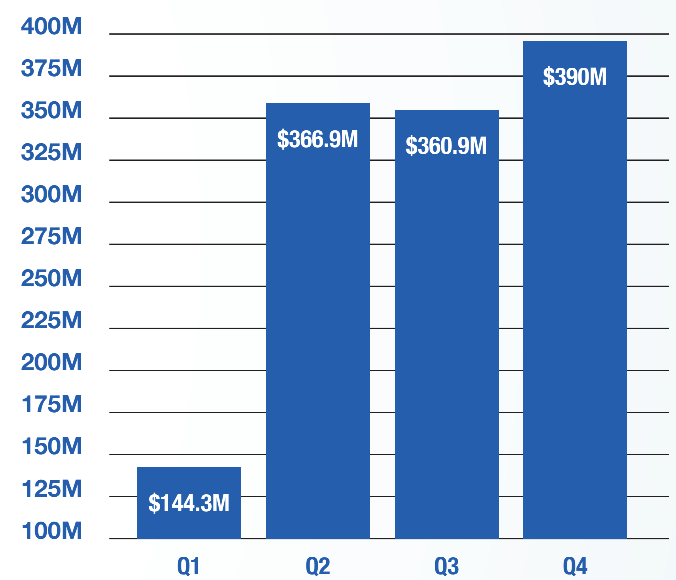
Endeavor Bank

2020 AT A GLANCE

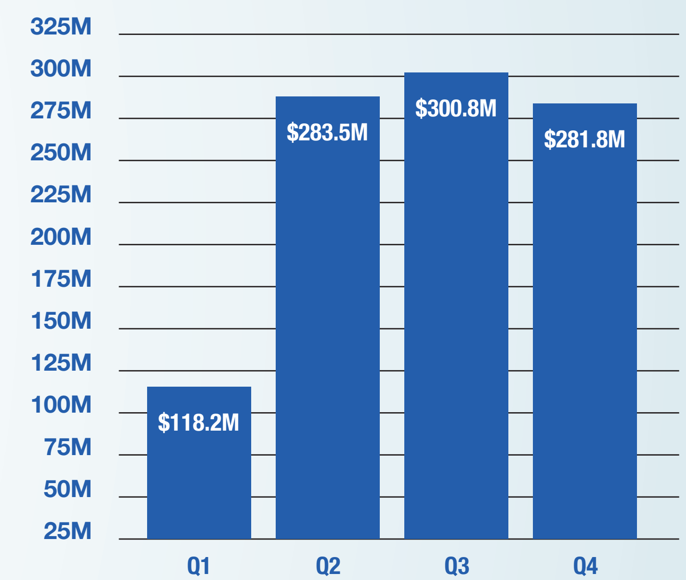
"It has been such a pleasure working with the Endeavor team over the last few months. The level of customer service and the ease of the various banking tools have been most impressive."

"Endeavor Bank is a true example of really being there for the San Diego small business community. I received email communications at nights and on weekends (so I know you guys were working 24/7)."

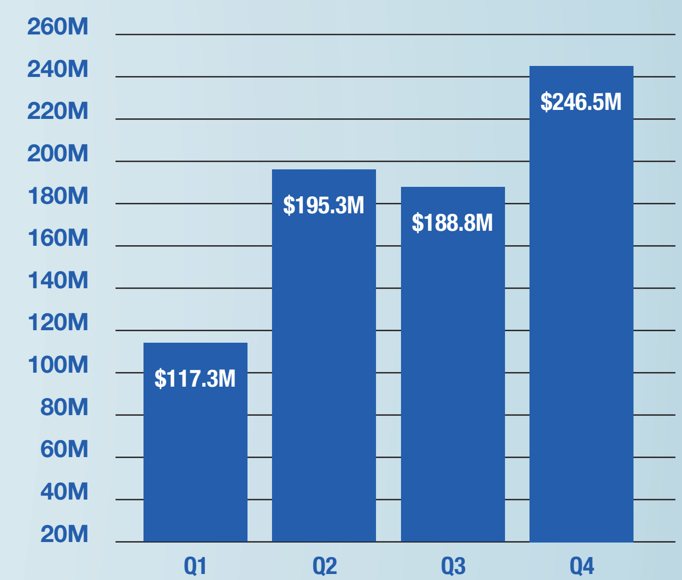
TOTAL ASSETS



TOTAL GROSS LOANS



TOTAL DEPOSITS



"Thanks to your help with the PPP Loan, we were able bring our music to the staff of hospitals and reach people from all over the world!"

"This loan will help us weather these challenging times better, protect our employees, their jobs, benefits, and reduce OUR stress."

"I am speechless and so very grateful."

PPP client testimonials

PPP client testimonials

Endeavor Bank

THE CONSULTATIVE BANKING PROCESS

"AT LEAST ONE GOOD IDEA A YEAR."
~ Steve Sefton, President

90-MINUTE MEETING

- Meet decision makers
- Discuss business in detail
- What keeps you up at night?
- Competitive advantage? Goals?
- Introductions

QUARTERLY MEETINGS

- Update financials
- Brainstorm
- Growth strategies
- Overcome challenges
- Exit planning

THE CLUB

- Network of 600+ shareholders
- Local CEOs/ business owners

TRUSTED ADVISOR
MUTUAL REFERRALS
TANGIBLE BENEFITS
ANNUAL PLANNING

- Credit facilities for growth
- Customized deposit services
- We know your business
- Business advisory services
- At least one good idea a year
- Comprehensive relationship

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors and Shareholders
Endeavor Bank
San Diego, California

Report on the Financial Statements
We have audited the accompanying financial statements of Endeavor Bank, which comprise the statement of financial condition as of December 31, 2020 and 2019, and the related statements of operations, shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Endeavor Bank as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Laguna Hills, California
February 24, 2021

	2020	2019
Assets		
Cash and Due from Banks	$ 1,577,023	$ 1,236,193
Interest-Bearing Deposits at Other Banks	101,787,224	20,334,613
Total cash and cash equivalents	103,364,247	21,570,806
Interest-Bearing Time Deposits at Other Banks	4,190,000	1,925,000
Loans		
Real estate	112,795,904	61,313,127
Commercial	166,282,277	34,901,206
Consumer	2,700,384	4,656,179
Total loans	281,778,565	100,870,512
Allowance for loan losses	(3,085,000)	(1,732,000)
Net loans	278,693,565	99,138,512
Federal Home Loan Bank ("FHLB") Stock, at Cost	506,700	201,000
Premises and Equipment, net	231,372	316,300
Operating Lease Right-of-Use Assets	1,223,609	1,507,707
Accrued Interest and Other Assets	1,820,624	761,771
Total assets	$ 390,030,117	$ 125,421,096

See Notes to Financial Statements

Endeavor Bank
STATEMENTS OF FINANCIAL CONDITION
December 31, 2020 and 2019

	2020	2019
Liabilities and Shareholders' Equity		
Deposits		
Noninterest-bearing demand	$ 141,751,446	$ 40,912,601
Interest-bearing demand, savings, and money market accounts	97,935,135	45,364,616
Time deposits under $250,000	3,928,013	6,005,177
Time deposits $250,000 and over	2,863,172	8,467,373
Total deposits	246,477,766	100,749,767
Operating Lease Liabilities	1,344,292	1,533,170
Federal Home Loan Bank Borrowings	5,000,000	5,000,000
Other Borrowings	109,168,774	-
Accrued Interest and Other Liabilities	1,196,533	569,496
Total liabilities	363,187,365	107,852,433
Commitments and Contingencies - Note 10		
Shareholders' Equity		
Preferred stock - 20,000,000 shares authorized, none outstanding	-	-
Common stock - 20,000,000 shares authorized, no par value; shares issued and outstanding, 3,357,561 in 2020 2,668,595 in 2019	34,042,962	26,398,375
Additional paid-in capital	1,622,601	1,409,136
Accumulated deficit	(8,822,811)	(10,238,848)
Total shareholders' equity	26,842,752	17,568,663
Total liabilities and shareholders' equity	$ 390,030,117	$ 125,421,096

See Notes to Financial Statements

	2020	2019
Interest Income		
Interest and fees on loans	$ 10,261,341	$ 4,019,525
Interest on interest-bearing deposits and other	151,909	688,880
Total interest income	10,413,250	4,708,405
Interest Expense		
Interest on interest-bearing demand, savings, Money market accounts	251,336	531,595
Interest on time deposits	233,579	403,239
Interest on other borrowings	314,504	459
Total interest expense	799,419	935,293
Net Interest Income	9,613,831	3,773,112
Provision for Loan Losses	1,353,000	1,065,000
Net Interest Income After Provision for Loan Losses	8,260,831	2,708,112
Noninterest Income		
Service charges and fees on deposits	176,744	45,186
Other service charges and fees	43,222	20,461
Gain on Sale of Loans	127,712	-
Total noninterest income	347,678	65,647
Noninterest Expense		
Salaries and employee benefits	4,582,515	4,051,528
Occupancy and equipment expenses	518,717	504,744
Other expenses	1,814,440	1,555,603
Total noninterest expense	6,915,672	6,111,875
Income (Loss) Before Income Taxes	1,692,837	(3,338,116)
Income Taxes	276,800	800
Net Income (Loss)	$ 1,416,037	$ (3,338,916)
Net Income (Loss) per Share - Basic	$ 0.44	$ (1.25)
Net Income (Loss) per Share - Diluted	$ 0.44	$ (1.25)

See Notes to Financial Statements

	Common Stock		Additional		
	Number of Shares	Amount	Paid-in Capital	Accumulated Deficit	Total
Balance at January 1, 2019	2,668,595	$26,398,375	$ 1,053,667	$ (6,899,932)	$20,552,110
Stock-Based Compensation			355,469		355,469
Net Loss				(3,338,916)	(3,338,916)
Balance at December 31, 2019	2,668,595	26,398,375	1,409,136	(10,238,848)	17,568,663
Issuance of Common Stock, Net of Offering Costs of $278,522	688,966	7,644,587			7,644,587
Stock-Based Compensation			213,465		213,465
Net Income				1,416,037	1,416,037
Balance at December 31, 2020	3,357,561	$34,042,962	$ 1,622,601	$ (8,822,811)	$26,842,752

See Notes to Financial Statements

	2020	2019
Operating Activities		
Net Income (Loss)	$ 1,416,037	$ (3,338,916)
Adjustments to reconcile net loss to net cash from operating activities		
Depreciation and amortization	140,834	161,664
Provision for loan losses	1,353,000	1,065,000
Gain on sale of loans	(127,712)	-
Increase in deferred PPP loan fees, net	2,126,745	-
Operating lease right-of-use amortization	284,098	282,966
Operating lease liability payments	(188,878)	(270,365)
Stock-based compensation	213,465	355,469
Other items	(431,815)	82,558
Net Cash from Operating Activities	4,785,774	(1,661,624)
Investing Activities		
Net change in interest-bearing time deposits in other banks	~~(2,265,000)~~	(1,675,000)
Net increase in loans	(182,907,086)	(57,434,458)
Purchase of Federal Home Loan Bank stock	(305,700)	(126,400)
Purchases of premises and equipment	(55,906)	(99,590)
Net Cash from Investing Activities	(185,533,692)	(59,335,448)
Financing Activities		
Net change in demand and interest-bering demand accounts	153,409,363	34,569,700
Net change in time deposits	(7,681,365)	400,534
Net change in Federal Home Loan Bank borrowings	-	5,000,000
Net change in other borrowings	109,168,774	-
Proceeds from issuance of common stock, net	7,644,587	-
Net Cash from Financing Activities	262,541,359	39,970,234
Change in Cash and Cash Equivalents	81,793,441	(21,026,838)
Cash and Cash Equivalents, Beginning of Year	21,570,806	42,597,644
Cash and Cash Equivalents, End of Year	$ 103,364,247	$ 21,570,806
Supplemental Disclosures of Cash Flow Information		
Interest paid	$ 600,495	$ 938,114
Taxes paid	$ 800	$ 800
Lease liabilities arising from obtaining right-of-use assets	$ -	$ 1,131,521

See Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

Endeavor Bank (the "Bank") commenced business on January 22, 2018 after receiving the requisite approvals of regulatory authorities. The Bank has been incorporated in the State of California and organized as a single operating segment that operates one full-service branch in San Diego, California and a loan production and administrative office in Carlsbad, California.

The Bank operates in the local market offering traditional products and services, serving the needs of small to medium sized businesses, business owners and professionals, and real estate owners and investors. The majority of deposits and loans are expected to be originated from within the San Diego County metropolitan marketplace and its surrounding areas.

Subsequent Events

The Bank has evaluated subsequent events for recognition and disclosure through February 24, 2021, which is the date the financial statements were available to be issued.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A material estimate that is particularly susceptible to significant changes in the near term relate to the determination of the allowance for loan losses.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash, due from banks, federal funds sold and time deposits in other banks with original maturities of three months or less. Generally, federal funds are sold for one-day periods.

Cash and Due from Banks

Banking regulations require that banks maintain a percentage of their deposits as reserves in cash or on deposit with the Federal Reserve Bank. As of December 31, 2020, the required reserve percentage is zero. The Bank complied with the reserve requirements as of December 31, 2020 and 2019. The Bank maintains amounts due from banks, which may exceed federally insured limits. The Bank has not experienced any losses in such accounts.

Interest-Bearing Time Deposits at Other Banks

Interest-bearing time deposits in other banks generally mature within one year and are carried at cost.

Loans

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any charge-offs or specific valuation accounts and net of any deferred fees or costs on originated loans, or unamortized premiums or discounts on purchased loans.

Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield of the related loan. Amortization of deferred loan fees, net of origination costs, are discontinued when a loan is placed on nonaccrual status.

Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. The accrual of interest on loans is discontinued when principal or interest is past due 90 days based on the contractual terms of the loan or when, in the opinion of management, there is reasonable doubt as to collectability. Loans qualifying for deferral under Section 4013 of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) continue to accrue interest during the deferral period. When loans are placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Income on nonaccrual loans is subsequently recognized only to the extent that cash is received, and the loan's principal balance is deemed collectible. Interest accruals are resumed on such loans only when they are brought current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to all principal and interest.

Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off. This methodology for determining charge-offs is consistently applied to each portfolio segment.

The Bank determines a separate allowance for each portfolio segment. The allowance consists of specific and general reserves. Specific reserves relate to loans that are individually classified as impaired. A loan is impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Factors considered in determining impairment include payment status, collateral value and the probability of collecting all amounts when due. Measurement of impairment is based on the expected future cash flows of an impaired loan, which are to be discounted at the loan's effective interest rate, or measured by reference to an observable market value, if one exists, or the fair value of the collateral for a collateral-dependent loan. The Bank selects the measurement method on a loan-by-loan basis except that collateral-dependent loans for which foreclosure is probable are measured at the fair value of the collateral.

The Bank recognizes interest income on impaired loans based on its existing methods of recognizing interest income on nonaccrual loans. Loans, for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired with measurement of impairment as described above.

If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral.

General reserves cover non-impaired loans and are based on historical loss rates for each portfolio segment, adjusted for the effects of qualitative or environmental factors that are likely to cause estimated credit losses as of the evaluation date to differ from the portfolio segment's historical loss experience. Qualitative factors include consideration of the following: changes in lending policies and procedures; changes in economic conditions, changes in the nature and volume of the portfolio; changes in the experience, ability and depth of lending management and other relevant staff; changes in the volume and severity of past due, nonaccrual and other adversely graded loans; changes in the loan review system; changes in the value of the underlying collateral for collateral-dependent loans; concentrations of credit and the effect of other external factors such as competition; and, legal and regulatory requirements. Portfolio segments identified by the Bank include real estate, commercial, and consumer loans. Relevant risk characteristics for these portfolio segments generally include debt service coverage, loan-to-value ratios and financial performance on non-consumer loans, and credit scores, debt-to income, collateral type and loan-to-value ratios for consumer loans.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

The Bank also maintains a separate allowance for off-balance sheet commitments. Management estimates anticipated losses using historical data and utilization assumptions. The allowance for off-balance sheet commitments totaled $61,000 at December 31, 2020 and 2019, and is included in accrued interest and other liabilities on the statements of financial condition and provisions for unfunded commitment losses are included in other noninterest expense on the statements of operations.

Federal Home Loan Bank Stock

The Bank is a member of the Federal Home Loan Bank ("FHLB") system. Members are required to own a certain amount of stock based on the level of borrowings and other factors and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as income.

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives, which ranges from three to five years for furniture, equipment and computer equipment. Leasehold improvements are amortized using the straightline method over an estimated useful life of seven years or the remaining lease term, whichever is shorter. Expenditures for betterments or major repairs are capitalized and those for ordinary repairs and maintenance are charged to operations as incurred.

Leases

The Bank determines if an arrangement contains a lease at contract inception and recognize right-of-use ("ROU") assets and operating lease liabilities based on the present value of lease payments over the lease term. While operating leases may include options to extend the term, the Bank does not take into account the options in calculating the ROU asset and lease liability unless it is reasonably certain such options will be reasonably exercised. The present value of lease payments is determined based on the Bank's incremental borrowing rate and other information available at lease commencement. Leases with an initial term of 12 months or less are not recorded in the statements of financial condition. Lease expense is recognized on a straight-line basis over the lease term. The Bank has elected to account for lease agreements with lease and non-lease components as a single lease component.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable, and the amount or range of loss can be reasonably estimated. Management does not believe there are any such matters that will have a material effect on the financial statements.

Revenue Recognition – Noninterest Income

In accordance with Topic 606, revenues are recognized when control of promised goods or services is transferred to customers in an amount that reflects the consideration the Bank expects to be entitled to in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of Topic 606, the Bank performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligation in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation in the contract; and (v) recognize revenue when (or as) the Bank satisfies a performance obligation. The Bank only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of Topic 606, the Bank assesses the goods or services that are promised within each contract and identifies those that contain performance obligation and assesses whether each promised good or service is distinct. The Bank then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. All of the Bank's revenue from contracts with customers within the scope of ASC 606 is recognized in non-interest income.

The following is a discussion of key revenues within the scope of Topic 606.

Service Charges and Fees on Deposit Accounts

The Bank earns fees from its deposit customers for account maintenance, transaction-based and overdraft services. Account maintenance fees consist primarily of account fees and analyzed account fees charged on deposit accounts on a monthly basis. The performance obligation is satisfied, and the fees are recognized on a monthly basis as the service period is completed. Transaction-based fees on deposits accounts are charged to deposit customers for specific services provided to the customer, such as non-sufficient funds fees, overdraft fees, and wire fees. The performance obligation is completed as the transaction occurs and the fees are recognized at the time each specific service is provided to the customer.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Bank, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Advertising Costs

The Bank expenses the costs of advertising in the year incurred.

Stock-Based Compensation

The Bank recognizes the cost of employee services received in exchange for awards of stock options and restricted stock, or other equity instruments, based on the grant-date fair value of those awards. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Bank's common stock at the date of grant is used for restricted stock awards. This cost is recognized over the period which an employee is required to provide services in exchange for the award, generally the vesting period. The Bank treats each tranche of each stock option award as if it were a separate award with its own vesting date. Generally, for each tranche granted, compensation expense is recognized on a straight-line basis from the grant date until the vesting date of the respective tranche. The cost of other awards is generally recognized over the vesting period, on a straight-line basis.

Endeavor Bank
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

The Bank has elected to account for forfeitures of stock-based awards as they occur. Excess tax benefits and tax deficiencies relating to stock-based compensation are recorded as income tax expense or benefit in the statements of operations when incurred.

See Note 11 for additional information on the Bank's equity incentive plan.

Income Taxes

Deferred income taxes are computed using the asset and liability method, which recognizes a liability or asset representing the tax effects, based on current tax law, of future deductible or taxable amounts attributable to events that have been recognized in the financial statements. A valuation allowance is established to reduce the deferred tax asset to the level at which it is "more likely than not" that the tax asset or benefits will be realized. Realization of tax benefits of deductible temporary differences and operating loss carry forwards depends on having sufficient taxable income of an appropriate character within the carry forward periods.

The Bank has adopted guidance issued by the Financial Accounting Standards Board ("FASB") that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Interest and penalties related to uncertain tax positions are recorded as part of income tax expense.

Earnings Per Share ("EPS")

Basic EPS excludes dilution and is computed by dividing income available to common Shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Potentially dilutive common shares include incremental common shares issuable upon exercise of outstanding stock options and non-vested restricted common shares using the treasury stock method. All of the outstanding stock options were not considered in computing diluted earnings per share for 2020 and 2019 because they were antidilutive. Weighted-average shares used in the computation of basic EPS were 3,237,086 and 2,668,595 in 2020 and 2019, respectively.

Comprehensive Income (Loss)

Comprehensive income (loss) is comprised solely of the net income (loss) for the years then ended.

Financial Instruments

In the ordinary course of business, the Bank has entered into off-balance sheet financial instruments consisting of commitments to extend credit as described in Note 9. Such financial instruments are recorded in the financial statements when they are funded, or related fees are incurred or received.

Fair Value Measurement

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Current accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

As of December 31, 2020, and 2019, the Bank did not have any financial instruments measured at fair value on a recurring or non-recurring basis.

Recent Accounting Guidance Not Yet Effective

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments (Topic 326). This ASU significantly changes how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. In issuing the standard, the FASB is responding to criticism that today's guidance delays recognition of credit losses. The standard will replace today's "incurred loss" approach with an "expected loss" model. The new model, referred to as the current expected credit loss ("CECL") model, will apply to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off-balance sheet credit exposures. This includes, but is not limited to, loans, leases, held-to-maturity securities, loan commitments, and financial guarantees. The CECL model does not apply to available-for-sale ("AFS") debt securities. For AFS debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. As a result, entities will recognize improvements to estimated credit losses immediately in earnings rather than as interest income over time, as they do today. The ASU also simplifies the accounting model for purchased credit-impaired debt securities and loans. ASU 2016-13 also expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for loan and lease losses. In addition, public business entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. ASU No. 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2022 for all entities, other than SEC filers that do not qualify as a Smaller Reporting Company as defined by the SEC. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i.e., modified retrospective approach). The Bank is currently evaluating the provisions of ASU No. 2016-13 for potential impact on its financial statements and disclosures.

On March 12, 2020, the FASB issued ASU 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting (ASU 2020-04), which provides optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The amendments are effective for contract modifications as of March 12, 2020 through December 31, 2022. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. The Bank has not yet determined the potential impact of the adoption of ASU 2020-04 to the consolidated financial statements.

Note 2 - Loans

The Bank's loan portfolio consists primarily of loans to borrowers within the San Diego County metropolitan marketplace and its surrounding areas. Although the Bank seeks to avoid concentrations of loans to a single industry or based upon a single class of collateral, real estate and real estate associated businesses are among the principal industries in the Bank's market area and, as a result, the Bank's loan and collateral portfolios are, to some degree, concentrated in those industries.

Beginning in April of 2020, the Bank participated in the Paycheck Protection Program ("PPP"), administrated by the Small Business Administration ("SBA"), in assisting businesses impacted by the Coronavirus pandemic. PPP loans are included in commercial loans, 100% guaranteed by the SBA, and carry a fixed rate of 1.00%. At loan origination, the Bank was paid a processing fee from the SBA ranging from 1% to 5% based on the loan size. During 2020, the Bank collected PPP processing fees, net of deferred loan costs, in the amount of approximately $5.1 million, of which $3.0 million was recognized as interest income on loans.

The Bank participated in the Main Street Lending Program to support lending to small and medium-sized businesses that were in sound financial condition before the onset of the COVID-19 pandemic. Under this program, the Bank originated loans to borrowers meeting the terms and requirements of the program, including requirements as to eligibility, use of proceeds and priority, and sold a 95% participation interest in these loans to Main Street Facilities, LLC, a special purpose vehicle ("SPV") organized by the Federal Reserve to purchase the participation interest from eligible lenders, including the Bank. During the year ended December 31, 2020, the Company originated 18 loans under the Main Street Lending Program totaling $92.9 million in principal and sold participation interests totaling $88.2 million to the Main Street SPV, resulting in a gain on sale of $127.7 thousand. The program expired on January 8, 2021.

At December 31, 2020, the Bank had pledged loans totaling approximately $141.6 million to secure a line of credit with the Federal Home Loan Bank and to the Federal Reserve Bank in relation to the Paycheck Protection Program as discussed in Note 6.

A summary of the changes in the allowance for loan losses for the year ended December 31 is as follows:

	2020	2019
Beginning balance	$ 1,732,000	$ 667,000
Additions to the allowance charged to expense	1,353,000	1,065,000
Recoveries on loans charged off	-	-
	3,085,000	1,732,000
Less loans charged off	-	-
Ending balance	$ 3,085,000	$ 1,732,000

The following table presents the activity in the allowance for loan losses for the year 2020 and the recorded investment in loans and impairment method as of December 31, 2020 by portfolio segment:

	Real Estate	Commercial	Consumer	Total
Allowance for Loan Losses				
Beginning of year	$ 839,690	$ 845,580	$ 46,730	$ 1,732,000
Provisions	1,076,330	273,580	3,090	1,353,000
Charge-offs	-	-	-	-
Recoveries	-	-	-	-
End of year	$ 1,916,020	$ 1,119,160	$ 49,820	$ 3,085,000
Reserves				
Specific	$ -	$ -	$ -	$ -
General	1,916,020	1,119,160	49,820	3,085,000
	$ 1,916,020	$ 1,119,160	$ 49,820	$ 3,085,000
Loans Evaluated for Impairment				
Individually	$ -	$ -	$ -	$ -
Collectively	112,795,904	166,282,277	2,700,384	281,778,565
	$ 112,795,904	$ 166,282,277	$ 2,700,384	$ 281,778,565

At December 31, 2020, commercial loans include $115.8 million in PPP loans, net of unearned fees and costs of $2.1 million.

The following table presents the activity in the allowance for loan losses for the year 2019 and the recorded investment in loans and impairment method as of December 31, 2019 by portfolio segment:

	Real Estate	Commercial	Consumer	Total
Allowance for Loan Losses				
Beginning of year	$ 443,141	$ 180,322	$ 43,537	$ 667,000
Provisions	396,549	665,258	3,193	1,065,000
Charge-offs	-	-	-	-
Recoveries	-	-	-	-
End of year	$ 839,690	$ 845,580	$ 46,730	$ 1,732,000
Reserves				
Specific	$ -	$ -	$ -	$ -
General	839,690	845,580	46,730	1,732,000
	$ 839,690	$ 845,580	$ 46,730	$ 1,732,000
Loans Evaluated for Impairment				
Individually	$ -	$ -	$ -	$ -
Collectively	61,313,127	34,901,206	4,656,179	100,870,512
	$ 61,313,127	$ 34,901,206	$ 4,656,179	$ 100,870,512

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The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, collateral adequacy, credit documentation, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis typically includes larger, non-homogeneous loans such as commercial real estate and commercial and industrial loans. This analysis is performed on an ongoing basis as new information is obtained.

The Bank uses the following definitions for risk ratings:

Pass - Loans classified as pass include loans not meeting the risk ratings defined below.

Special Mention - Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard - Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Impaired - A loan is considered impaired, when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Additionally, all loans classified as troubled debt restructurings are considered impaired.

The risk category of loans by class of loans as of December 31, 2020 was as follows:

	Pass	Special Mention	Substandard	Impaired	Total
Real Estate					
Construction	$ 9,356,609	$ -	$ -	$ -	$ 9,356,609
Commercial	79,296,046	899,547	4,490,018	-	84,685,611
Residential	18,753,684	-	-	-	18,753,684
Commercial	160,091,323	1,959,671	4,231,283	-	166,282,277
Consumer	2,700,384	-	-	-	2,700,384
	$ 270,198,046	$ 2,859,218	$ 8,721,301	$ -	$281,778,565

The risk category of loans by class of loans as of December 31, 2019 was as follows:

	Pass	Special Mention	Substandard	Impaired	Total
Real Estate					
Construction	$ 5,614,367	$ -	$ -	$ -	$ 5,614,367
Commercial	38,985,600	-	-	-	38,985,600
Residential	16,713,160	-	-	-	16,713,160
Commercial	29,957,290	1,956,399	2,987,517	-	34,901,206
Consumer	4,656,179	-	-	-	4,656,179
	$ 95,926,596	$ 1,956,399	$ 2,987,517	$ -	$ 100,870,512

The Bank has the following past due and nonaccrual loans as of December 31, 2020:

	Still Accruing 30-59 Days Past Due	Still Accruing 60-89 Days Past Due	Still Accruing Over 90 Days Past Due	Nonaccrual
Real Estate - Construction	$ -	$ -	$ -	$ -
Multifamily	-	-	-	-
Commercial	13,000	1,000	-	-
Commercial	-	-	-	-
Consumer	-	-	-	-
	$ 13,000	$ 1,000	$ -	$ -

The Bank had no past due, nonaccrual or impaired loans as of December 31, 2019.

The balance of unamortized loan fees, net of loan origination costs included in total loans was $3,141,760 and $389,157 as of December 31, 2020 and 2019, respectively. Included in unamortized loan fees at December 31, 2020 were unamortized net PPP loan fees and costs totaling $2,126,745.

The Bank's loan deferral program provided a deferral of principal and/or interest-only payments for periods not exceeding 90-days for all loans that qualify under the CARES Act or Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus. Loans qualifying for deferral under this program continue to accrue interest during the deferral period and are not reported as past due loans or TDRs for the term of the deferral period. At the end of the deferral period, borrowers will be required to resume making regularly scheduled loan payments. Interest accrued during deferral periods is payable at loan maturity. The Bank may grant an extension of an additional 90-day deferment. The accrued interest will be reviewed to determine if a reserve for uncollectible interest is required. At December 31, 2020, the Bank had $1.8 million in total loans outstanding in the loan deferral program.

Note 3 - Premises and Equipment

A summary of premises and equipment as of December 31 is as follows:

	2020	2019
Leasehold improvements	$ 171,807	$ 167,692
Furniture, fixtures, and equipment	423,928	372,138
	595,735	539,830
Less accumulated depreciation and amortization	(364,363)	(223,530)
	$ 231,372	$ 316,300

Note 4 - Leases

The Bank has entered into operating leases for its branch, loan production and administrative offices, which expire on various dates through January 2027. The leases provide for options to renew. The exercise of renewal options is at the sole discretion of the Bank. Renewal option periods were not included in the measurement of ROU assets and lease liabilities as they are not considered reasonably certain of exercise. The components of lease expense for the years ended December 31 were as follows:

	2020	2019
Operating lease expense	$ 351,158	$ 309,117
Variable lease expense	5,953	4,937
	$ 357,111	$ 314,054

Supplemental cash flow information related to operating leases for the years ended December 31 was as follows:

	2020	2019
Cash Paid for Amounts Included in the Measurement of Lease Liabilities	$ 257,828	$ 296,517
Right-of-Use Assets Obtained in Exchange for Lease Obligations	$ -	$ 1,131,521

Supplemental statement of financial condition information related to operating leases as of December 31 was as follows:

	2020	2019
Lease Right-of-Use Assets	$ 1,223,609	$ 1,507,707
Lease Liabilities	$ 1,344,292	$ 1,533,170
Weighted Average Remaining Lease Term	5.12 Years	5.86 Years
Weighted Average Discount Rate	4.82%	4.68%

Maturities of operating lease liabilities as of December 31, 2020 were as follows:

Year Ending	
2021	$ 354,685
2022	300,444
2023	205,439
2024	211,675
2025	217,911
Thereafter	243,431
Total lease payments	1,533,585
Less imputed interest	(189,293)
Total operating lease liability	$ 1,344,292

Note 5 - Deposits

At December 31, 2020, the scheduled maturities of time deposits are as follows:

2021	$ 6,396,443
2022	261,153
2023	133,589
	$ 6,791,185

As of December 31, 2020, the Bank had 6 deposit relationships that exceeded 2.00% of total deposits, collectively aggregating approximately $62,431,000 and representing 25.33% of the total deposits of the Bank.

Note 6 - Borrowings

The Bank had unused unsecured lines of credit with a correspondent bank with a total borrowing capacity of $7.5 million at December 31, 2020. There were no advances under this line as of December 31, 2020 and 2019.

As of December 31, 2020, the Bank had an available line of credit with the Federal Home loan Bank of San Francisco (“FHLBSF”) secured by the assets of the Bank. Under this line, the Bank may borrow up to approximately $20.9 million subject to providing adequate collateral and continued compliance with the Advances and Security Agreement and other eligibility requirements established by the FHLB. The Bank has pledged loans of approximately $32.4 million as collateral for this line. As of December 31, 2020, there was an outstanding loan advance of $5.0 million with the FHLBSF that bears interest at a rate of 0.00% per annum, due on May 28, 2021. As of December 31, 2019, there was an outstanding loan advance of $5.0 million with the FHLBSF which had an interest rate of 1.66% per annum, due on January 2, 2020.

As of December 31, 2020, the Bank had loan advances of $109.2million from the Federal Reserve Bank of San Francisco under the Paycheck Protection Program Liquidity Facility (“PPPLF”), which had an interest rate of 0.35% per annum. The advances are collateralized by Paycheck Protection Program loans in the same amount and maturities as the advances. The advances are all due in 2022.

Note 7 - Income Taxes

The income tax expense for the year ended December 31 is comprised of the following:

	2020	2019
Current		
Federal	$ -	$ -
State	276,800	800
	276,800	800
Deferred	310,000	(935,000)
Valuation Allowance	(310,000)	935,000
	$ 276,800	$ 800

A comparison of the federal statutory income tax rates to the Bank’s effective income tax rate as of December 31 follows:

	2020		2019	
	Amount	Rate	Amount	Rate
Statutory Federal Tax	$ 355,000	21.0%	$ (701,000)	(21.0%)
State Franchise Tax, net of	154,000	9.1%	(273,000)	(8.2%)
Valuation allowance	(310,000)	(18.3%)	935,000	28.0%
Stock-Based Compensation	19,000	1.1%	27,000	0.8%
Other Items, net	59,000	3.5%	12,800	0.4%
Tax Expense	$ 277,000	16.4%	$ 800	0.0%

Deferred taxes are a result of differences between income tax accounting and generally accepted accounting principles with respect to income and expense recognition. The following is a summary of the components of the net deferred tax asset accounts recognized in the accompanying statements of financial condition at December 31:

	2020	2019
Deferred Tax Assets		
Organization expenses	$ 489,000	$ 529,000
Allowance for loan losses due to tax limitations	822,000	481,000
Stock-based compensation	300,000	264,000
Net operating loss carryovers	1,009,000	1,467,000
Operating lease liability	397,000	453,000
Accrual to cash	-	32,000
Other items	151,000	70,000
	3,168,000	3,296,000
Valuation Allowance	(2,540,000)	(2,850,000)
Deferred Tax Liabilities		
Right of use asset	(362,000)	(446,000)
Accrual to cash	(266,000)	-
	(628,000)	(446,000)
Net deferred tax assets	$ -	$ -

The valuation allowance was established because the Bank has not reported earnings sufficient to support the recognition of the deferred tax assets. At December 31, 2020, the Bank has net operating loss carryforwards of approximately $2,768,000 for federal income purposes and $4,948,000 for California franchise tax purposes. Federal net operating loss carryforwards do not expire and California net operating loss carryforwards, to the extent not used will begin to expire in 2039. During 2020 the state of California suspended the use of net operating losses for up to three years for companies that have taxable income over $1,000,000. If the use of the net operating loss is suspended, the expiration date of the net operating loss is also extended.

The Bank records interest and penalties related to uncertain tax positions as part of income tax expense. There was no penalty or interest expense recorded as of December 31, 2020 and 2019. The Bank does not expect the total amount of unrecognized tax benefits to significantly increase or decrease within the next twelve months.

The Bank is subject to federal income tax and California franchise tax. Federal and California income tax returns for years ended on or after December 31, 2018 are open to audit by the federal and California authorities.

Note 8 - Other Expenses

Other expenses as for the year ended December 31 are comprised of the following:

	2020	2019
Data processing	$ 759,530	$ 643,230
Legal and professional	482,792	311,008
Advertising and business development	62,327	143,060
Regulatory assessments	132,348	78,871
Director stock-based compensation and other	58,070	105,290
Loan expenses	20,876	35,244
Office and telephone expense	73,292	50,012
Insurance	40,679	40,747
Other	184,526	148,141
	$ 1,814,440	$ 1,555,603

Note 9 - Commitments

In the ordinary course of business, the Bank enters into financial commitments to meet the financing needs of its customers. These financial commitments include commitments to extend credit. Those instruments involve to varying degrees, elements of credit and interest rate risk not recognized in the Bank's financial statements.

The Bank's exposure to loan loss in the event of nonperformance on commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total amounts do not necessarily represent future cash requirements. The Bank evaluates each client's credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Bank is based on management's credit evaluation of the customer. The majority of the Bank's commitments to extend credit generally are secured by real estate or other commercial business assets. The Bank uses the same credit policies in making commitments as it does for loans reflected in the financial statements.

As of December 31, the Bank had the following approximate outstanding financial commitments whose contractual amounts represent credit risk:

	2020	2019
Commitments to extend credit	$ 72,186,000	$ 41,902,000

Note 10 - Related Party Transactions

In the ordinary course of business, certain executive officers, directors and companies with which they are associated may have loans and deposits with the Bank. At December 31, 2020 and 2019, related party deposits were approximately $2,662,000 and $2,219,000, respectively, and total outstanding balance of related party loans at December 31, 2020 and 2019 was approximately $0 and $518,000, respectively.

Note 11 - Stock – Based Compensation Plan

The Board of Directors of the Bank approved the 2017 Equity Incentive Plan ("2017 Plan"). The plan was approved in April 2018 by the shareholders. Under the terms of the 2017 Plan, officers and key employees may be granted both nonqualified and incentive stock options, and directors and other consultants, who are not also an officer or employee, may only be granted nonqualified stock options. The 2017 Plan also permits the granting of restricted stock and restricted stock units. The 2017 Plan provides for the total number of awards of common stock that may be issued over the term of the plan not to exceed 800,578 shares, of which a maximum of 720,520 shares may be granted as incentive stock options. Stock options and restricted stock are granted at a price not less than 100% of the fair market value of the stock on the date of grant. The 2017 plan provides for accelerated vesting if there is a change of control as defined in the 2017 Plan. Equity awards generally vest over three to five years. Stock options expire no later than ten years from the date of grant.

The Bank recognized stock-based compensation cost of $213,465 and $355,469 for the years ended December 31, 2020 and 2019, respectively.

No stock options were granted in 2020.

Stock options, with a weighted-average grant date fair value of $3.74 issued in 2019, were estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2019
Expected volatility	29.6%
Expected term	7.5 Years
Expected dividends	None
Risk free rate	1.84%
Grant date fair value	$3.74

Since the Bank has a limited amount of historical stock activity, the expected volatility is based on the historical volatility of similar banks that have a longer trading history. The expected term represents the estimated average period of time that the options remain outstanding. Since the Bank does not have sufficient historical data on the exercise of stock options, the expected term is based on the "simplified" method that measures the expected term as the average of the vesting period and the contractual term, adjusted for management's estimate on the period of time that options granted are expected to be outstanding. The risk-free rate of the return reflects the grant date interest rate offered for zero coupon U.S. Treasury bonds over the expected term of the options.

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December 31, 2020 and 2019

A summary of the status of the Bank's stock option plan as of December 31, 2020 and changes during the year ended thereon is presented below:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at beginning of year	434,795	$ 10.01		
Granted	-	$ -		
Exercised	-	$ -		
Forfeited or expired	(5,500)	$ 10.15		
Outstanding at end of year	429,295	$ 10.01	7.12	$ -
Options exercisable	281,188	$ 10.00	7.10	$ -

As of December 31, 2020, there was $27,422 of total unrecognized compensation cost related to the outstanding stock options that will be recognized over a weighted average period of 0.93 years.

It is the Bank's intention to grant nonqualified stock options to organizers of the Bank once the Bank is no longer considered a de novo institution by the appropriate regulatory authorities, which the Bank believes will be three years after the bank opens for business. The options will be granted at an exercise price equal to the fair market value of the common stock at the time of grant. All options granted to organizers will be issued in accordance with the Bank's 2017 Plan.

Note 12 - Employee 401k Plan

The Bank has adopted a 401(k) for its employees. Under the plan, eligible employees may defer a portion of their salaries. The plan provides for a discretionary matching contribution. The Bank made no contributions and incurred no associated expense for the years ended December 31, 2020 and 2019.

Note 13 - Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the asset or obligation could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the entire holdings of a particular financial instrument. Because no market value exists for a significant portion of the financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature, involve uncertainties and matters of judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on financial instruments both on and off the balance sheet without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Additionally, tax consequences related to the realization of the unrealized gains and losses can have a potential effect on fair value estimates and have not been considered in many of the estimates. The fair value hierarchy level and estimated fair value of significant financial instruments at December 31 are summarized as follows (amounts in thousands):

		2020		2019	
	Fair Value Hierarchy	Carrying Value	Value	Carrying Value	Fair Value
Financial Assets					
Cash and cash equivalents	Level 1	$103,364	$103,364	$ 21,571	$ 21,571
Time deposits in other banks	Level 1	4,190	4,197	1,925	1,925
Loans, net	Level 3	278,694	282,384	99,139	98,915
Accrued interest	Level 2	1,467	1,467	237	237
Financial Liabilities					
Demand and other non-maturity deposits	Level 1	239,687	239,687	86,277	86,277
Time deposits	Level 2	6,791	6,806	14,473	14,498
Federal Home Loan Bank Borrowing	Level 2	5,000	4,994	5,000	5,000
Other Borrowing	Level 2	109,169	109,275	-	-

Note 14 - Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

A minimum leverage ratio (tier 1 capital as a percentage of total assets) of 4.0% is also required under the Basel III Capital Rules (even for highly rated institutions). The Basel III Capital rules additionally require institutions to retain a capital conservation buffer of 2.5% above the adequately capitalized risk-based capital ratios. Banking organization that fail to maintain the minimum 2.5% capital conservation buffer could face restrictions on capital distributions or discretionary bonus payments to executive officers. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total, Tier 1 and CET1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2020 and 2019, that the Bank meets all capital adequacy requirements to which it is subject.

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As of December 31, 2020, and 2019, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action (there are no conditions or events since that notification that management believes have changed the Bank's category). To be categorized as well capitalized, the Bank must maintain minimum ratios as set forth in the table below. In addition to the capital requirements below, the FDIC requires the Bank to maintain its Tier 1 Capital to average assets at 8% during the first three years of operations. The following table also sets forth the Bank's actual capital amounts and ratios at December 31, 2020 (dollar amounts in thousands):

			Amount of Capital Required			
	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$29,355	14.7%	$16,025	8.0%	$20,031	10.0%
Tier 1 capital (to risk-weighted assets)	$26,843	13.4%	$12,018	6.0%	$16,025	8.0%
CET1 capital (to risk-weighted assets)	$26,843	13.4%	$ 9,014	4.5%	$13,020	6.5%
Tier 1 capital (to average assets)	$26,843	10.9%	$ 9,884	4.0%	$12,355	5.0%

The following table also sets forth the Bank's actual capital amounts and ratios at December 31, 2019 (dollar amounts in thousands):

			Amount of Capital Required			
	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$ 19,116	15.5%	$ 9,886	8.0%	$ 12,358	10.0%
Tier 1 capital (to risk-weighted assets)	$ 17,569	14.2%	$ 7,415	6.0%	$ 9,886	8.0%
CET1 capital (to risk-weighted assets)	$ 17,569	14.2%	$ 5,561	4.5%	$ 8,033	6.5%
Tier 1 capital (to average assets)	$ 17,569	14.8%	$ 4,761	4.0%	$ 5,951	5.0%

The California Financial Code also provides that a bank may not make a cash distribution to its shareholders in excess of the lesser of the bank's undivided profits or the bank's net income for its last three fiscal years less the amount of any distribution made by the bank's shareholders during the same period.

LEADERSHIP TEAM

MARK ANDERSON
Chief Operations Officer

DANNA M. MURPHY
Chief Financial Officer

DAN C. YATES
Chief Executive Officer

STEVEN D. SEFTON
President

SCOTT T. PARKER
Chief Credit Officer

"Thanks Endeavor Bank Team for the late-night emails. I won't (and no one will) ever forget how hard Endeavor works for its community and customers."

"Since we were stuck with no communication from our bank, I reached out to Endeavor. You responded at 5:30am, we sent our application in at 8:00am, and we were approved at 4:30pm. You were amazing!"

PPP client testimonials

"Your work and personal attention to us speaks highly to the quality customer service that is obviously interwoven in the Endeavor Bank culture."

PPP client testimonial

BOARD OF DIRECTORS

CHRISTOPHER J. WOOLLEY

LORNE R. POLGER

JOYCE A. GLAZER

MATTHEW H. RATTNER
Chairman

DAN C. YATES

JULIE P. DUBICK

STEVEN D. SEFTON

JAMES W. LEDWITH

"I appreciate the personal communication you provided as we went along, explaining the hurdles we were facing."

"I for one am very happy that you are watching out for small businesses like mine."

PPP client testimonials

Endeavor Bank

INVESTOR INFORMATION

AUDITORS AND LEGAL COUNSEL

Certified Public Accountants/Auditors
Eide Bailly, LLP
Laguna Hills, CA

Legal Counsel
Breakwater Law Group, LLP
Attorneys at Law
Solana Beach, CA

SHAREHOLDER AND INVESTOR INFORMATION

Endeavor Bank common stock began trading June 4, 2018 on the OTC Pink Open Market platform under the symbol “EDVR.”

The number of shares issued and outstanding as of December 31, 2019 was 2,668,595. Please call your stockbroker or one of our market makers listed below for stock information:

D.A. Davidson & Co.
PO Box 1688
Big Bear Lake, CA 92315
Contact: Michael Natzic or Katy Ehlers
800.288.2811 or 909.584.4500

Raymond James & Associates
One Embarcadero Center, Suite 650
San Francisco, CA 94111
Contact: John T. Cavender
888.317.8986 or 415.616.8935

EDVR
TICKER SYMBOL

OTC Pink

SHAREHOLDER ACCOUNT INFORMATION

If you have questions concerning your stock account, please call our transfer agent:

Computershare Trust Company, N.A.
462 South 4th Street, Suite 1600
Louisville, KY 40202
800.736.3001
www.computershare.com/investor

For more detailed financial information, please refer to Endeavor Bank quarterly CALL reports located on the FDIC website at www.fdic.gov.

Endeavor Bank Investor Relations Department
750 B Street, Suite 3110
San Diego, CA 92101
619.329.6565

FORWARD-LOOKING STATEMENTS

This annual report includes “forward-looking statements,” as such term is defined in the Private Securities Litigation Reform Act of 1995. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Important factors that could cause actual results to differ materially from our expectations are the loss of key personnel, lower lending limits and capital than competitors, regulatory restrictions and oversight of the Bank, the effects of the COVID-19 pandemic and related government response, the secure and effective implementation of technology, risks related to the local and national economy, the Bank’s implementation of its business plans and management of growth, loan performance, interest rates, and regulatory matters, the effects of trade, monetary and fiscal policies, inflation, and changes in accounting policies and practices.

Except as otherwise noted, all information contained in this annual report is as of December 31, 2020.

This annual report has not been reviewed, or confirmed for accuracy or relevance, by the Federal Deposit Insurance Corporation or the California Department of Financial Protection and Innovation (DFPI).

Endeavor Bank

Endeavor Bank Headquarters
750 B Street, Suite 3110 | San Diego, CA 92101 | (619) 329-6565

Administrative & Executive Office
703 Palomar Airport Road, Suite 165 | Carlsbad, CA 92011 | (760) 795-0102

bankendeavor.com