Endeavor Bank

2019 ANNUAL REPORT


We Share Your
Vision
Endeavor Bank
Our consultative approach to banking puts the focus on you.
We partner with our clients and share our reservoir of knowledge to help you achieve success.
Whether it is strategic planning, operations, recruiting key personnel or traditional banking and finance, we have the advice and technology to solve your challenges.

"Endeavor Bank put together a time-sensitive loan on favorable terms. They had the experience and ability to do something not every bank can do. The extra that Endeavor Bank gives - they call it 'consultative' - is not the banking norm."

Tony Cannariato, President of American Concrete

"Endeavor Bank was instrumental in assisting us to launch our business. They made the key referrals and introductions and had the experience and expertise to understand our industry. When it was time for us to seek a credit facility, it was natural to go to the bank that had already demonstrated so much value."

John Lloyd, President & CEO, Co-Founder of Fidelis Private Fund, LP

"We feel they are a true partner in our future."

Don B. McDougal, President/CEO of Grand Tradition Estate and Gardens

"My 'consultative' experience with Endeavor Bank started long before the bank's inception. Steve Sefton spent time with me in one of his whiteboard sessions that helped solve a vexing business issue. Endeavor is a real business partner. They actively listen and consult with me regarding business challenges."

Lisa Carman, CEO of T3W, Inc.

Endeavor Bank

April 20, 2020

Dear Shareholders:

We are living through an unprecedented period of our lifetimes and it's an incredibly uncertain and hazardous future for many businesses in San Diego.

At Endeavor Bank, our chartered goal is to help the local business community survive such calamities so that your business can return and thrive. While the current world situation serves up many obstacles that may seem insurmountable, we firmly believe that, working together as a team with our business partners, we will together overcome the present challenges.

Never has there been a time when the value of a local, consultative business bank is more evident and having an experienced business banker to pick up the phone more valuable. We are proud to assist hundreds of businesses in Southern California through this crisis and we express our gratitude to all of our team members who have worked tirelessly to assist our community.

Since the CARES Act was passed, we have helped many local business owners navigate the programs created by the act, intended to serve as lifelines to their businesses. Additionally, the management team continues to provide invaluable guidance on how to navigate the complex and ever-changing world of government programs.

While this crisis has expanded our reach, we already had positioned ourselves to be able to support the community by continuing to grow the bank's capabilities during 2019. In our second year of business, we ended with total assets growing to $125 million at year-end while both loans and deposits exceeded the $100 million mark. In the first quarter of 2020, we completed our secondary capital offering and added an additional $7.6 million to equity while continuing positive trending results.

During 2019 and into 2020, we continue to add services and build our technology infrastructure. As part of this new world order, we continue to expand our suite of electronic offerings. Your business experience with Endeavor can be fully digitally integrated, virtual, and completely safe. Finally, we want to remind you that we have our community resource, Teamvibe, where you can find out about your bank, interact with management, and communicate with other shareholders. We encourage you to visit our website (www.bankendeavor.com) to see our array of technical services.

There is simply nothing like a global pandemic to reinforce how interconnected and interdependent we have become. We are all truly in this together as we work together and help each other in the coming months. At some point, all of this will pass and we will return to something resembling normalcy and Endeavor Bank will be here to serve you and your business.

We thank each and every one of you for your ongoing trust and support. As always, you can view our latest financial statements on the FDIC's website at:
https://www5.fdic.gov/idasp/confirmation_outside.asp?inCert1=59099

We always welcome your suggestions and feedback.

Sincerely,

Matthew H. Rattner
Chairman

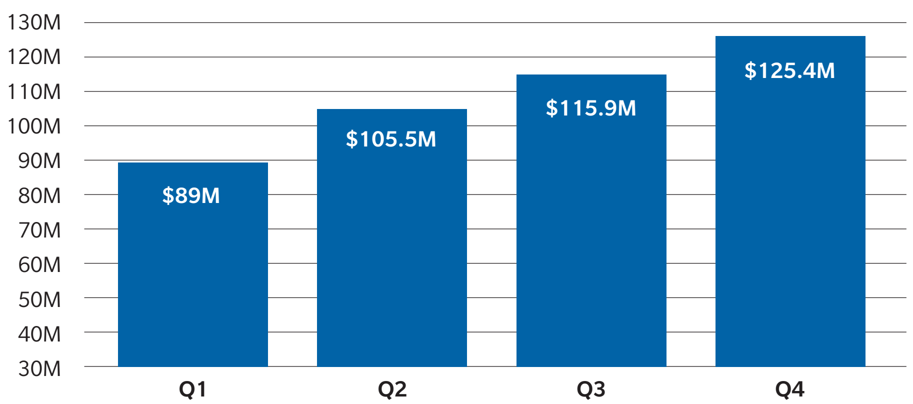
Steven D. Sefton
President
(858) 230-4243

Dan C. Yates
CEO
(858) 230-5185

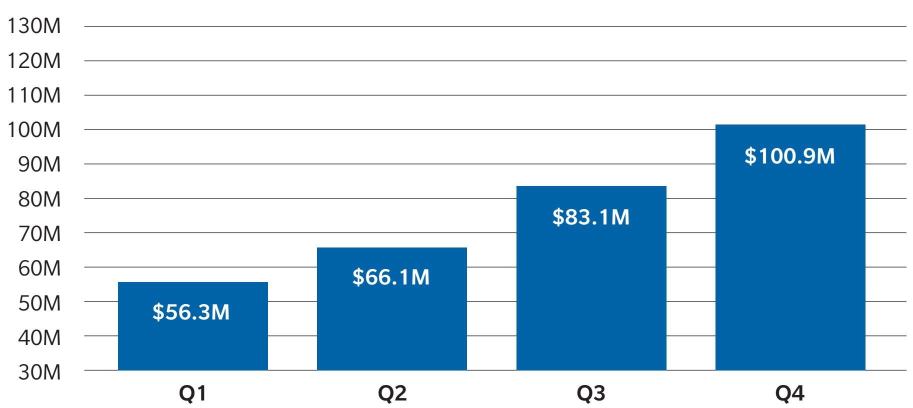
Endeavor Bank

2019 AT A GLANCE

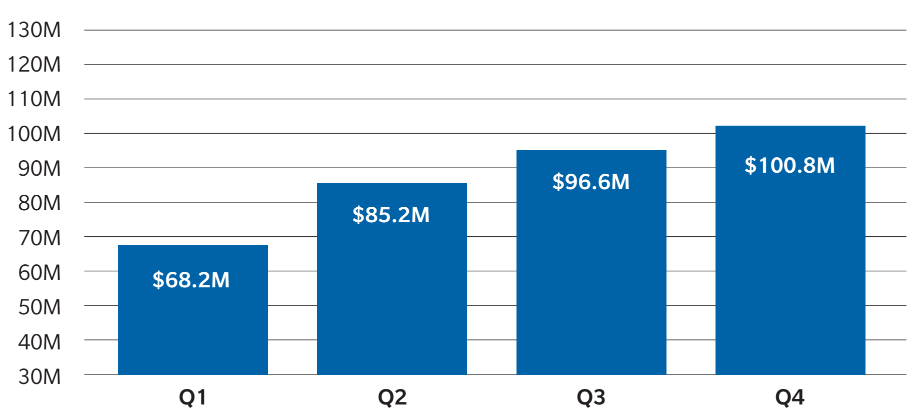
TOTAL ASSETS



TOTAL GROSS LOANS



TOTAL DEPOSITS



"Since partnering with Endeavor Bank, they not only have expanded our financing capacity, they delivered ideas and solutions to address employee retention, improving our insurance coverages and office space capacity needs. RxSafe is a better company with the help of Endeavor, and their consultative approach continues to pay dividends to our success."

WILLIAM HOLMES
Founder, President & CEO of RxSafe

"They understand how business and banks work together to achieve success."

STEVE GRANGETTO
CEO of 5th Axis Inc.

"When we made the decision to change our banking relationships to Endeavor Bank, the transition was seamless. From when Dan Yates scheduled his first appointment with us and each step of the way, they were optimistic, under-standing, and did what they said they would do."

DON B. MCDOUGAL
President/CEO of Grand Tradition Estate and Gardens

Our Club YOUR CLUB

We believe that business is best conducted when we all work together. The collective resources of our shareholders extend to many industries and specialties.

Endeavor Bank's **Shareholder Club** provides our investors the opportunity to network and do business with other local business leaders, and build long-term relationships.

Our Shareholder Club networking and educational events are a great way to connect with other business owners who are facing similar challenges and opportunities.

Endeavor's commitment to creating this platform reflects our investment in San Diego and our shareholders. We look forward to hosting several events each year.

"On a number of occasions, the Endeavor Bank team has introduced me to the right vetted advisor who helped me resolve a business challenge. By working with Endeavor, I have improved my business and realized growth."

Lisa Carman, CEO of T3W, Inc.

"Last year we suffered an external cyber-attack and the Endeavor team did what it could to help us through that challenging period. We are now stronger than ever and I am certain that we partnered with the right bank to help us continue in our growth."

Dan Smith, CEO of Emergency Packout

"Endeavor Bank has provided truly consultative banking, taking the time to understand our business and providing a thoughtful, creative financing solution that exceeded our expectations. Endeavor's responsive, engaged bankers are the type of business leaders you want on your team."

Bill VanDeWeghe, President/CEO of BioSurplus, Inc.

Financial Statements with Independent Auditor's Report

EideBailly
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, 2019, and the related statements of operations, changes in shareholders' equity, and cash flows for the year 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 audit. We conducted our audit 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, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter
The financial statements of Endeavor Bank as of and for the period January 22, 2018 (inception of business) through December 31, 2018, were audited by Vavrinek, Trine, Day & Co. LLP, who joined Eide Bailly LLP on July 22, 2019, and whose report dated February 27, 2019, expressed an unmodified opinion on those statements.

Eide Bailly LLP

Laguna Hills, California
February 26, 2020

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STATEMENTS OF FINANCIAL CONDITION
December 31, 2019 and 2018

	2019	2018
Assets		
Cash and Due from Banks	$ 1,236,193	$ 401,241
Interest-Bearing Deposits at Other Banks	20,334,613	42,196,403
Total cash and cash equivalents	21,570,806	42,597,644
Interest-Bearing Time Deposits at Other Banks	1,925,000	250,000
Loans		
Real estate	61,313,127	28,858,023
Commercial	34,901,206	11,742,854
Consumer	4,656,179	2,835,177
Total loans	100,870,512	43,436,054
Allowance for loan losses	(1,732,000)	(667,000)
Net loans	99,138,512	42,769,054
Federal Home Loan Bank ("FHLB") Stock, at Cost	201,000	74,600
Premises and Equipment, net	316,300	378,374
Operating Lease Right-of-Use Assets	1,507,707	659,152
Accrued Interest and Other Assets	761,771	511,636
Total assets	$ 125,421,096	$ 87,240,460

See Notes to Financial Statements

STATEMENTS OF FINANCIAL CONDITION

December 31, 2019 and 2018

	2019	2018
Liabilities and Shareholders' Equity		
Deposits		
Noninterest-bearing demand	$ 40,912,601	$ 18,964,795
Interest-bearing demand, savings, NOW and money market accounts	45,364,616	32,742,722
Time deposits under $250,000	6,005,177	5,656,361
Time deposits $250,000 and over	8,467,373	8,415,655
Total deposits	100,749,767	65,779,533
Operating Lease Liabilities	1,533,170	672,014
Federal Home Loan Bank Borrowings	5,000,000	-
Accrued Interest and Other Liabilities	569,496	236,803
Total liabilities	107,852,433	66,688,350
	-	-
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;		
2,668,595 shares issued and outstanding in 2019 and 2018	26,398,375	26,398,375
Additional paid-in capital	1,409,136	1,053,667
Accumulated deficit	(10,238,848)	(6,899,932)
Total shareholders' equity	17,568,663	20,552,110
Total liabilities and shareholders' equity	$ 125,421,096	$ 87,240,460

See Notes to Financial Statements

STATEMENTS OF OPERATIONS

Year Ended December 31, 2019 and the Period January 22, 2018 (Inception of Business) Through December 31, 2018

	2019	2018
Interest Income		
Interest and fees on loans	$ 4,019,525	$ 1,059,996
Interest on interest-bearing deposits and other	688,880	567,013
Total interest income	4,708,405	1,627,009
Interest Expense		
Interest on interest-bearing demand, savings, Now and money market accounts	531,595	238,012
Interest on time deposits	403,239	87,422
Interest on Federal Home Loan Bank borrowings	459	-
Total interest expense	935,293	325,434
Net Interest Income	3,773,112	1,301,575
Provision for Loan Losses	1,065,000	667,000
Net Interest Income After Provision for Loan Losses	2,708,112	634,575
Net Interest Income		
Service charges, fees and other	65,647	9,220
Total noninterest income	65,647	9,220
Noninterest Expense		
Salaries and employee benefits	4,051,528	3,659,745
Occupancy and equipment expenses	504,744	435,300
Other expenses	1,555,603	1,395,596
Total noninterest expense	6,111,875	5,490,641
Loss Before Income Taxes	(3,338,116)	(4,846,846)
Income Taxes	800	800
Net Loss	$ (3,338,916)	$ (4,847,646)
Net Loss per Share - Basic	$ 1.25	$ 1.82
Net Loss per Share - Diluted	$ 1.25	$ 1.82

See Notes to Financial Statements

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year Ended December 31, 2019 and the Period January 22, 2018 (Inception of Business) Through December 31, 2018

	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Balance at January 22, 2018	-	$ -	$ -	$ -	$ -
Initial Capitalization, Net of Offering Costs of $287,575	2,668,595	26,398,375			26,398,375
Organizational Expenses				(2,052,286)	(2,052,286)
Stock-Based Compensation			1,053,667		1,053,667
Net Loss				(4,847,646)	(4,847,646)
Balance at December 31, 2018	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

See Notes to Financial Statements

STATEMENTS OF CASH FLOWS

Year Ended December 31, 2019 and the Period January 22, 2018 (Inception of Business) Through December 31, 2018

	2019	2018
Operating Activities		
Net Loss	$ (3,338,916)	$ (4,847,646)
Adjustments to reconcile net loss to net cash from operating activities		
Depreciation and amortization	161,664	143,161
Provision for loan losses	1,065,000	667,000
Stock-based compensation	355,469	1,053,667
Operating lease right-of-use amortization	282,966	253,032
Operating lease liability payments	(270,365)	(240,170)
Other items	82,558	(274,833)
Net Cash from Operating Activities	(1,661,624)	(3,245,789)
Investing Activities		
Net change in interest-bearing time deposits in other banks	(1,675,000)	(250,000)
Net increase in loans	(57,434,458)	(43,436,054)
Net change in Federal Home Loan Bank stock	(126,400)	(74,600)
Purchases of premises and equipment	(99,590)	(521,535)
Net Cash from Investing Activities	(59,335,448)	(44,282,189)
Financing Activities		
Net change in demand and interest-bering demand accounts	34,569,700	51,707,517
Net change in time deposits	400,534	14,072,016
Net change in Federal Home Loan Bank borrowings	5,000,000	-
Proceeds from initial capitalization	-	26,398,375
Organizational expenses, net	-	(2,052,286)
Net Cash from Financing Activities	39,970,234	90,125,622
Change in Cash and Cash Equivalents	(21,026,838)	42,597,644
Cash and Cash Equivalents at Beginning of Period	42,597,644	-
Cash and Cash Equivalents at End of Period	$ 21,570,806	$ 42,597,644
Supplemental Disclosures of Cash Flow Information		
Interest paid	$ 938,114	$ 308,939
Taxes paid	$ 800	$ 800
Lease liabilities arising from obtaining right-of-use assets	$ 1,131,521	$ 912,184

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.

Organizational Costs

As discussed in Note 9, costs incurred for the period of the Bank's organization through the inception of business have been charged directly to shareholder's equity.

Subsequent Events

The Bank has evaluated subsequent events for recognition and disclosure through February 26, 2020, 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 bank's 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. The Bank complied with the reserve requirements as of December 31, 2019 and 2018. 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. 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. Amounts are charged off when available information confirms that specific loans or portions thereof, are uncollectible. 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 and $44,000 at December 31, 2019 and 2018, respectively, and is included in other liabilities on the statements of financial condition.

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 straight-line 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

The Bank adopted the provisions of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), on January 22, 2018, upon the commencement of operations, and all subsequent ASUs that modified Topic 606. The Bank recognizes revenue as it is earned and noted no impact to its revenue recognition policies as a result of the adoption of ASU 2014-09. All of the Bank's revenue from contracts with customers within the scope of ASC 606 is recognized in non-interest 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.

The following is a discussion of key revenues within the scope of the new revenue guidance.

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 period incurred.

Stock-Based Compensation

The Bank recognizes the cost of employee services received in exchange for awards of stock options, or other equity instruments, based on the grant-date fair value of those 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.

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 income statement when incurred.

See Note 12 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. All of the outstanding stock options were not considered in computing diluted earnings per share for 2019 and 2018 because they were antidilutive. Weighted-average shares used in the computation of basic EPS were 2,668,595 in 2019 and 2018.

Comprehensive Income (Loss)

Comprehensive income (loss) is comprised solely of the net loss for the period.

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 10. 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, 2019, and 2018, 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.

In August 2018, the FASB issued ASU No. 2018-13, "Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement." This ASU eliminates, adds and modifies certain disclosure requirements for fair value measurements. Among the changes, entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy but will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. ASU No. 2018-13 is effective for all entities for interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted. As ASU No. 2018-13 only revises disclosure requirements, it will not have a material impact on the Bank's financial statements and disclosures.

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.

The Bank has pledged loans totaling approximately $35.7 million to secure a line of credit with the Federal Home Loan Bank 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:

	2019	2018
Beginning balance	$ 667,000	$ -
Additions to the allowance charged to expense	1,065,000	667,000
Recoveries on loans charged off	-	-
	1,732,000	667,000
Less loans charged off	-	-
Ending balance	$ 1,732,000	$ 667,000

The following table presents the activity in the allowance for loan losses for the current period 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 period	$ 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

The following table presents the activity in the allowance for loan losses for the current period and the recorded investment in loans and impairment method as of December 31, 2018 by portfolio segment:

	Real Estate	Commercial	Consumer	Total
Allowance for Loan Losses				
Beginning of period	$ -	$ -	$ -	$ -
Provisions	443,141	180,322	43,537	667,000
Charge-offs	-	-	-	-
Recoveries	-	-	-	-
End of year	$ 443,141	$ 180,322	$ 43,537	$ 667,000
Reserves				
Specific	$ -	$ -	$ -	$ -
General	443,141	180,322	43,537	667,000
	$ 443,141	$ 180,322	$ 43,537	$ 667,000
Loans Evaluated for Impairment				
Individually	$ -	$ -	$ -	$ -
Collectively	28,858,023	11,742,854	2,835,177	43,436,054
	$ 28,858,023	$ 11,742,854	$ 2,835,177	$ 43,436,054

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.

Endeavor Bank
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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, 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 risk category of loans by class of loans as of December 31, 2018 was as follows:

	Pass	Special Mention	Substandard	Impaired	Total
Real Estate					
Construction	$ 1,952,701	$ -	$ -	$ -	$ 1,952,701
Commercial	$ 17,355,051	-	-	-	$ 17,355,051
Residential	9,550,271	-	-	-	9,550,271
Commercial	11,742,854	-	-	-	11,742,854
Consumer	2,835,177	-	-	-	2,835,177
	$ 43,436,054	$ -	$ -	$ -	$ 43,436,054

The Bank had no past due, nonaccrual or impaired loans as of December 31, 2019 and 2018. The balance of unamortized loan fees, net of loan origination costs included in total loans was $389,157 and $238,416 as of December 31, 2019 and 2018, respectively.

Note 3 - Premises and Equipment

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

	2019	2018
Leasehold improvements	$ 167,692	$ 199,300
Furniture, fixtures, and equipment	372,138	322,235
	539,830	521,535
Less accumulated depreciation and amortization	(223,530)	(143,161)
	$ 316,300	$ 378,374

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 year ended December 31, 2019 and the period ended December 31, 2018 was as follows:

	2019	2018
Operating lease expense	$ 309,117	$ 275,649
Variable lease expense	4,937	1,355
	$ 314,054	$ 277,004

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

	2019	2018
Cash Paid for Amounts Included in the Measurement of Lease Liabilities	$ 296,517	$ 262,787
Right-of-Use Assets Obtained in Exchange for Lease Obligations	$ 1,131,521	$ 912,184

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

	2019	2018
Lease Right-of-Use Assets	$ 1,507,707	$ 659,152
Lease Liabilities	$ 1,533,170	$ 672,014
Weighted Average Remaining Lease Term	5.86 Years	3.12 Years
Weighted Average Discount Rate	4.68%	3.16%

Maturities of operating lease liabilities as of December 31, 2019 were as follows:

Year Ending	
2020	$ 255,937
2021	354,685
2022	300,444
2023	205,439
2024	211,675
Thereafter	461,343
Total lease payments	1,789,523
Less imputed interest	(256,353)
Total operating lease liability	$ 1,533,170

Note 5 - Deposits

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

2020	$ 14,342,581
2021	-
2022	-
2023	129,969
2024	-
	$ 14,472,550

As of December 31, 2019, the Bank had 12 deposit relationships that exceeded 2.0% of total deposits, collectively aggregating approximately $46,719,000 and representing 46.4% of the total deposits of the Bank.

Endeavor Bank
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

Note 6 - Borrowings

The Bank has unused unsecured lines of credit with a correspondent bank with a total borrowing capacity of $7.5 million at December 31, 2019. There were no advances under this line as of December 31, 2019 and 2018.

As of December 31, 2019, 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 $26.6 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 $35.7 million as collateral for this line. As of December 31, 2019, there was an outstanding loan advance of $5.0 million with the FHLBSF that bears interest at a rate of 1.66% per annum, due on January 2, 2020. There were no borrowings under this line as of December 31, 2018.

Note 7 - Income Taxes

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

	2019	2018
Current		
Federal	$ -	$ -
State	800	800
	800	800
Deferred	(935,000)	(1,915,000)
Valuation Allowance	935,000	1,915,000
	$ 800	$ 800

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:

	2019	2018
Deferred Tax Assets		
Organization expenses	$ 529,000	$ 569,000
Allowance for loan losses due to tax limitations	481,000	183,000
Stock-based compensation	264,000	197,000
Net operating loss carryovers	1,467,000	922,000
Operating lease liability	453,000	199,000
Other items	102,000	49,000
	3,296,000	2,119,000
Valuation Allowance	(2,850,000)	(1,915,000)
Deferred Tax Liabilities		
Right of use asset	(446,000)	(195,000)
Other items	-	(9,000)
	(446,000)	(204,000)
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. The Bank has net operating loss carryforwards of approximately $4,948,000 for federal income purposes and $4,998,000 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 2038.

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, 2019 and 2018. 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:

	2019	2018
Data processing	$ 643,230	$ 469,316
Legal and professional	311,008	207,398
Advertising and business development	143,060	124,337
Regulatory assessments	78,871	31,289
Director stock-based compensation and other	105,290	283,125
Loan expenses	35,244	60,480
Office and telephone expense	50,012	46,336
Insurance	40,747	38,558
Other	148,141	134,757
	$ 1,555,603	$ 1,395,596

Note 9 - Organizational Period

The Bank incorporated on May 1, 2017, shortly after receiving conditional approval from the State of California to organize as a state-chartered bank. Prior to that date and up to the inception of business on January 22, 2018, organizers of the Bank incurred costs in connection with the organizational process and raising of the initial capitalization of the Bank. These organization expenses were comprised of the following:

Salaries and benefits	$ 1,323,617
Legal and professional	365,618
Occupancy	207,398
Other	155,653
	$ 2,052,286

Costs incurred during the organizational period have been charged directly to shareholders' equity and are reflected in the statement of changes in shareholders' equity.

Note 10 - 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. The Bank uses the same credit policies in making commitments as it does for loans reflected in the financial statements.

Endeavor Bank
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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

	2019	2018
Commitments to extend credit	$ 41,902,000	$ 25,881,000

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.

Note 11 - 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, 2019 and 2018, related party deposits were approximately $2,219,000 and $3,739,000, respectively, and total outstanding balance of related party loans at December 31, 2019 and 2018 was approximately $518,000 and $0, respectively.

Note 12 - 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 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 $355,469 and $1,053,667 for the period ended December 31, 2019 and 2018, respectively. Stock options, with a weighted-average grant date fair value of $3.74 and $3.83 issued in 2019 and 2018, respectively, were estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2019	2018
Expected volatility	29.6%	29.6%
Expected term	7.5 Years	7.5 Years
Expected dividends	None	None
Risk free rate	1.84%	2.57%
Grant date fair value	$ 3.74	$ 3.83

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.

A summary of the status of the Bank's stock option plan as of December 31, 2019 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 period	485,666	$ 10.00		
Granted	15,000	$ 10.21		
Exercised	-	$ -		
Forfeited or expired	(65,871)	$ 10.00		
Outstanding at end of year	434,795	$ 10.01	8.13 Years	$ 408,605
Options exercisable	139,923	$ 10.00	8.00 Years	$ 132,469

As of December 31, 2019, there was $235,383 of total unrecognized compensation cost related to the outstanding stock options that will be recognized over a weighted average period of 1.33 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 13 - 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 periods ended December 31, 2019 and 2018.

Note 14 - 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):

	Fair Value Hierarchy	2019 Carrying Value	2019 Value	2018 Carrying Value	2018 Fair Value
Financial Assets					
Cash and cash equivalents	Level 1	$ 21,571	$ 21,571	$ 42,598	$ 42,598
Time deposits in other banks	Level 1	1,925	1,925	250	250
Loans, net	Level 3	99,139	98,915	42,769	43,004
Accrued interest	Level 2	237	237	106	106
Financial Liabilities					
Demand and other non-maturity deposits	Level 1	86,277	86,277	51,708	51,708
Time deposits	Level 2	14,473	14,498	14,072	14,086

Note 15 - 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.

In July 2013, the federal bank regulatory agencies approved the final rules implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules). The new rules became effective on January 1, 2015, with certain of the requirements phased-in over a multi-year schedule, and fully phased in by January 1, 2019. Under the Basel III rules, the Bank must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer is being phased in from 0.0% for 2015 to 2.50% by 2019. The capital conservation buffer for 2019 is 2.50% and for 2018 is 1.875%. The net unrealized gain or loss on available for sale securities, if any, 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, 2019 and 2018, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2019, and 2018, 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, 2019 (dollar amounts in thousands):

	Actual		Amount of Capital Required: For Capital Adequacy Purposes		Amount of Capital Required: 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 following table also sets forth the Bank's actual capital amounts and ratios at December 31, 2018 (dollar amounts in thousands):

	Actual		Amount of Capital Required: For Capital Adequacy Purposes		Amount of Capital Required: To Be Well-Capitalized Under Prompt Corrective Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$ 21,234	38.9%	$ 4,364	8.0%	$ 5,455	10.0%
Tier 1 capital (to risk-weighted assets)	$ 20,552	37.7%	$ 3,273	6.0%	$ 4,364	8.0%
CET1 capital (to risk-weighted assets)	$ 20,552	37.7%	$ 2,455	4.5%	$ 3,546	6.5%
Tier 1 capital (to average assets)	$ 20,552	25.6%	$ 3,207	4.0%	$ 4,008	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.

SENIOR MANAGEMENT

Dan C. Yates
Chief Executive Officer

Nasrin Rostami
Chief Risk Officer, Chief Operations Officer

Steven D. Sefton
President

Danna M. Murphy
Chief Financial Officer

Scott T. Parker
Chief Credit Officer

"We appreciate Endeavor Bank's diligence with our recent, complicated, and major acquisition. We look forward to working with the Endeavor team on the rest of our banking relationship in the years to come."

John L. Baldwin, President of Baldwin Pacific Group

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

"We learned firsthand the benefit of dealing with a local bank, with local decision makers. Our management team was reminded of the old adage, 'it's not what you know, it's who you know.'"

Paul Edge, President of Triden Group

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

Stock Exchange Listing: 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 during its "de novo" phase, 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, 2019.

This annual report has not been reviewed, or confirmed for accuracy or relevance, by the Federal Deposit Insurance Corporation or the California Department of Business Oversight.

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Endeavor Bank

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