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Endeavor Bancorp Reports Net Income of $852,000 for the Fourth Quarter of 2023; Results Highlighted by Strong Loan Growth and Increasing Asset Yields

SAN DIEGO, CA -- (January 22, 2024) –Endeavor Bancorp (OTCQX: EDVR) (the “Company,” or “Bancorp”), the holding company for Endeavor Bank (the “Bank”), today announced net income of $852 thousand, or $0.20 per diluted share, for the fourth quarter of 2023, down from net income of $1.2 million, or $0.29 per diluted share, for the third quarter of 2023, and up from $764 thousand, or $0.19 per diluted share, for the fourth quarter of 2022. Core earnings, which excludes PPP fee income and loan loss provision expense, for the year ending December 31, 2023 was $6.6 million, compared to $4.9 million in 2022 for an increase of 34.7%. Strong core earnings were driven by higher rates on earning assets, as interest income on loans increased $6.6 million and interest income on bank deposits and investments increased $5.0 million for 2023. The cost of deposits increased by $8.5 million, and net interest income grew by $3.1 million year-over-year. All 2023 financial results are unaudited.

The fourth quarter 2023 net income results included a $181,000 provision for credit losses, compared to a $301,000 provision for credit losses during the third quarter of 2023, and a $740,000 provision expense in the fourth quarter of 2022. Excluding PPP fee income and loan loss provisions, the Company’s core pretax, pre-PPP, pre-provision earnings were $1.40 million in the fourth quarter of 2023, compared to $2.03 million in the preceding quarter and $1.80 million in the fourth quarter a year ago.

“As the high interest rate environment softens and deposit competition continues to place pressure on our net interest margin, we are encouraged that our earning assets yield continues to increase, reaching 6.0% in December of 2023, compared to 5.16% as of December 2022. The Company continues to focus on maintaining a fortress balance sheet with high on-balance sheet cash of 21.8%, and a loan to deposit ratio of 85.95%,” said Julie Glance, CFO. “We operate in one of the highest growth markets in the nation, and with our dedicated team of bankers and branch network in place, we are well positioned to capitalize on opportunities and continue to grow in the year ahead.”

Total interest income on loans and bank deposits and investments was $8.4 million, an increase of $244,000 compared to the preceding quarter, while total interest expenses increased $391,000 during the same timeframe, thus reducing net interest income by $147,000 during the fourth quarter of 2023, compared to the preceding quarter. Net interest margin (NIM) decreased 20 basis points to 3.57% in the fourth quarter of 2023 compared to

3.77% in the third quarter of 2023 and decreased 45 basis points compared to 4.02% in the fourth quarter of 2022. "While the strong increase in new loan fundings in 2023 is expected to have a positive effect on the NIM as we move into 2024, we anticipate continued pressure on NIM as a result of deposit pricing competition and the cost of funds," said Glance.

The Company's annualized return on average equity for the fourth quarter of 2023 was 7.99%, compared to 11.71% in the third quarter of 2023 and 7.96% in the fourth quarter of 2022. The annualized return on average assets for the fourth quarter of 2023 was 0.60%, compared to 0.88% in the third quarter of 2023 and 0.66% in the fourth quarter of 2022.

Total assets increased $16.3 million, nearly 3.0% during the fourth quarter to $570.2 million at December 31, 2023, compared to $553.9 million at September 30, 2023, and increased $89.7 million, or 18.7%, compared to December 31, 2022. Balance sheet liquidity remains very strong with cash balances of $128.3 million, which represents 21.8% of total assets as of December 31, 2023. The Company's bond portfolio is minimal, representing only 1.4%, or $7.9 million, of total assets at December 31, 2023. In addition, total available borrowing capacity through the Federal Home Loan Bank and the Federal Reserve discount window increased during the fourth quarter, exceeding $120.0 million as of quarter end.

"The strategic focus starting 2023 was on growth, while maintaining a fortress balance sheet in which we target a loan to deposit ratio of 85.0%. Loan growth was robust in the fourth quarter, as net loans increased nearly $20 million, or 4.7%, compared to the third quarter, and we achieved our target with a loan to deposit ratio of 85.95% at year end," said Steve Sefton, President. "In addition to growing the loan portfolio, we remain selective on the loans we added during the quarter, as well as adhering to disciplined loan pricing. At year end, there were minimal office building loans in the portfolio, and half of the commercial real estate loans were owner-occupied."

Total loans outstanding increased $19.5 million during the fourth quarter to $436.2 million at December 31, 2023, compared to $416.7 million three months earlier, and increased $55.8 million, or 14.7%, when compared to $380.5 million a year earlier. The Company prides itself on the high-quality loan portfolio, with a net charge-off ratio of 0.20% as of December 31, 2023 compared to zero as of September 30, 2023. Total non-performing loans were only 0.07% of the total loan portfolio as of December 31, 2023.

Total deposits increased $14.8 million during the quarter to $507.6 million at December 31, 2023, compared to $492.7 million three months earlier. Compared to a year ago, deposits increased from $422.9 million, up by 20.0%. The loan to deposit ratio continues to support the Bank's fortress balance sheet strategy, at 85.9% as of December 31, 2023, compared to 84.6% at September 30, 2023, and remains in line with the Company's focus of maintaining a loan to deposit ratio between 80.0% to 85.0%.

"While we were not immune to the industry-wide challenges that faced the banking industry in 2023, we proactively managed the situation," said Dan Yates, CEO. "The Federal Reserve's rate hikes compelled us to increase the rates we offered on deposits to retain and grow our deposit base. Additionally, the media's scrutiny of uninsured deposits prompted us to proactively transition most of our clients with deposits exceeding $250,000 into a reciprocal deposit placement network. While this reduced our uninsured deposit balances, it adversely impacted our earnings growth for the year. Nonetheless, we deemed it necessary to instill confidence in our clients that their funds were secure at the Bank. These measures, along with others, were taken to safeguard our bank's stability and soundness. While certain challenges were beyond our control and affected our earnings, our response was both proactive and responsible."

As a result of our participation in a reciprocal deposit placement network, the Bank accepted "reciprocal" deposits from other institutions, enabling the Bank to offer customers FDIC insurance on accounts in excess of the typical

$250,000 FDIC insurance limit. Although the reciprocal deposit accounts maintained through the network are core deposits seeking FDIC insurance, the FDIC rules indicate that reciprocal deposits aggregating over 20% of total liabilities are classified as deposits obtained by or through a deposit broker. The total reciprocal deposits reported as brokered deposits were $134.9 million at December 31, 2023, and $140.4 million as of September 30, 2023.

Shareholders' equity increased to $42.5 million at December 31, 2023, compared to $41.5 million at September 30, 2023, and $38.1 million at December 31, 2022. Book value per share increased to $12.53 at December 31, 2023, compared to $12.24 three months earlier and $11.30 a year earlier.

The Bank's Tier 1 leverage ratio remains very strong at 10.14% at December 31,2023, compared to 10.20% at September 30, 2023. The Tier 1 risk-based capital ratio was 10.92% as of December 31, 2023, down slightly compared to 11.26% on September 30, 2023, and the Total risk-based capital ratio was 12.09% compared to 12.51% three months earlier, all of which were well above regulatory minimums.

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 Symphony Towers building, the Bank also operates a loan production and executive administration office in Carlsbad and a new branch office in 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. Endeavor Bancorp trades on the OTCQX® Best Market under the symbol "EDVR." Visit www.bankendeavor.com for more information.

EDVR Shareholders

With many of our shareholders transferring their EDVR shares to their brokerage companies, along with ongoing trading taking place, Bancorp may not have the most current shareholder contact information. If you are an EDVR shareholder and would like to receive information via a more timely method, please complete the **Shareholder Communication Preference Form** on our website: https://www.bankendeavor.com/investor-relations so we can keep you updated on EDVR news, and invite you to various shareholder networking events throughout the year.

Forward-Looking Statements

This press release 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 press release, 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.*

Endeavor Bancorp

SELECTED FINANCIAL DATA
(In thousands of dollars, except for ratios and per share amounts)

	Three Months Ended		
	December 31, 2023 (Consolidated)	September 30, 2023 (Consolidated)	December 31, 2022 (Consolidated)
SUMMARY OF OPERATIONS			
Interest income	$ 8,444	$ 8,200	$ 5,886
Interest expense	3,423	3,032	1,302
Net interest income	5,021	5,168	4,584
Provision for credit losses	181	301	740
Net interest income after loss provision	4,841	4,867	3,844
Non-interest income	138	181	157
Non-interest expense	3,738	3,312	2,905
Income before tax	1,241	1,736	1,096
Federal income tax expense	245	328	212
State income tax expense	143	190	120
Net income	$ 852	$ 1,218	$ 764
Core pretax earnings*	$ 1,413	$ 2,027	$ 1,795
*excludes PPP fee income and provision for loan losses			
PER COMMON SHARE DATA			
Number of shares outstanding (000s)	3,394	3,394	3,381
Earnings per share, basic	$ 0.25	$ 0.36	$ 0.23
Earnings per share, diluted	$ 0.20	$ 0.29	$ 0.19
Book Value per share	$ 12.53	$ 12.24	$ 11.30
BALANCE SHEET DATA			
Assets	$ 570,176	$ 553,889	$ 480,434
Investments securities	7,877	7,770	7,681
Total loans, net of unearned income	436,263	416,746	380,452
Total loans, excluding PPP loans	434,377	414,786	377,998
Total deposits	507,557	492,726	422,920
Borrowings	16,121	16,118	16,318
Shareholders' equity	42,526	41,535	38,202
AVERAGE BALANCE SHEET DATA			
Average assets	$ 563,973	$ 550,500	$ 456,972
Average total loans, net of unearned income	424,435	417,451	377,571
Average total deposits	501,079	488,822	393,536
Average shareholders' equity	42,344	41,266	38,098
ASSET QUALITY RATIOS			
Net (charge-offs) recoveries	$ (800)	$ -	$ -
Net (charge-offs) recoveries to average loans	0.20%	0.00%	0.00%
Non-performing loans as a % of loans	0.07%	0.11%	0.15%
Non-performing assets as a % of assets	0.05%	0.08%	0.12%
Allowance for loan losses as a % of total loans	1.37%	1.59%	1.52%
Allowance for loan losses as a % of non-performing loans	6.94%	6.94%	10.06%
FINANCIAL RATIOS\STATISTICS			
Annualized return on average equity	7.99%	11.71%	7.96%
Annualized return on average assets	0.60%	0.88%	0.66%
Net interest margin	3.57%	3.77%	4.02%
Efficiency ratio	72.44%	61.91%	61.27%
CAPITAL RATIOS			
Tier 1 leverage ratio -- Bank	10.14%	10.20%	11.20%
Common equity tier 1 ratio -- Bank	10.92%	11.26%	11.41%
Tier 1 risk-based capital ratio -- Bank	10.92%	11.26%	11.41%
Total risk-based capital ratio --Bank	12.09%	12.51%	12.66%
TCE/TA *	7.46%	7.50%	7.95%
Tangible Book Value per Share	$ 12.48	$ 12.16	$ 11.27

*Non-GAAP financial measure
Unaudited financials 2023