Celebrating Five Years of Building Connections and Community

2022 Annual Report


Endeavor Bancorp

To Our Shareholders

Endeavor Bancorp's strength lies in making deep connections with local business owners, shareholders and customers, which is part of our unique consultative banking approach and is what differentiates us from other banks. 2022 was another great year for helping local businesses achieve their goals and for growing the bank.

As we celebrate our five-year anniversary in business, we're achieving these goals, reaching more than $500 million in assets—exactly half way down the path to our goal of $1 billion in assets in 10 years.

Endeavor's reputation for hands-on, consultative banking grew throughout Southern California in 2022, thanks to our team and our advocates. We're a bank where decisions are made locally, and services are delivered by an experienced team of bankers, who become trusted advisors to each client. Our vision is to be the premier community business bank to small and mid-sized businesses in Southern California, home to some of the most vibrant and diversified markets in the country.

Last year's results showcase the focused effort of our strong, experienced team, and our commitment to continually deliver diversified financial services, high levels of customer service, convenience and professionalism. For the year 2022, net income increased to $5.58 million, compared to $5.02 million in 2021. During the year we recorded a $2.51 million one-time deferred tax credit that increased 2022 net earnings. Earnings for the year also included $1.15 million in PPP fee income, which was significantly lower compared to the $5.93 million in PPP fee income earned in 2021. The decrease was due to slowing PPP loan forgiveness as the program neared its conclusion. Excluding the deferred tax credit and PPP fee income, our core pretax earnings increased 184% to $3.24 million for the year, compared to $1.14 million in 2021.

Total assets surpassed $480 million in 2022, up $51 million, or 12%, while core loans (excluding PPP loans) climbed $98 million, or 35% and total deposits increased nearly $84 million, or 25%. Our unique market continues to be among the nation's most promising and growth-oriented, and our exceptionally loyal customer base has given us a solid core deposit base upon which to build. We are doing this while protecting our capital and maintaining a high-quality loan portfolio.

We're making our mark in the banking industry while creating a significant and positive impact on our Southern California communities. We are proud that Endeavor Bank was ranked first in California and fifteenth in the nation for the second quarter of 2022 by CB Resource. These rankings highlight Endeavor Bank as a top performer among its peer class of C-Corp banks with assets ranging between $250 and $499 million. Additionally, we are proud that Endeavor Bank was one of 84 banks that received a Super Premier rating, the most prestigious of The Findley Reports' recognition tiers in April 2022; and again was one of 104 banks that received the rating based on 2022 operating results as a whole in March.

To augment our growth strategy, we implemented some initiatives during the year to support future growth. In June we formed Endeavor Bancorp, a bank holding company that is now the parent company of Endeavor Bank. The holding company structure provides us with more capital options to support our growing Southern California franchise, in addition to providing additional revenue generating opportunities. Near the end of the year, we qualified to trade on the OTCQX® Best Market and upgraded to the OTCQX from the Pink® market, marking a significant milestone for our company. Trading on the OTCQX provides for greater transparency, accessibility, and liquidity for investors as we execute our strategy of building a strong community bank.

As we enter 2023, we continue to strive at being the local business bank that is filling a void in our community, investing in local businesses, while also building shareholder value. We continue to refine our strategic processes—**putting the right people into place to scale, continuing the momentum and reputation of consistency and strength we've developed.** We are excited to open a new branch in East County San Diego in the first quarter of 2023. As we enter potentially challenging economic times, we are well prepared to weather the storm as we stay conservative in our lending and operating procedures.

Our strength is in the seamless working together of our Management Team, our committed team members, our 600+ business owner/shareholders and our board members. We truly appreciate our customers for their continuing partnership as well as our shareholders for entrusting us with their capital. As we continue our momentum in 2023, we are looking forward to a prosperous year.

Matthew H. Rattner
Chairman

Steven D. Sefton
President

Dan C. Yates
CEO

We're making our mark in the banking industry while creating a significant and positive impact on our Southern California communities.

Five Years Filled with Significant Milestones

From day one, Endeavor Bank has engaged with the community to reach significant goals and milestones, each that enables us to better serve our clients.

2017

Endeavor Bank

Endeavor receives conditional approval to engage in banking business

2018

Endeavor opens doors for business

$26.7MM equity capital invested

$26.7MM in equity capital invested

Endeavor earns 3.5 Star Rating with Bauer Financial

Endeavor listed on OTC Pink open market platform

OTC Markets

2019

$125MM total assets reached

Endeavor reaches total assets of $125MM

Matt Rattner, Steven Sefton, and Dan Yates selected as SD500 Most Influential People in San Diego by *San Diego Business Journal* for the 2nd year running

SD500

2020

Endeavor completes secondary capital offering

within top 5 in nation

Endeavor Bank ranks in the top 5 in the nation for extending the most PPP loan dollars

Endeavor reaches total assets of $390MM

$390MM total assets reached

2021

Endeavor's Paycheck Protection Program (PPP) reaches almost 1,300 business owners

Core loans (total loans excluding PPP loans) increase by almost $114MM, or 69%

core loans increase by 69%

Endeavor earns 5 Star Rating with Bauer Financial

2022

Endeavor Bank named one of S&P's Top Performing Banks of 2021

Top 100 Community Banks 2021 — S&P Global Market Intelligence

Endeavor Bank Recognized as a Super Premier Bank by The Findley Reports

Endeavor Bank announces formation of holding company, Endeavor Bancorp

Endeavor Bancorp

Dan Yates selected as a CEO of the Year by *San Diego Business Journal*

2022 CEO OF THE YEAR AWARDS

Net income increased to $5.58MM

CB RESOURCE

Endeavor Bank ranked first in California and fifteenth in the nation by CB-Resource, Inc.

OTCQX EDVR

OTC Markets Group Welcomes Endeavor Bancorp to OTCQX

S&P Global Market Intelligence

Endeavor Bank tied for first place as most profitable de novo bank, according to S&P Global Market Intelligence, with a minimal bond portfolio ($6.2MM) at the 2022 year end and the balance in cash and cash equivalents ($89.9MM)

SD500

Matt Rattner, Steven Sefton and Dan Yates selected as SD500 Most Influential People in San Diego by *San Diego Business Journal* for the 5th year in a row and Vickie Turner for the 3rd year in a row

Endeavor Bank exceeds 500 client relationships in March 2022

Endeavor Bancorp issued $15MM in subordinated debt to support the Bank's capital needs

The Impact of Our Consultative Banking Approach

In 2022, we celebrated our fifth anniversary in business and the many milestones reached along the way.

Endeavor Bancorp's total assets surpassed $500 million, keeping us on track with our goal to reach $1 billion in assets by our 10-year anniversary. While we celebrate our success, we attribute our growth to our customers' successes, and the impact of our consultative banking approach. More importantly, we honor the community and connections we've built along the way and thank our customers for the privilege of being involved with their businesses. Endeavor Bank works together with our customers to brainstorm ideas and solutions to help bring them to the next places on their ongoing journeys toward success.

Endeavor Bank client, San Diego Symphony is currently undergoing a $125 million renovation of the Jacobs Music Center's Copley Symphony Hall.

2017

Endeavor Bank founded. A group of local business leaders and distinguished bankers buck the norm and found Endeavor Bank, San Diego's first community bank in more than 14 years, supported by more than 600 shareholders representing virtually all business sectors in San Diego and surrounding areas.

Endeavor Bank

… we attribute our growth to our customers' successes, and the impact of our consultative banking approach.

2018

$26.7MM equity capital invested

$26.7 million in equity capital invested in the bank from its IPO, in excess of Endeavor's $25.0 million goal. Initial capital raising success attributed to growing the Bank to $87.2 million in assets, with $65.8 million in deposits and $43.4 million in loans by the end of 2018.

Team reaches 23 banking professionals handling day-to-day business of Endeavor Bank's clients.

100+ new client relationships

Endeavor earns 3.5 Star Rating with Bauer Financial. Bank exceeds all of the current regulatory guidelines to be well-capitalized, and is a member of the Federal Deposit Insurance Corporation (FDIC).

Endeavor listed on OTC Pink open market platform under the trading symbol EDVR.

OTC Markets

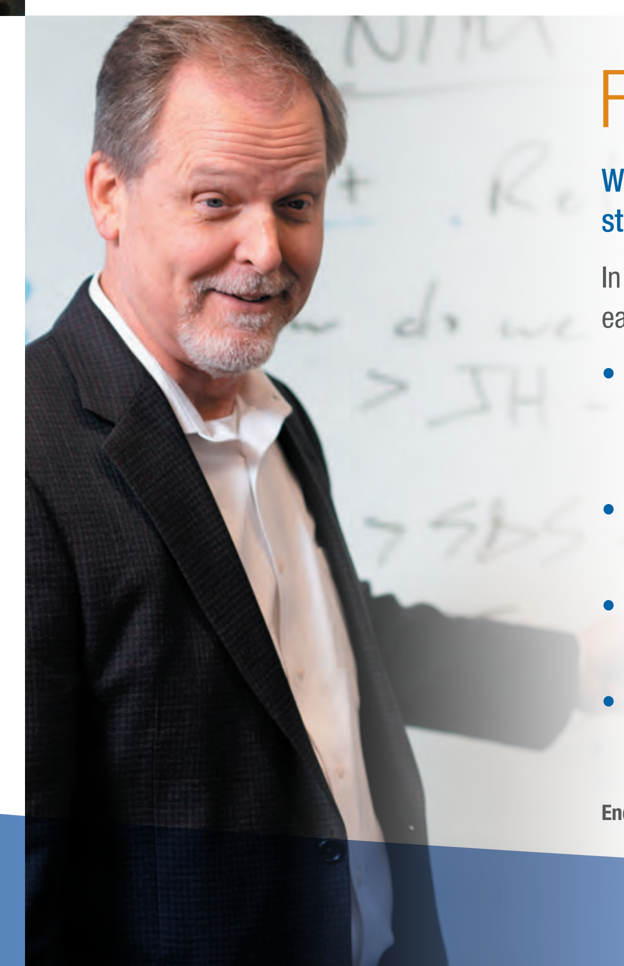
Together, we aim to continue making a measurable impact on our clients and our communities.

Fast Growth Requires Capital

Well-capitalized banks can quickly expand lending, serving as a source of strength for their clients and the economy.

In our five years in business, Endeavor has had four major capital raising events, each of which allowed us to keep up with demand and better serve our customers:

- **December 2018:** $26.7 million in equity capital invested in the bank from its IPO; success attributed to growing to $87.2 million in assets, with $65.8 million in deposits and $43.4 million in loans.
- **March 2020:** Endeavor completes secondary capital offering and adds an additional $7.6 million to equity.
- **2020:** Bank participates in PPP program, generating more than $10 million in unexpected fee income/interest, increasing the bank's capital.
- **March 2022:** Endeavor Bancorp issued $15,000,000 in subordinated debt to support the bank's capital needs



Endeavor President Steve Sefton brainstorms ideas with clients to help them grow their businesses.

Strength in Community

It's the journey and the people we meet along the way

For the past five years of our journey, the people and businesses we've met and helped along the way have been our source of inspiration. We find strength in community and seek to share that strength with our clients and shareholders, providing resources and expanding strategies to grow revenues and profits.

Endeavor is owned by Southern California business leaders. 100% of our resources (client deposits) are invested back into the community.

Endeavor Bank CEO Dan C. Yates speaking at the 2022 Annual Shareholder Meeting.

2019

Endeavor reaches total assets of $125 million at year-end while both loans and deposits exceeded the $100 million mark.

$125MM
total assets reached

Local decision making, local board, local founders, local owners, and relationships with local clients in Southern California.

2020

Endeavor completes secondary capital offering and adds an additional $7.6 million to equity while continuing positive trending results.

within
top 5
in nation

Endeavor Bank ranks in the top 5 in the nation for extending the most PPP loan dollars relative to the bank's size.

Endeavor Bank supports nearly 1,300 businesses with more than $282 million in funded PPP loans.

Endeavor reaches total assets of $390 million (Dec 31), recording first annual profit (more than $1.4 million).

$390MM
total assets reached

Endeavor is owned by Southern California business leaders. 100% of our resources (client deposits) are invested back into the community.

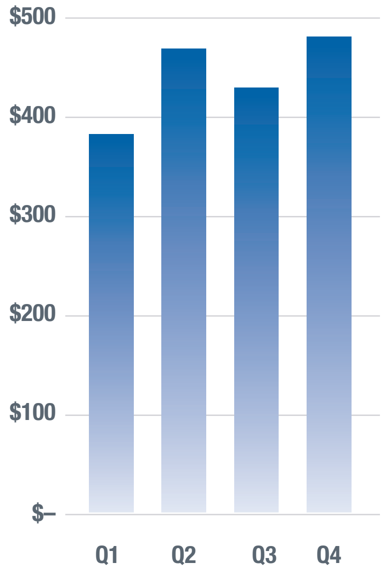
2021

- **Core loans (total loans excluding PPP loans) increase by almost $114 million, or 69%**
- Total deposits increase by nearly $94 million, or 38%, since year-end 2020 (4Q results)
- Record earnings of $5.024 million reached, compared to earnings of $1.416 million in fiscal year 2020

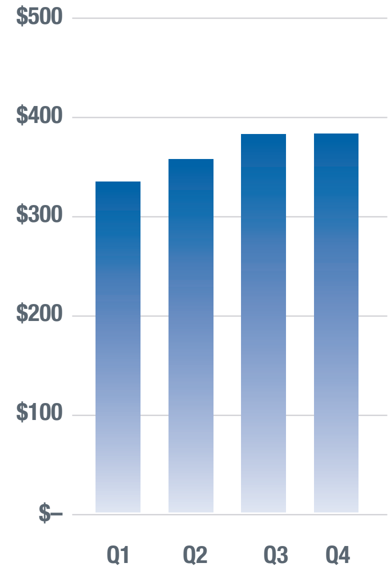
core loans increase by
69%

Financial Highlights – 2022 in Brief

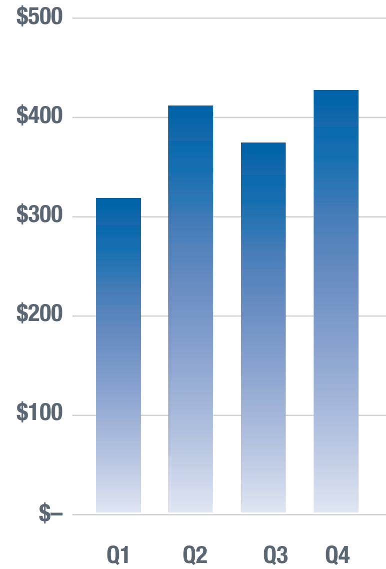
Total Assets*
($ in millions)



Total Gross Loans*
($ in millions)



Total Gross Deposits*
($ in millions)



*4Q22, 3Q22 and 2Q22 are consolidated results, 1Q22 are Bank only results.

…we honor the community and connections we've built along the way and thank our customers for the privilege of being involved with their businesses.

San Diego Symphony's The Rady Shell at Jacobs Park.

2022

Endeavor Bank named one of S&P's Top Performing Banks of 2021.

Endeavor Bank Announces Formation of Holding Company, Endeavor Bancorp, a bank holding company that is now the parent company of Endeavor Bank. Holding company structure provides more capital options.

Endeavor Bank Recognized as a Super Premier Bank by The Findley Reports for third consecutive year.

Dan Yates selected as a CEO of the Year by *San Diego Business Journal*.

Endeavor Bank ranked first in California and fifteenth in the nation by CB Resource, Inc. among peer C-Corp class with assets between $250 million and $499 million nationwide.

Matt Rattner, Steven Sefton and Dan Yates selected as SD500 Most Influential People in San Diego by *San Diego Business Journal* for the 5th year in a row and Vickie Turner for the 3rd year in a row.

OTCQX
EDVR

OTC Markets Group Welcomes Endeavor Bancorp to OTCQX. Endeavor upgrades from the OTC Pink market, to trade on the OTCQX® Best Market, providing greater transparency, accessibility, and liquidity for investors.

Net income increased
$5.58MM

Net income increased to $5.58 million, compared to $5.02 million in 2021.

S&P Global Market Intelligence reports that **Endeavor Bank tied for first place as most profitable de novo bank established between 2017 and 2020.**

Consolidated Financial Statements

December 31, 2022 and 2021

Endeavor Bancorp and Subsidiary

Well-capitalized banks can quickly expand lending, serving as a source of strength for their clients and the economy.

Eide Bailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors
Endeavor Bancorp and Subsidiary
San Diego, California

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Endeavor Bancorp and Subsidiary (the Company), which comprise the consolidated statements of financial condition as of December 31, 2022 and 2021, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of their operations and their cash flows for years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control Accordingly no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Eide Bailly LLP

Laguna Hills, California
February 23, 2023

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Endeavor Bancorp and Subsidiary
Consolidated Statements of Financial Condition
December 31, 2022 and 2021

	2022	2021
Assets		
Cash and due from banks	$ 6,937,585	$ 1,739,332
Interest-bearing deposits at other banks	82,970,630	85,532,184
Total cash and cash equivalents	89,908,215	87,271,516
Interest-bearing time deposits at other banks	1,984,000	4,470,000
Debt securities held to maturity	1,000,000	-
Debt securities available for sale	5,194,611	4,987,070
Loans		
Real estate	261,663,327	185,690,908
Commercial	117,451,133	147,087,764
Consumer	2,733,204	1,631,710
Total loans	381,847,664	334,410,382
Deferred fees and costs	(1,395,199)	(2,306,715)
Allowance for loan losses	(5,776,000)	(4,075,000)
Net loans	374,676,465	328,028,667
Federal home loan bank ("FHLB") stock, at cost	1,486,700	1,097,400
Premises and equipment, net	125,461	164,628
Operating lease right-of-use assets	1,281,899	1,587,511
Deferred tax assets	2,909,000	-
Accrued interest and other assets	1,867,630	1,663,871
Total assets	$ 480,433,981	$ 429,270,663

See Notes to Consolidated Financial Statements

Endeavor Bancorp and Subsidiary
Consolidated Statements of Financial Condition
December 31, 2022 and 2021

	2022	2021
Liabilities and shareholders' equity		
Deposits		
Noninterest-bearing demand	$ 201,572,398	$ 232,254,083
Interest-bearing demand, savings, and money market accounts	218,167,032	104,287,126
Time deposits under $250,000	562,362	699,040
Time deposits $250,000 and over	2,618,500	2,107,204
Total deposits	422,920,292	339,347,453
Operating lease liabilities	1,434,255	1,723,183
Long term notes payable	14,549,156	-
Other borrowings	1,768,584	53,498,477
Accrued interest and other liabilities	1,560,116	1,996,395
Total liabilities	442,232,403	396,565,508
Commitments and contingencies - Note 11		
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, 3,380,543 in 2022 3,372,390 in 2021	34,136,607	34,061,837
Additional paid-in capital	2,758,384	2,560,961
Retained earnings (deficit)	1,778,378	(3,799,207)
Accumulated other comprehensive loss	(471,791)	(118,436)
Total shareholders' equity	38,201,578	32,705,155
Total liabilities and shareholders' equity	$ 480,433,981	$ 429,270,663

See Notes to Consolidated Financial Statements

Endeavor Bancorp and Subsidiary

Consolidated Statements of Operations

Years Ended December 31, 2022 and 2021

	2022	2021
Interest and dividend Income		
Loans	$ 17,718,096	$ 17,211,435
Debt securities	87,325	13,460
Interest-bearing deposits and other	1,132,649	131,559
Total interest and dividend income	18,938,070	17,356,454
Interest Expense		
Interest-bearing demand, savings, money market accounts	1,538,864	154,589
Time deposits	30,379	14,476
Other borrowings	751,338	478,345
Total interest expense	2,320,581	647,410
Net Interest Income	16,617,489	16,709,044
Provision for Loan Losses	1,701,000	990,000
Net Interest Income After Provision for Loan Losses	14,916,489	15,719,044
Noninterest Income		
Service charges and fees on deposits	304,530	274,862
Other service charges and fees	289,825	163,788
Total noninterest income	594,355	438,650
Noninterest Expense		
Salaries and employee benefits	6,928,776	5,386,204
Occupancy and equipment expenses	526,377	534,770
Other expenses	3,666,006	3,168,116
Total noninterest expense	11,121,159	9,089,090
Income Before Income Taxes	4,389,685	7,068,604
(Benefit) provision for income taxes	(1,187,900)	2,045,000
Net Income	$ 5,577,585	$ 5,023,604
Net Income per Share - Basic	$ 1.65	$ 1.49
Net Income per Share - Diluted	$ 1.62	$ 1.49

See Notes to Consolidated Financial Statements

Endeavor Bancorp and Subsidiary

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2022 and 2021

	2022	2021
Net Income	$ 5,577,585	$ 5,023,604
Other Comprehensive Loss (Current period):		
Unrealized losses on debt securities available for sale	(551,341)	(118,436)
Tax effect of current period changes	197,986	-
Total Other Comprehensive Loss	(353,355)	(118,436)
Comprehensive Income	$ 5,224,230	$ 4,905,168

See Notes to Consolidated Financial Statements

Endeavor Bancorp and Subsidiary
Consolidated Statements of Shareholders' Equity
Years Ended December 31, 2022 and 2021

	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total
Balance at January 1, 2021	3,357,561	$ 34,042,962	$ 1,622,601	$ (8,822,811)	$ -	$ 26,842,752
Stock-based compensation			957,235			957,235
Issuance of restricted shares, net	14,829					
Vesting of restricted shares		18,875	(18,875)			-
Other comprehensive income					(118,436)	(118,436)
Net income				5,023,604		5,023,604
Balance at December 31, 2021	3,372,390	34,061,837	2,560,961	(3,799,207)	(118,436)	32,705,155
Stock-based compensation			273,850			273,850
Issuance of restricted shares, net	8,153	(1,657)				(1,657)
Vesting of restricted shares		76,427	(76,427)			-
Other comprehensive loss					(353,355)	(353,355)
Net income				5,577,585		5,577,585
Balance at December 31, 2022	3,380,543	$ 34,136,607	$ 2,758,384	$ 1,778,378	$ (471,791)	$ 38,201,578

See Notes to Consolidated Financial Statements

Endeavor Bancorp and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Operating Activities		
Net Income	$ 5,577,585	$ 5,023,604
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	72,869	107,447
Provision for loan losses	1,701,000	990,000
Deferred taxes	(2,711,000)	-
Net change in deferred PPP loan fees, net	(1,143,062)	(926,546)
Operating lease right-of-use amortization	305,612	294,285
Operating lease liability payments	(288,928)	(279,296)
Stock-based compensation	273,850	957,235
Other items	(641,709)	956,614
Net Cash from Operating Activities	3,146,217	7,123,343
Investing Activities		
Net change in interest-bearing time deposits in other banks	2,486,000	(280,000)
Purchases of debt securities held to maturity	(1,000,000)	-
Purchases of debt securities available for sale	(996,764)	(5,139,600)
Proceeds from principal payments & maturities of debt securities available for sale	237,882	34,094
Net increase in loans	(47,205,736)	(49,398,556)
Purchase of Federal Home Loan Bank stock	(389,300)	(590,700)
Purchases of premises and equipment	(33,702)	(40,703)
Net Cash from Investing Activities	(46,901,620)	(55,415,465)
Financing Activities		
Net change in demand and interest-bering demand accounts	83,198,221	96,854,629
Net change in time deposits	374,618	(3,984,941)
Net change in Federal Home Loan Bank borrowings	-	(5,000,000)
Proceeds from long term note payables	15,000,000	-
Issuance costs from long term note payables	(450,844)	-
Proceeds from other borrowings	-	132,874,752
Repayment of other borrowings	(51,729,893)	(188,545,049)
Net Cash from Financing Activities	46,392,102	32,199,391
Change in Cash and Cash Equivalents	2,636,699	(16,092,731)
Cash and Cash Equivalents, Beginning of Year	87,271,516	103,364,247
Cash and Cash Equivalents, End of Year	$ 89,908,215	$ 87,271,516
Supplemental Disclosures of Cash Flow Information		
Interest paid	$ 2,271,010	$ 671,580
Taxes paid	$ 1,714,000	$ 2,185,000
Lease liabilities arising from obtaining right-of-use assets	$ -	$ 658,187

See Notes to Consolidated Financial Statements

Note 1 - Summary of Significant Accounting Policies

Principles of Consolidation and Nature of Operations

The accompanying consolidated financial statements include the accounts of Endeavor Bancorp and its wholly-owned subsidiary Endeavor Bank (the "Bank"), collectively referred to herein as the “Company.” All significant intercompany transactions have been eliminated.

Endeavor Bancorp was formed on January 13, 2022 as a one-bank holding company. On June 1, 2022 Endeavor Bancorp acquired 100% of the outstanding shares of common stock of the Bank in exchange for an equal number of shares of common stock of Endeavor Bancorp. There was no cash involved in the transaction. The reorganization was accounted for as a pooling of interests and the consolidated financial statements contained herein have been restated to give full effect to this transaction.

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 Company has evaluated subsequent events for recognition and disclosure through February 23, 2023, which is the date the consolidated 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.

Endeavor Bancorp and Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

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 Federal Reserve Bank reduced the reserve requirement ratio to zero percent across all deposit tiers as of March 26, 2020, to aid institutions impacted by COVID-19. As of December 31, 2022 and 2021, the required reserve percentage remains at zero percent. The Company maintains amounts due from banks, which may exceed federally insured limits. The Company 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.

Debt Securities

Debt securities are classified in three categories and accounted for as follows: debt securities that the Company has the positive intent and ability to hold to maturity are classified as held to maturity and are measured at amortized cost; debt securities bought and held principally for the purpose of selling in the near term are classified as trading securities and are measured at fair value, with unrealized gains and losses included in earnings; debt securities not classified as either held to maturity or trading securities are deemed as available for sale and are measured at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. Gains or losses on sales of debt securities are determined on the specific identification method. Premiums and discounts are amortized or accreted using the interest method over the expected lives of the related securities. Purchases and sales of debt securities are recorded on the trade date.

Management evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows; OTTI related to credit loss, which must be recognized in the consolidated statements of operations, and OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

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 Company 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 Company 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 discounted at the loan's effective interest rate, measured by reference to an observable market value, (if one exists), or the fair value of the collateral for a collateral-dependent loan. The Company 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 Company 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 (TDR), 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.

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General reserves cover non-impaired loans and are based on historical loss rates of the Bank and it's peer group 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 Company 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 Company 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 $80,000 at December 31, 2022 and $70,000 in December 31, 2021, and is included in accrued interest and other liabilities on the consolidated statements of financial condition. Provisions for unfunded commitment losses are included in other expense in the consolidated statements of operations.

Federal Home Loan Bank Stock

The Company 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 interest income in the consolidated statement of operations.

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 Company 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 Company 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 Company'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 consolidated statements of financial condition. Lease expense is recognized on a straight-line basis over the lease term. The Company 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 consolidated 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 Company 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 Company 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 Company satisfies a performance obligation. The Company 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 Company 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 Company 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 Company'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 Company 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 deposit 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.

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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 Company, 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 Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Advertising Costs

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

Stock-Based Compensation

The Company 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 Company'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 Company 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 Company 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.

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 consolidated 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 Company 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 consolidated 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 tax positions are recorded as part of income tax expense.

Earnings Per Share ("EPS")

Earnings per common share is computed under the two-class method. 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, excluding outstanding participating securities. 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. Unvested share-based awards that contain non-forfeitable rights to receive dividends when declared or dividend equivalents (whether paid or unpaid) are participating securities and are included in the computation of earnings per share pursuant to the two-class method. The Company has determined that its outstanding non-vested restricted share awards are participating securities.

Comprehensive Income (loss)

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available-for-sale which are also recognized as separate components of equity.

Financial Instruments

In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit as described in Note 11-Commitments. Such financial instruments are recorded in the consolidated 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 the Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

See Note 15-Fair Value Measurements for more information and disclosures relating to the Company's fair value

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Note 2 – Debt Securities

The carrying amount of securities and their approximate fair values at December 31 were as follows:

Available-for-Sale Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2022				
U.S. Government and Agency Securities	$ 2,984,745	$ 21,546	$ (246,541)	$ 2,759,750
Mortgage-Backed Securities	1,762,018	-	(269,593)	1,492,425
Obligations of State and Political Subdivisions	1,117,625	-	(175,189)	942,436
	$ 5,864,388	$ 21,546	$ (691,323)	$ 5,194,611

Held to Maturity Securities	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
December 31, 2022				
Corporate debt securities	1,000,000	-	-	1,000,000
	$ 1,000,000	$ -	$ -	$ 1,000,000

Available-for-Sale Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2021				
U.S. Government and Agency Securities	$ 2,000,000	$ -	$ (46,385)	$ 1,953,615
Mortgage-Backed Securities	1,984,845	-	(35,407)	1,949,438
Obligations of State and Political Subdivisions	1,120,661	-	(36,644)	1,084,017
	$ 5,105,506	$ -	$ (118,436)	$ 4,987,070

The amortized cost and fair values of debt securities at December 31, 2022, by contractual maturities are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in One Year or Less	$ -	$ -	$ -	$ -
Due From Over One Year to Five Years	2,000,000	1,753,459	1,000,000	1,000,000
Due From Over Five to Ten Years	1,117,625	942,436	-	-
Due After Ten Years	984,745	1,006,291		
Mortgage-Backed Securities	1,762,018	1,492,425	-	-
	$ 5,864,388	$ 5,194,611	$ 1,000,000	$ 1,000,000

The gross unrealized loss and related estimated fair value of investment securities that have been in a continuous loss position for less than twelve months and over twelve months at December 31, 2022 and 2021, are as follows:

	Less than Twelve Months		Twelve Months or More		Total	
Available-for-Sale Securities	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value
December 31, 2022						
U.S. Government and Agency Securities	$ -	$ -	$ (246,541)	$ 1,753,459	$ (246,541)	$ 1,753,459
Mortgage-Backed Securities	-	-	(269,593)	1,492,425	(269,593)	1,492,425
Obligations of State and Political Subdivisions	-	-	(175,189)	942,436	(175,189)	942,436
	$ -	$ -	$ (691,323)	$ 4,188,320	$ (691,323)	$ 4,188,320

	Less than Twelve Months		Twelve Months or More		Total	
Available-for-Sale Securities	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value
December 31, 2021						
U.S. Government and Agency Securities	$ (46,385)	$ 1,953,615	$ -	$ -	$ (46,385)	$ 1,953,615
Mortgage-Backed Securities	(35,407)	1,949,438	-	-	(35,407)	1,949,438
Obligations of State and Political Subdivisions	(36,644)	1,084,017	-	-	(36,644)	1,084,017
	$ (118,436)	$ 4,987,070	$ -	$ -	$ (118,436)	$ 4,987,070

As of December 31, 2022, the Company had seven total debt securities, five of which were in an unrealized loss position. Unrealized losses on these investment securities have not been recognized into income as management does not intend to sell, and it is not "more likely than not" that management would be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates. The fair value is expected to recover as the bonds approach maturity.

At December 31, 2022 and 2021, there were no holdings of securities to any one issuer, other than the U.S. Government and its agencies, in any amount greater than 10% of shareholders' equity

Note 3 - Loans

The Company's loan portfolio consists primarily of loans to borrowers within the San Diego County metropolitan marketplace and its surrounding areas. Although the Company 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 Company's market area and, as a result, the Company's loan and collateral portfolios are, to some degree, concentrated in those industries.

Beginning in April of 2020, the Company 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 Company was paid a processing fee from the SBA ranging from 1% to 5% based on the loan size. The Company collected PPP processing fees, net of deferred loan origination costs, in the amount of $5.0 million during the year ended December 31, 2021 (none were collected during the year ended December 31, 2022). The Company recorded $1.1 million and $5.9 million in accretion of those fees, which was classified in interest and fees on loans in the consolidated statements of operations during the years ended December 31, 2022, and December 31, 2021, respectively.

The Company participated in the Main Street Lending Program (MSLP) 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 Company 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 Company. The program expired on January 8, 2021. As of December 31, 2022, the balance of loans related to the MSLP was $4.19 million, net of deferred fees and costs. As of December 31, 2021 the balance of loans related to the MSLP was $4.23 million, net of deferred fees and costs.

At December 31, 2022, the Company had pledged loans totaling approximately $173.8 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 7-Borrowings.

A summary of the changes in the allowance for loan losses as of December 31, 2022 and 2021, follows:

	2022	2021
Beginning balance	$ 4,075,000	$ 3,085,000
Additions to the allowance charged to expense	1,701,000	990,000
Recoveries on loans charged off	-	-
	5,776,000	4,075,000
Less loans charged off	-	-
Ending balance	$ 5,776,000	$ 4,075,000

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The following table presents the activity in the allowance for loan losses for the year ended December 31, 2022 and the recorded investment in loans and impairment method as of December 31, 2022 by portfolio segment:

	Real Estate	Commercial	Consumer	Total
Allowance for Loan Losses				
Beginning of year	$ 2,349,200	$ 1,704,257	$ 21,543	$ 4,075,000
Provisions	936,126	749,430	15,444	1,701,000
Charge-offs	-	-	-	-
Recoveries	-	-	-	-
End of year	$ 3,285,326	$ 2,453,687	$ 36,987	$ 5,776,000
Reserves				
Specific	$ -	$ 150,000	$ -	$ 150,000
General	3,285,326	2,303,687	36,987	5,626,000
	$ 3,285,326	$ 2,453,687	$ 36,987	$ 5,776,000
Loans Evaluated for Impairment				
Individually	$ -	$ 572,772	$ -	$ 572,772
Collectively	260,584,941	116,557,278	2,737,474	379,879,693
	$ 260,584,941	$ 117,130,050	$ 2,737,474	$ 380,452,465

At December 31, 2022, commercial loans include $2.46 million in PPP loans, net of unearned fees and costs of $50 thousand.

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The following table presents the activity in the allowance for loan losses for the year ended December 31, 2021 and the recorded investment in loans and impairment method as of December 31, 2021 by portfolio segment:

	Real Estate	Commercial	Consumer	Total
Allowance for Loan Losses				
Beginning of year	$ 1,916,020	$ 1,119,160	$ 49,820	$ 3,085,000
Provisions	433,180	585,097	(28,277)	990,000
Charge-offs	-	-	-	-
Recoveries	-	-	-	-
End of year	$ 2,349,200	$ 1,704,257	$ 21,543	$ 4,075,000
Reserves				
Specific	$ -	$ -	$ -	$ -
General	2,349,200	1,704,257	21,543	4,075,000
	$ 2,349,200	$ 1,704,257	$ 21,543	$ 4,075,000
Loans Evaluated for Impairment				
Individually	$ -	$ -	$ -	$ -
Collectively	184,960,883	145,508,084	1,634,700	332,103,667
	$ 184,960,883	$ 145,508,084	$ 1,634,700	$ 332,103,667

At December 31, 2021, commercial loans include $52.6 million in PPP loans, net of unearned fees and costs of $1.2 million.

The Company 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 Company 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 Company 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.

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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.

Doubtful – Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values highly questionable and improbable.

The risk category of loans by class of loans as of December 31, 2022 was as follows:

	Pass	Special Mention	Substandard	Doubtful	Total
Real Estate					
Construction	$ 14,641,660	$ -	$ -	$ -	$ 14,641,660
Commercial	210,634,183	-	2,046,377	-	212,680,560
Residential	31,077,883	-	2,184,838	-	33,262,721
Commercial	107,935,974	2,122,998	6,498,306	572,772	117,130,050
Consumer	2,737,474	-	-	-	2,737,474
	$ 367,027,174	$ 2,122,998	$ 10,729,521	$ 572,772	$ 380,452,465

The risk category of loans by class of loans as of December 31, 2021 was as follows:

	Pass	Special Mention	Substandard	Doubtful	Total
Real Estate					
Construction	$ 11,530,366	$ -	$ -	$ -	$ 11,530,366
Commercial	137,063,800	1,978,422	4,389,701	-	143,431,923
Residential	29,500,715	-	497,879	-	29,998,594
Commercial	138,139,739	3,420,207	3,948,138	-	145,508,084
Consumer	1,634,700	-	-	-	1,634,700
	$ 317,869,320	$ 5,398,629	$ 8,835,718	$ -	$ 332,103,667

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The Company had the following past due and nonaccrual or impaired loans as of December 31, 2022:

	Still Accruing			
	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Nonaccrual
Real Estate				
Construction	$ -	$ -	$ -	$ -
Commercial	-	-	-	-
Residential	-	-	-	-
Commercial	1,414,484	185,294	-	572,772
Consumer	-	-	-	-
	$ 1,414,484	$ 185,294	$ -	$ 572,772

The Company had the following past due and nonaccrual or impaired loans as of December 31, 2021:

	Still Accruing			
	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Nonaccrual
Real Estate				
Construction	$ -	$ -	$ -	$ -
Commercial	-	-	-	-
Residential	-	-	-	-
Commercial	34,443	497,582	521,473	-
Consumer	-	-	-	-
	$ 34,443	$ 497,582	$ 521,473	$ -

The balance of unamortized loan fees, net of loan origination costs included in total loans was $1.4 million and $2.3 million as of December 31, 2022 and 2021, respectively. Included in unamortized loan fees were unamortized net PPP loan fees and costs totaling $50,503 and $1,200,198 as of December 31, 2022 and 2021, respectively.

The Company'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 Company could 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, 2022 and 2021, there were no loans outstanding in the loan deferral program.

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The following table presents information for impaired loans for the year ended December 31, 2022:

December 31,2022	Unpaid Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
December 31,2022					
Real Estate - Construction	$ -	$ -	$ -	$ -	$ -
Real Estate - Other:					
Farmland	-	-	-	-	-
1-4 Residential	-	-	-	-	-
Multifamily	-	-	-	-	-
Commercial	-	-	-	-	-
Commercial	274,116	272,772	-	341,373	30,418
Consumer	-	-	-	-	-
With an Allowance					
Real Estate - Construction	-	-	-	-	-
Real Estate - Other:					
Farmland	-	-	-	-	-
1-4 Residential	-	-	-	-	-
Multifamily	-	-	-	-	-
Commercial	-	-	-	-	-
Commercial	300,000	300,000	150,000	300,000	6,361
Consumer	-	-	-	-	-
	$ 574,116	$ 572,772	$ 150,000	$ 641,373	$ 36,779

There were no impaired loans for the year ending December 31, 2021.

Non-accrual loans and loans past due over 89 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. Impaired loans include commercial loans that are evaluated for impairment and deemed impaired (i.e., individually classified impaired loans) as well as TDRs for all loan portfolio segments. The sum of non-accrual loans and loans past due over 89 days still on accrual will differ from the total impaired loan amount.

There were no loans classified as troubled debt for the years ending December 31, 2022 and December 31, 2021.

Endeavor Bancorp and Subsidiary
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Years Ended December 31, 2022 and 2021

Note 4 - Premises and Equipment

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

	2022	2021
Leasehold improvements	$ 159,642	$ 159,642
Furniture, fixtures, and equipment	497,998	464,296
	657,640	623,938
Less accumulated depreciation and amortization	(532,179)	(459,310)
	$ 125,461	$ 164,628

Note 5 - Leases

The Company has entered into operating leases for its branch, loan production and administrative offices, which expire on various dates through June 2027. The leases provide for options to renew. The exercise of renewal options is at the sole discretion of the Company. 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:

	2022	2021
Operating lease expense	$ 369,151	$ 357,597
Variable lease expense	8,604	9,695
Total lease expense	$ 377,755	$ 367,292

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

	2022	2021
Cash Paid for Amounts Included in the Measurement of Lease Liabilities	$ 352,265	$ 340,476
Right-of-Use Assets Obtained in Exchange for Lease Obligations	$ -	$ 658,187

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

	2022	2021
Operating Lease Right-of-Use Assets	$ 1,281,899	$ 1,587,511
Operating Lease Liabilities	$ 1,434,255	$ 1,723,183
Weighted Average Remaining Lease Term	3.87 Years	4.87 Years
Weighted Average Discount Rate	3.56%	3.56%

Maturities of operating lease liabilities as of December 31, 2022, were as follows

Year Ending	
2023	379,118
2024	393,087
2025	407,558
2026	337,791
2027	19,170
Thereafter	-
Total lease payments	1,536,724
Less imputed interest	(102,469)
Total operating lease liability	$ 1,434,255

Note 6 - Deposits

At December 31, 2022, all of the Company's outstanding time deposits from customers mature during 2023.

As of December 31, 2022, the Company had 7 deposit relationships that exceeded 2.00% of total deposits, collectively aggregating approximately $116,743,000 and representing 27.48% of the total deposits of the Company.

Note 7 - Borrowings

The Company had unused unsecured lines of credit with correspondent banks with a total borrowing capacity of $17.5 million at December 31, 2022. There were no outstanding advances under these line as of December 31, 2022 and 2021.

The Company had an available line of credit with the Federal Home Loan Bank of San Francisco ("FHLBSF"). Under this line, the Company may borrow up to approximately $119.3 million at December 31, 2022 subject to providing adequate collateral and continued compliance with the Advances and Security Agreement and other eligibility requirements established by the FHLBSF. The Company has pledged loans of approximately $172.0 million as collateral for this line. As of December 31, 2022 and 2021, there were no advances under this line.

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As of December 31, 2022 and 2021, the Company had loan advances of $1.8 million and $53.5 million, respectively, 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.

As of December 31, 2022, the maturity of the PPPLF Borrowings are as follows:

Year Ending	
2023	$ -
2024	-
2025	-
2026	1,768,583
2027	-
Thereafter	-
Total Other Borrowings Outstanding	$ 1,768,583

On March 17, 2022 the Company issued $15.0 million of 5.00% Fixed-to-Floating Rate Subordinated Notes Due 2032 (the "Notes"). The Notes mature March 17, 2032, accrue interest at a fixed rate of 5.00% through the fixed rate period to March 17, 2027, after which interest accrues at a floating rate of 90-day SOFR plus 344 basis points, until maturity, unless redeemed early (at the Company's option) after the end of the fixed rate period. Issuance costs of $487,380 were incurred and capitalized against the balance of the Notes, and are being amortized over the first 5-year fixed term of the Notes. Unamortized issuance costs at December 31, 2022, were $450,844. At December 31, 2022, the Company was in compliance with all covenants and terms of the Notes.

Note 8 - Income Taxes

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

	2022	2021
Current		
Federal	$ 1,344,100	$ 1,099,000
State	179,000	946,000
	1,523,100	2,045,000
Deferred	(196,000)	25,000
Valuation Allowance	(2,515,000)	(25,000)
	$ (1,187,900)	$ 2,045,000

Endeavor Bancorp and Subsidiary
Notes to Consolidated Financial Statements
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A comparison of the federal statutory income tax rates to the Company's effective income tax rate as of December 31 follows:

	2022		2021	
	Amount	Rate	Amount	Rate
Statutory Federal Tax	$ 922,000	21.0%	$ 1,484,000	21.0%
State Franchise Tax, net of Federal Benefit	380,000	8.7%	609,000	8.6%
Valuation allowance	(2,515,000)	(57.3%)	(25,000)	(0.4%)
Stock-Based Compensation	1,000	-	4,000	0.1%
Other Items, net	24,100	0.5%	(27,000)	(0.4%)
(Benefit) provision for income taxes	$ (1,187,900)	(27.1%)	$ 2,045,000	28.9%

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 consolidated statements of financial condition at December 31:

	2022	2021
Deferred Tax Assets		
Organization expenses	$ 453,000	$ 448,000
Allowance for loan losses due to tax limitations	1,593,000	1,091,000
Stock-based compensation	640,000	571,000
Net operating loss carryovers	-	428,000
Operating lease liability	424,000	509,000
Available for Sale	198,000	-
Other items	131,000	146,000
	3,439,000	3,193,000
Valuation Allowance	-	(2,515,000)
Deferred Tax Liabilities		
Right of use asset	(379,000)	(469,000)
Accrual to cash	(149,000)	(209,000)
State Taxes Current	(2,000)	-
	(530,000)	(678,000)
Net deferred tax assets	$ 2,909,000	$ -

The valuation allowance for deferred tax assets was established after considering many factors, including the size of the deferred tax assets and the Bank's history of taxable income. In 2022, the valuation allowance was fully reversed due to the Bank management's assessment that the deferred tax assets were "more likely than not" to be realized. At December 31, 2022, the Bank has fully utilized all Federal and California net operating loss carryforwards.

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Years Ended December 31, 2022 and 2021

The Company records interest and penalties related to uncertain tax positions as part of (benefit) provision for income taxes. There was no penalty or interest expense recorded during the years ended December 31, 2022 and 2021. The Company does not expect the total amount of unrecognized tax benefits to significantly increase or decrease within the next twelve months.

The Company is subject to federal income tax and California franchise tax. Federal income tax returns for years ended after December 31, 2018, are open to audit by the federal authorities and for the years ending after December 31,2017 are open to audit by the California state authorities.

Note 9 - Other Expenses

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

	2022	2021
Data processing	$ 1,216,963	$ 974,643
Legal and professional	1,010,364	848,242
Advertising and business development	334,700	128,202
Regulatory assessments	305,447	256,018
Director stock-based compensation and other	117,719	498,649
Loan expenses	60,006	41,601
Office and telephone expense	109,689	92,876
Insurance	75,092	51,869
Other	436,026	276,016
	$ 3,666,006	$ 3,168,116

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Note 10 - Earnings Per Share (“EPS”)

The following is a reconciliation of net income and shares outstanding to the income and number of shares used to compute EPS under the two-class method:

	2022		2021	
	Income	Shares	Income	Shares
Net Income as Reported	$ 5,577,585		$ 5,023,604	
Less earnings allocated to participating securities	(3,003)		(16,893)	
Shares Outstanding at Year End		3,380,543		3,372,390
Impact of Weighting Shares Repurchased during the year		-		-
Less weighted average shares of participating securities		(1,820)		(11,330)
Impact of weighting shares Issued During the Year		(1,048)		(2,992)
Used in Basic EPS	5,574,582	3,377,675	5,006,711	3,358,068
Dilutive Effect of Outstanding Stock Options		55,865		298
Used in Diluted EPS	$ 5,574,582	3,433,540	$ 5,006,711	3,358,366

At December 31, 2022, there were no anti-dilutive options and at December 31, 2021 there were 400,953 stock options outstanding that could potentially dilute earnings per share in the future, which were not included in the computation of the diluted earnings per share because to do so would have been anti-dilutive.

Note 11 - Commitments

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

The Company’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 Company evaluates each client's credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Company is based on management's credit evaluation of the customer. The majority of the Company's commitments to extend credit generally are secured by real estate or other commercial business assets. The Company uses the same credit policies in making commitments as it does for loans reflected in the consolidated financial statements.

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

	2022	2021
Commitments to Extend Credit	$ 151,710,000	$ 121,225,000
Standby Letters of Credit	86,000	41,000
	$151,796,000	$121,266,000

Note 12 - 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 Company. At December 31, 2022 and 2021, there were $0.4 million and a de minimus amount in outstanding balances of related party loans respectively, and related party deposits were approximately $34.5 million and $2.1 million, respectively.

Note 13 - Stock – Based Compensation Plan

The Board of Directors of the Company 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 Company recognized stock-based compensation cost of $273,850 and $957,235 for the years ended December 31, 2022 and 2021, respectively.

The fair value of stock options issued in 2022 and 2021, was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2022	2021
Expected volatility	30.0%	30.0%
Expected term	7.5 years	7.5 years
Expected dividends	0.00%	0.00%
Risk free rate	2.33%	1.02%
Grant date fair value	$3.81	$3.24

Since the Company 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 Company 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 Company's stock option plan as of December 31, 2022 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	681,490	$ 9.77		
Granted	40,671	$ 10.04		
Exercised	-	$ -		
Forfeited or expired	-	$ -		
Outstanding at end of year	722,161	$ 9.78	6.40	$ 1,456,960
Options exercisable	722,161	$ 9.78	6.40	$ 1,456,960

As of December 31, 2022, there was no unrecognized compensation costs related to the outstanding stock options.

A summary of changes in the Company's nonvested restricted stock awards for the year ended December 31, 2022, follows:

	Unvested Shares	Weighted-Average Grant Date Fair Value
Balance, Beginning of Period	12,821	$ 9.40
Granted	9,684	10.06
Shares Vested	(7,929)	9.64
Forfeited or Expired	(1,383)	$ 9.40
Balance, End of Year	13,193	$ 9.74

As of December 31, 2022, there was $52,524 of total unrecognized compensation cost related to nonvested restricted stock granted under the Plan. The cost is expected to be recognized over a weighted-average period of .97 years. The total fair value of restricted stock vested during the year ended December 31, 2022, was $80,764 and was $18,875 during the year ended December 31, 2021.

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Note 14 - Employee 401k Plan

The Company has adopted a 401(k) plan for the benefit of its employees. Under the plan, eligible employees may defer a portion of their salaries. The plan provides for a discretionary matching contribution. The Company made contributions and incurred an associated expense of $211,728 for the year ended December 31, 2022 and $84,334 for the year ended December 31, 2021.

Note 15 - Fair Value Measurements

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value on a recurring or nonrecurring basis:

Debt Securities Available for Sale

The fair values of debt securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1) or matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for specific securities but rather by relying on the securities' relationship to other benchmark quoted securities resulting in a level 2 classification.

The following table provides the hierarchy and fair value for each major category of assets and liabilities measured at fair value at December 31, 2022:

	Fair Value Measurements Using			
December 31, 2022	Level 1	Level 2	Level 3	Total
Assets Measured at Fair Value on a Recurring Basis				
Debt securities available for sale	$ -	$ 5,194,611	$ -	$ 5,194,611
December 31, 2021				
Assets Measured at Fair Value on a Recurring Basis				
Debt securities available for sale	$ -	$ 4,987,070	$ -	$ 4,987,070

Note 16 - 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 any 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):

		2022		2021	
	Fair Value Hierarchy	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets					
Cash and cash equivalents	Level 1	$ 89,908	$ 89,908	$ 87,272	$ 87,272
Time deposits in other banks	Level 2	1,984	1,978	4,470	4,473
Investment securities	Level 2	6,195	6,195	4,987	4,987
Loans, net	Level 3	374,676	365,507	328,029	330,083
FHLB stock	Level 1	1,487	1,487	1,097	1,097
Accrued interest	Level 2	1,239	1,239	1,304	1,304
Financial Liabilities					
Demand and other non-maturity deposits	Level 3	419,739	419,739	336,541	336,541
Time deposits	Level 3	3,181	3,155	2,806	2,809
Federal Home Loan Bank Borrowing	Level 3	-	-	-	-
Long term notes payables	Level 3	14,549	13,633	-	-
Other Borrowing	Level 3	1,769	1,762	53,498	53,501

Note 17 - 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 and the Company's consolidated 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 organizations 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, 2022 and 2021, that the Bank meets all capital adequacy

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requirements to which it is subject.

As of December 31, 2022, 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. The following table also sets forth the Bank's actual capital amounts and ratios at December 31, 2022 (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)	$ 56,535	12.7%	$ 35,718	8.0%	$ 44,648	10.0%
Tier 1 capital (to risk-weighted assets)	$ 50,951	11.4%	$ 26,789	6.0%	$ 35,718	8.0%
CET1 capital (to risk-weighted assets)	$ 50,951	11.4%	$ 20,092	4.5%	$ 29,021	6.5%
Tier 1 capital (to average assets)	$ 50,951	11.2%	$ 18,197	4.0%	$ 22,747	5.0%

The following table also sets forth the Bank's actual capital amounts and ratios at December 31, 2021 (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)	$ 36,969	10.9%	$ 27,134	8.0%	$ 33,917	10.0%
Tier 1 capital (to risk-weighted assets)	$ 32,824	9.7%	$ 20,350	6.0%	$ 27,134	8.0%
CET1 capital (to risk-weighted assets)	$ 32,824	9.7%	$ 15,263	4.5%	$ 22,046	6.5%
Tier 1 capital (to average assets)	$ 32,824	9.5%	$ 13,819	4.0%	$ 17,274	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.

Investor Information

AUDITORS AND LEGAL COUNSEL

Certified Public Accountants / Auditors

Eide Bailly, LLP
Laguna Hills, California

Legal Counsel

Breakwater Law Group, LLP
Attorneys At Law
Solana Beach, California

SHAREHOLDER AND INVESTOR INFORMATION

Endeavor Bancorp currently trades on the OTCQX® Best Market.

The number of shares issued and outstanding as of December 31, 2022 was 3,380,543. Please call your financial advisor or one of our market makers listed below for stock information:

Hilltop Securities
PO Box 1688
Big Bear Lake, California 92315
Contact: Michael Natzic
323.370.1360

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

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, Kentucky 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, California 92101
619.329.6565

EDVR
TICKER SYMBOL

OTCQX®
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We find strength in community and seek to share that strength with our clients and shareholders, providing resources and expanding strategies to grow revenues and profits.

ABOUT ENDEAVOR BANCORP

Endeavor Bancorp, the holding company for Endeavor Bank, is primarily owned and operated by Southern Californians for Southern California businesses and their owners. The bank's focus is local: local decision-making, local board, local founders, local owners, and relationships with local clients in Southern California. Headquartered in downtown San Diego in the landmark Symphony Towers building, the Bank also operates a loan production and executive administration office in Carlsbad and La Mesa. Endeavor Bank provides traditional business banking services across a broad spectrum of industries and specialties. Unique to the bank is its consultative banking approach that partners our business clients with Endeavor Bank's senior management. Together, we build strategies and provide resources that solve problems, plan for the future, and help clients' efforts to grow revenues and profits. On December 7, 2022, Endeavor Bancorp began trading on the OTCQX® Best Market under the symbol "EDVR." Visit www.bankendeavor.com for more information.

FORWARD-LOOKING STATEMENTS

This annual report includes "forward-looking statements," as such term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on the current beliefs of the Company's directors and executive officers (collectively, "Management"), as well as assumptions made by and information currently available to the Company's Management. All statements regarding the Company's business strategy and plans and objectives of Management of the Company for future operations, are forward-looking statements. When used in this report, the words "anticipate," "believe," "estimate," "expect" and "intend" and words or phrases of similar meaning, as they relate to the Company or the Company's Management, are intended to identify forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Important factors that could cause actual results to differ materially from the Company's expectations ("cautionary statements") are loan losses, rapid and unanticipated deposit withdrawals, unavailability of sources of liquidity, additional regulatory requirements that may be imposed on community banks or banks generally, changes in interest rates, loss of key personnel, lower lending limits and capital than competitors, regulatory restrictions and oversight of the Company, the secure and effective implementation of technology, risks related to the local and national economy, changes in real estate values, the Company'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. Based upon changing conditions, if any one or more of these risks or uncertainties materialize, or if any underlying assumptions prove incorrect, actual results may vary materially from those described as anticipated, believed, estimated, expected, or intended. The Company does not intend to update these forward-looking statements.

Our Leaders

L to R: **Mark A. Anderson,** *Chief Operations Officer;* **Dan C. Yates,** *Chief Executive Officer;* **Steven D. Sefton,** *President;*
Julie Given-Glance, *Chief Financial Officer;* **Scott T. Parker,** *Chief Credit Officer*

Each member of our Leadership Team brings decades of banking and financial experience to Endeavor.

In fact, the team has helped grow and shape Southern California's banking community for more than 40 years. Our leaders believe in using their expertise and success to build not only Endeavor, but the community we serve.

Our Board

Endeavor Bancorp's Board is made up of leading financial experts and Southern California business leaders across industries and specialties.

These are Endeavor's trusted advisors who share our goals of building business and community, and help do so with their expertise, vast resources and diverse perspectives.

Matthew H. Rattner (Chairman)
Co-Founder, Karl Strauss Brewing Company
Investor and Mentor

Julie P. Dubick
Strategic Partnership Advisor,
Conrad Prebys Foundation

James W. Ledwith
CPA; outside auditor Peninsula Bank;
Founding Director, San Diego Trust Bank;
Director, Novatel Wireless

Bryan B. Min
Founder and CEO, Epsilon Systems

Jillian J. Murrish
Co-Founder and CEO, Pier Asset Management

Lorne R. Polger
Co-Founder, Pathfinder Partners

Steven D. Sefton
President, Endeavor Bank

Vickie E. Turner
Partner Emeritus, Wilson Turner Kosmo LLP

Christopher J. Woolley
Co-Founder, Square 1 Bank, CPA, Investor

Dan C. Yates
CEO, Endeavor Bank

The business visionaries that are our board have had incredible business success and we are fortunate that they are a part of our Endeavor.

Board Members: **Julie P. Dubick** and **Bryan B. Min**

Board Member: **Jillian J. Murrish**

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