Endeavor Bancorp Contact Information:
(858) 230.5185
Dan Yates, CEO
dyates@bankendeavor.com

(858) 230.4243
Steve Sefton, President
ssefton@bankendeavor.com

Endeavor Bank Reports Net Income of $900,000 for the Second Quarter of 2023; Results Highlighted by Strong Interest Income and Net Interest Margin Expansion

SAN DIEGO, CA -- (July 24, 2023) –Endeavor Bancorp (OTCQX: EDVR) (the "Company," or "Bancorp"), the holding company for Endeavor Bank (the "Bank"), today announced net income of $900,000, or $0.22 per diluted share, for the second quarter of 2023, nearly unchanged compared to $899,000, or $0.22 per diluted share, for the first quarter of 2023. In the second quarter of 2022, the Company recorded a $2.51 million one-time deferred tax credit, resulting in net income of $3.23 million, or $0.79 per diluted share. Excluding the non-recurring tax-credit in 2022, net income for the second quarter of 2022 was $720,000. The 2023 financial results are unaudited.

The second quarter 2023 net income results included a $272,000 provision for credit losses, compared to a $292,000 provision expense during the first quarter, and a $275,000 provision in the second quarter of 2022. Excluding PPP fee income and loan loss provisions, the Company's core pretax, pre-PPP, pre-provision earnings were $1.53 million in the second quarter of 2023, compared to $1.58 million in the preceding quarter and $889,000 in the second quarter a year ago. This represents a 72.0% increase year-over-year in adjusted core pretax earnings.

"The impact of rising interest rates and strong deposit competition continues to place pressure on our net interest margin (NIM), which measures the difference between what the bank pays on deposits and the interest earned on loans, investments and cash," said Julie Glance, CFO. "However, we experienced a three basis point increase in NIM in the second quarter compared to the first quarter 2023. While deposit costs continue to increase, our earning assets are growing and repricing at a faster pace, as the loan portfolio is comprised of over 52.6% variable rate loans, with 28.6% of total loans repricing within 30 days."

Net interest margin increased to 3.85% for the second quarter of 2023, compared to 3.82% for the first quarter of 2023. The interest income on loans and bank deposits and investments increased $753,000 over the first quarter, while total interest expenses increased $457,000, increasing net interest income by $296,000. "We anticipate interest earned on assets to out-pace funding costs into the next two quarters as new loan production is primarily floating rate," said Glance.

The Company's annualized return on average equity for the second quarter of 2023 was 8.99% compared to 9.35% for the first quarter of 2023. The annualized return on average assets for the second quarter of 2023 was 0.70% compared to 0.73% for the prior quarter.

"During the second quarter, we continued to focus on a fortress balance sheet strategy which favors safety and liquidity over growth and profitability," said Dan Yates, CEO. "While loan growth during the quarter was strong, it has been limited to very strong credit customers with core business relationships. Additionally, we continue to fund loan growth with core customer deposits. At a time when the banking industry is experiencing deposit outflows, we have been successful at gathering new non-maturity core deposits. Overall deposit growth year-to-date is $66.3 million, an increase of 15.7%. We are experiencing deposit growth in part due to the favorable reception of our insured sweep accounts, which offer 100% FDIC insurance through our participation in the IntraFi deposit placement network. As a participant in the network, amounts on deposit over $250,000 can be swept into accounts at other banks in increments of $250,000 or less. The success of this strategy has resulted in a reduction of accounts over $250,000, potentially uninsured, to only 39.2% of total deposits as of June 30, 2023, compared to 78.1% as of December 31, 2022.

Total assets increased $33.3 million, or 6.4%, during the second quarter to $549.2 million at June 30, 2023, compared to $516.0 million at March 31, 2023, and an increase of $81.2 million, or 17.3%, compared to June 30, 2022. Balance sheet liquidity remains very strong with cash balances of $138.0 million, which represents over 25.1% of total assets as of June 30, 2023. The Company's bond portfolio is very small representing only 1.45% of total assets. In addition, total available borrowing capacity through the Federal Home Loan Bank and Federal Reserve discount window increased this quarter, exceeding $136.6 million as of June 30, 2023. None of that borrowing capacity has been used this year.

Total deposits increased $32.3 million, or 7.1%, during the quarter to $489.2 million at June 30, 2023, compared to $456.9 million three months earlier. Compared to a year ago, deposits increased from $408.0 million, up by 19.9%. While total deposits were up during the quarter, the deposit mix continues to shift away from non-interest bearing checking accounts which were 36.4% of total deposits as of June 30, 2023, down from 45.0% end of second quarter 2023, and down from 58.6% one year ago, as deposit retention remains competitive and customers continue to seek higher yields. Our retention efforts held the loans to deposits ratio to 82.2% at June 30, 2023, compared to 82.5% three months earlier, in-line with the Company's targeted ratio between 80.0% to 85.0%.

As a result of our participation in the IntraFi deposit placement network, we have also accepted "reciprocal" deposits from other institutions, enabling them to offer their customers FDIC insurance of accounts over $250,000 as well. Although the reciprocal deposit accounts maintained through IntraFi's network are core deposits seeking FDIC insurance, the FDIC rules indicate that reciprocal deposits aggregate over 20% of total liabilities are classified as deposits obtained by or through a deposit broker. As of June 30, 2023 the total reciprocal deposits reported as brokered deposits in the Bank's Call Reports were $140.7 million compared to $127.7 million as of March 31, 2023.

"After intentionally slowing loan growth during the second half of 2022, we ramped up loan production during the second quarter, and remain on track with our goal of producing $50.0 million in net new loan growth in 2023," said Steve Sefton, President. "During the second quarter we generated strong loan originations of $34.5 million, and a large amount of loan production included undisbursed loans that are expected to fund over the next several quarters. Additionally, we are originating an increasing amount of floating rate loans where yields are above WSJ prime rate, thus we are seeing a positive impact on our net interest margin this quarter."

Total loans outstanding increased $25.21 million, or 6.7% during the second quarter to $402.0 million at June 30, 2023, compared to $376.8 million three months earlier, and increased $47.3 million, or 13.3%, when compared to a year earlier. As of June 30, 2023, only $2.0 million PPP loans remain out of the $304.1 million originated. The composition of the loan portfolio is conservative with over half of the Commercial Real Estate loans being owner-occupied, and there are no office building loans. The Company prides itself in the high quality of its loan portfolio, with zero loan defaults in its history. Total non-performing loans are only 0.12% of the portfolio total.

Shareholders' equity increased to $40.4 million at June 30, 2023, compared to $39.5 million at March 31, 2023 and $36.2 million at June 30, 2022, and book value per share increased to $11.90 at June 30, 2023, compared to $11.62 three months earlier and $10.69 a year earlier.

The Bank's Tier 1 leverage ratio remains very strong at 10.56% at June 30,2023, compared to 10.82% at March 31, 2023. The Tier 1 risk-based capital ratio was 11.34% as of June 30, 2023, down slightly compared to March 31, 2023 at 11.58%, and the Total risk-based capital ratio was 12.59% compared to 12.83%, all of which were well above regulatory minimums. During the second quarter of 2022, the Bancorp board elected to downstream $12 million in Tier 1 capital from Bancorp to the Bank, from proceeds of the sale of $15.0 million of subordinated debt earlier in 2022. An additional $2.0 million was down streamed in the first quarter of 2023. The infusions of capital will allow for additional growth in the months and years ahead.

During the second quarter of 2023, the Company celebrated the opening of a new Endeavor Bank full-service regional banking office, located at 9400 Grossmont Summit Drive in La Mesa, California. The new location will serve businesses in East County cities, including La Mesa, El Cajon, Lemon Grove and Santee, as well as nearby unincorporated areas.

On January 1, 2023, Endeavor Bancorp implemented the Current Expected Credit Losses ("CECL") accounting standard, which replaced the former "incurred loss" model for recognizing credit losses with an "expected loss" model. There was no effect to the loan loss provision as a result of the CECL adoption.

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 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. On December 7, 2022, Endeavor Bancorp began trading 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)

Unaudited

	June 30, 2023 (Consolidated)	Three Months Ended March 31, 2023 (Consolidated)	June 30, 2022 (Consolidated)
SUMMARY OF OPERATIONS			
Interest income	$ 7,320	$ 6,567	$ 4,048
Interest expense	2,399	1,942	308
Net interest income	4,921	4,625	3,740
Provision for credit losses	272	292	275
Net interest income after loss provision	4,649	4,333	3,465
Non-interest income	181	287	92
Non-interest expense	3,562	3,315	2,648
Income before tax	1,268	1,305	909
Federal income tax expense	234	258	(1,144)
State income tax expense	134	148	(1,177)
Net income	$ 900	$ 899	$ 3,230
Core pretax earnings*	$ 1,529	$ 1,578	$ 889
*excludes PPP fee income and provision for loan losses			
PER COMMON SHARE DATA			
Number of shares outstanding (000s)	3,394	3,394	3,382
Earnings per share, basic (annualized)	$ 0.27	$ 0.26	$ 0.96
Earnings per share, diluted (annualized)	$ 0.22	$ 0.22	$ 0.79
Book Value per share	$ 11.90	$ 11.62	$ 10.69
BALANCE SHEET DATA			
Assets	$ 549,203	$ 515,951	$ 468,054
Investments securities	7,948	7,675	5,874
Total loans, net of unearned income	402,027	376,820	354,738
Total loans, excluding PPP loans	400,005	374,654	347,428
Total deposits	489,213	456,902	408,032
Borrowings	16,115	16,127	21,050
Shareholders' equity	40,373	39,450	36,170
AVERAGE BALANCE SHEET DATA			
Average assets	$ 519,140	$ 496,733	$ 368,303
Average total loans, net of unearned income	387,678	377,563	340,824
Average total deposits	459,029	437,896	299,890
Average shareholders' equity	40,156	38,962	11,708
ASSET QUALITY RATIOS			
Net (charge-offs) recoveries	$ -	$ -	$ -
Net (charge-offs) recoveries to average loans	0.00%	0.00%	0.00%
Non-performing loans as a % of loans	0.12%	0.14%	0.10%
Non-performing assets as a % of assets	0.09%	0.12%	0.08%
Allowance for loan losses as a % of total loans	1.57%	1.60%	1.34%
Allowance for loan losses as a % of non-performing loans	7.76%	8.80%	7.41%
FINANCIAL RATIOS\STATISTICS			
Annualized return on average equity	8.99%	9.35%	110.65%
Annualized return on average assets	0.70%	0.73%	3.52%
Net interest margin	3.85%	3.82%	4.10%
Efficiency ratio	69.83%	67.50%	69.08%
CAPITAL RATIOS			
Tier 1 leverage ratio -- Bank	10.56%	10.82%	13.56%
Common equity tier 1 ratio -- Bank	11.34%	11.58%	11.81%
Tier 1 risk-based capital ratio -- Bank	11.34%	11.58%	11.81%
Total risk-based capital ratio --Bank	12.59%	12.83%	12.98%