



Endeavor Bancorp

2025 ANNUAL REPORT



# ***VELOCITY***

ACCELERATING GROWTH WITH STRATEGIC CAPITAL AND VISION

WHILE SPEED  
ONLY CONSIDERS  
THE MAGNITUDE  
OF MOVEMENT,  
**VELOCITY** ALSO  
TAKES INTO  
ACCOUNT THE  
DIRECTION.

  
Endeavor Bancorp

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To Our Shareholders,

As we reflect on 2025, we are reminded that true progress requires more than just movement - it demands purposeful direction. This is the essence of velocity, our guiding principle for this transformative year. In physics, velocity measures not only how fast something moves, but where it's headed. Similarly, at Endeavor, we've focused not merely on growing faster, but on growing smarter, more deliberately, and with unwavering commitment to our strategic vision.

We're proud of how our team closed out the year. We achieved record financial performance while strengthening our competitive position and deepening our roots in the communities we serve. Steady loan growth aligned with our funding capacity, supported by strong deposit growth that reflects the depth of our client relationships. From supporting clients through big milestones to delivering consistent results, 2025 gave us plenty to celebrate.

This year marks a pivotal chapter in our journey toward long-term growth and industry leadership. Guided by our Board's strategic vision, we have set ambitious goals—most notably, our commitment to reaching \$1 billion in assets by the end of 2027. Every decision, from capital planning to client engagement, is anchored in our mission to deliver sustainable value for our shareholders, clients, and communities.

**Financial Velocity: Magnitude With Purpose**

2025 represented a breakthrough year for Endeavor as we achieved record financial performance while accelerating the pace of our strategic execution. The momentum we've built is both powerful and sustainable. Key financial highlights include:

- ▶ Net earnings before taxes were \$8.3 million, an 83% increase (up \$3.7 million)
- ▶ Total assets grew to \$771 million, a 14% increase (up \$92 million)
- ▶ Net loans expanded by 13% (+\$72 million), reflecting strong lending activity
- ▶ Total deposits increased by 14% (+\$81 million), strengthening our funding capacity
- ▶ Net interest margin increased 35 basis points, from 3.81 to 4.16, driven by a 5 basis point increase in earning asset yields and a reduction of 36 basis points in cost of funds

As the Federal Reserve reduced rates throughout 2025 in response to moderating inflation and evolving labor market conditions, we remained disciplined in our approach. The shift from a peak rate environment to the current 3.50%-3.75% range created strategic opportunities for both our borrowers and our institution, which we leveraged to deliver record results. We continue to see improvements in deposit costs, a trend we expect to continue into the new year.

**Advancing Our Vision: Strategic Execution at an Accelerating Pace**

At Endeavor Bancorp, our mission is clear: to be the premier consultative business bank for small to mid-sized businesses across Southern California. Our approach is deliberate and differentiated. We invest the time to understand each client's unique circumstances, challenges, and aspirations – enabling us to deliver not merely transactional banking, but transformative partnerships that create lasting value.

As we look to the future, we remain dedicated to strengthening the financial foundation of Southern California's business community, one relationship at a time.

To advance our mission, we made strategic investments in both our team and our technology infrastructure that, like stretching back a slingshot, created momentum that propelled us forward. In 2024, we expanded our revenue and support teams by over 30% - an investment that proved pivotal to our record 2025 performance. The expanded team capacity enabled us to deepen client relationships and accelerate business development across our markets.

In 2025, we complemented this with significant technology enhancements, implementing advanced API integrations, automation tools, and robust cybersecurity protocols that drove operational efficiency and elevated the client experience. While the 2024 team expansion created near-term earnings pressure, both investments established the foundation for the sustainable, scalable profitability we delivered in 2025.

Our expansion strategy is delivering results that validate our approach. By leading with expertise and partnership rather than products, we're winning the business of sophisticated clients throughout Southern California. These relationships are proving durable - strengthening our deposit franchise and creating sustainable growth. Our team excels at what matters most: anticipating client needs, delivering timely solutions, and being there when it counts.

**Strategic Capital: Propelling Our Strategy Forward**

In January 2026, we completed a \$10.0 million private placement of common shares with strong participation from our management and board, reflecting our collective conviction in the opportunities ahead. This capital will fuel our growth strategy and enable us to scale our team strategically. Our financial modeling demonstrates significant leverage potential - allowing us to deploy this capital multiple times over to generate substantially improved returns for shareholders while deepening our commitment to the business clients who are the foundation of our success.

**Looking Ahead**

As we enter 2026, the economic landscape remains complex. Interest rate dynamics, regulatory evolution, and technological disruption all create both challenges and opportunities. We approach this environment with confidence because we understand velocity – not as speed alone, but as purposeful momentum in the right direction.

We will continue to grow—targeting 10-15% asset growth while expanding core business deposits, leveraging technology investments to drive revenue and operational efficiency, and deepening client relationships through consultative, personalized service.

As we celebrate our 8th anniversary, our momentum reflects years of disciplined investment - in talent and leadership, strategic capabilities, technology innovation, and risk management. These investments have built the foundation for sustained performance.

Our Board and Leadership Team are grateful for your trust as shareholders, clients, and community partners. With clear strategic vision and disciplined execution, we are building a financial institution that combines exceptional performance with meaningful impact—anchoring prosperity for businesses and communities across Southern California.

Thank you to our clients, shareholders, board members, and team members for eight years of trust and partnership – here's to continuing the Endeavor.

**Matthew H. Rattner**  
Chairman

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

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

# COMMUNITY BANKING

True community banking creates its own *velocity* through reinvestment between the bank, its clients, and its communities.

Our clients trust us with their deposits



Which powers our lending capacity



Which powers a thriving business community

We help businesses move from where they are to where they want to be. Community banking means we're in it together. Our decisions are based on local knowledge and collaborative relationships.

## LOCAL BANKING. LOCAL RELATIONSHIPS. LOCAL PROSPERITY.

# LEADERSHIP TEAM

*Velocity* in leadership relies on clear vision, decisive decision making, focused action, continuous improvement, and trust.



**Dan C. Yates**  
Chief Executive Officer



**Steven D. Sefton**  
President



**Julie Given-Glance**  
Chief Financial Officer



**Joanna Archer**  
Chief Operations Officer



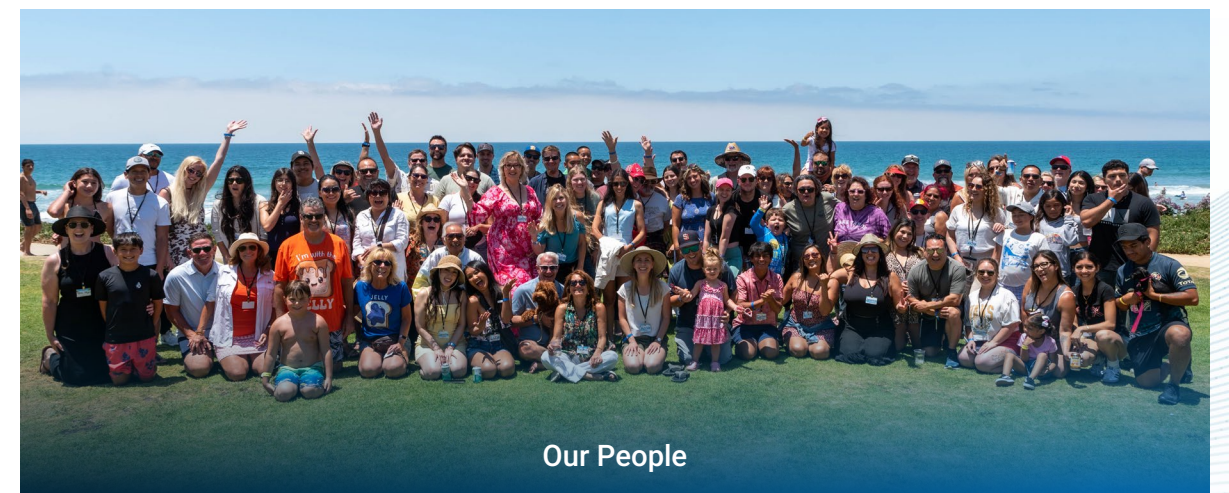
**Jose Esquer**  
Chief Technology Officer



**John Harelson**  
Chief Banking Officer



**Scott T. Parker**  
Chief Credit Officer



Our People

Endeavor Bank's tribe is carefully curated with an intentional search and interview process. We invest in our tribe with ongoing professional development, promotions, competitive benefits, and performance recognition. Ensuring we have and maintain the right team from top to bottom is paramount to helping our clients prosper.

# ENTREPRENEURIAL BANKING

## THE ENDEAVOR BANK ROCKET FUEL



# WE'RE DIFFERENT. WE DESIGNED OUR BANK TO BE DIFFERENT.

## TO PROVIDE OUR CLIENTS WITH THE UNEXPECTED TO PROPEL THEM TOWARD THEIR BUSINESS GOALS.



I didn't know a bank could offer this level of service!



### Why did we name our bank Endeavor—and what does our logo represent?

Every business we serve is working toward something meaningful: Growth. Transition. Expansion. Stability. These goals are their **endeavors**, which power their velocity.

“ All banks are the same, aren't they?

Our role is to help business owners accomplish those goals; to become their outsourced Chief Growth Officer.

The intentional “gap” in our wave/bridge logo represents the space many businesses face between where they are today and where they want to be tomorrow. As a consultative bank, we exist to help bridge that gap—through thoughtful advice, practical solutions, and meaningful connections that move businesses forward.

We're on our own **endeavor** as well. And when our clients succeed, so do we.

### OUR CLIENTS

Ambitious leaders who welcome insight, connections, and innovative thinking to help them grow.

## THE ENDEAVOR BANK ROCKET FUEL

### Launch meeting

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

### Quarterly systems check

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

### Continued propulsion

- › Network of hundreds of stakeholders and business leaders
- › Credit facilities for growth
- › Customized deposit services
- › We know your business
- › Business advisory services
- › Comprehensive relationship

“ My banker will help me identify and resolve my business problems?

# TECHNOLOGY

## THE **VELOCITY** OF TECHNOLOGY IS CHARACTERIZED BY ITS RAPID PACE OF CHANGE.

At Endeavor Bank, we're always looking for ways to work smarter, serve our clients better, and stay ahead of what's next. Artificial Intelligence is opening new doors for the banking industry, and we're advancing AI-powered banking innovation.

Through a rigorous, multi departmental assessment—supported by external evaluations—we identified key inefficiencies well suited for AI enablement and engaged a specialized AI strategy and integration firm to design tailored, AI driven solutions.

We are advancing initiatives to automate underwriting, streamline onboarding with intelligent questionnaires and document collection, enhance fraud prevention, and enable seamless account opening and client transitions through the Switch Kit process.

These efforts underscore Endeavor's commitment to responsible innovation, operational excellence, and delivering faster, more personalized banking services.

# THE CLUB

Our Endeavor Bank Club includes all our stakeholders, from shareholders to board members, to employees, clients, and partners. Being part of our club means the opportunity to network and do business with other local business leaders and build long-term relationships.



### **BUSINESS OWNER FORUMS**

Endeavor Bank's Business Owner Forums are expert panel discussions where Southern California business leaders come together to discuss trending business topics.

### **ANNUAL SHAREHOLDER MEETINGS**

Stockholders (EDVR on OTCQX® Best Market) are invited each year to enjoy networking with other business owners and hear from Endeavor Bank leaders about the year past and plans for the year ahead.

### **CUSTOMIZED INTRODUCTIONS**

Stakeholders benefit from our proactive approach to identifying business synergies and facilitating strategic introductions that support the growth of their organizations.



## YEAR IN REVIEW

NAMED A **PREMIER PERFORMING BANK** BY THE FINDLEY REPORT

AWARDED AN **A RATING** BY DEPOSITACCOUNTS.COM

ROLLED OUT A **RESIDENTIAL MORTGAGE** PRODUCT

PLANNED FOR A **\$10 MILLION** CAPITAL RAISE

SUPPORTED **49** LOCAL CHARITIES

DECEMBER 31, 2025 AND 2024

ENDEAVOR BANCORP AND SUBSIDIARY

# CONSOLIDATED FINANCIAL STATEMENTS

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## 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, 2025 and 2024, 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, 2025 and 2024, 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which 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.

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### 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, which 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.

Laguna Hills, California  
February 20, 2026

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	2025	2024
<b>Assets</b>		
Cash and due from banks	\$ 5,872,264	\$ 5,579,271
Interest-bearing deposits at other banks	81,792,591	72,158,790
Total cash and cash equivalents	87,664,855	77,738,061
Interest-bearing time deposits at other banks	1,482,626	2,728,000
Debt securities available for sale, at fair value (amortized cost of \$25,671,635 and \$22,773,608, net of allowance of credit losses of \$0 and \$0)	25,615,317	21,995,200
Debt securities held to maturity, net of allowance for credit losses of \$62,400 in 2025 and \$32,400 in 2024	3,937,600	1,717,600
Loans, net of deferred fees and costs	643,400,037	571,816,689
Allowance for credit losses	(9,363,423)	(7,838,200)
Net loans	634,036,614	563,978,489
Federal home loan bank ("FHLB") stock, at cost	2,825,200	2,063,800
Premises and equipment, net	187,945	265,518
Operating lease right-of-use assets	1,250,953	1,030,234
Deferred tax assets	4,023,000	3,570,000
Company owned life insurance	6,151,711	-
Accrued interest and other assets	3,329,134	3,238,582
Total assets	<u>\$ 770,504,955</u>	<u>\$ 678,325,484</u>

See Notes to Consolidated Financial Statements

	2025	2024
<b>Liabilities and shareholders' equity</b>		
<b>Deposits</b>		
Noninterest-bearing demand	\$ 221,841,534	\$ 193,210,189
Interest-bearing demand, savings, and money market accounts	416,828,257	339,638,069
Time deposits under \$250,000	15,276,609	17,719,176
Time deposits \$250,000 and over	28,767,981	50,651,138
Total deposits	682,714,381	601,218,572
Operating lease liabilities	1,334,598	1,147,580
Long term notes payable	26,794,655	26,696,847
Accrued interest and other liabilities	6,542,517	3,253,492
Total liabilities	717,386,151	632,316,491
Commitments and contingencies - Note 11		
<b>Shareholders' equity</b>		
Preferred stock - 20,000,000 shares authorized, none outstanding	-	-
Common stock - 20,000,000 shares authorized, no par value; shares issued and outstanding, 3,619,288 in 2025 3,494,303 in 2024	36,813,003	35,052,979
Additional paid-in capital	3,340,948	3,384,714
Retained earnings	13,004,524	8,133,623
Accumulated other comprehensive loss	(39,671)	(562,323)
Total shareholders' equity	53,118,804	46,008,993
Total liabilities and shareholders' equity	<u>\$ 770,504,955</u>	<u>\$ 678,325,484</u>

See Notes to Consolidated Financial Statements

	2025	2024
Interest and dividend income		
Loans	\$ 42,183,390	\$ 32,865,622
Debt securities	1,205,613	645,128
Interest-bearing deposits and other	3,839,328	5,147,340
Total interest and dividend income	47,228,331	38,658,089
Interest expense		
Interest-bearing demand, savings, money market accounts	12,327,178	13,011,893
Time deposits	2,612,490	1,040,727
Other borrowings	1,972,823	1,776,552
Total interest expense	16,912,491	15,829,172
Net interest income	30,315,840	22,828,917
Credit loss expense - loan	2,134,496	1,846,200
Credit loss expense - debt securities held to maturity	30,000	23,400
Credit loss expense - off balance sheet exposures	25,616	14,000
Credit loss expense	2,190,112	1,883,600
Net interest income after credit loss expense	28,125,728	20,945,317
Noninterest income		
Gain on sale of SBA loans	155,120	267,709
Earnings on company owned life insurance	154,165	-
Service charges and fees on deposits	259,219	214,807
Other service charges and fees	668,487	435,021
Total noninterest income	1,236,991	917,537
Noninterest expense		
Salaries and employee benefits	13,911,871	11,370,020
Occupancy and equipment expenses	714,480	714,694
Regulatory assessments	611,534	402,003
Legal and professional	559,859	633,774
Advertising and business development	423,695	337,523
Data processing	2,498,190	1,945,381
Other expenses	2,305,458	1,897,310
Total noninterest expense	21,025,087	17,300,705
Income before income taxes	8,337,632	4,562,149
Provision for income taxes	2,481,780	1,386,670
Net income	<u>\$ 5,855,852</u>	<u>\$ 3,175,479</u>
Net income per share - Basic	<u>\$ 1.65</u>	<u>\$ 0.92</u>
Net income per share - Diluted	<u>\$ 1.54</u>	<u>\$ 0.91</u>

See Notes to Consolidated Financial Statements

	2025	2024
Net income	\$ 5,855,852	\$ 3,175,479
Other comprehensive income:		
Unrealized gains (losses) on debt securities available for sale	679,205	(215,224)
Tax effect of current period changes	(156,553)	49,608
Total other comprehensive gain (loss)	522,652	(165,616)
Comprehensive income	<u>\$ 6,378,504</u>	<u>\$ 3,009,863</u>

See Notes to Consolidated Financial Statements

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Compre- hensive Loss	Total
	Number of Shares	Amount				
Balance at January 1, 2024	3,394,923	\$34,204,819	\$ 3,070,888	\$ 5,647,021	\$ (396,705)	\$42,526,023
Net Income	-	-	-	3,175,479	-	3,175,479
Stock Dividend	68,412	688,225	-	(688,877)	-	(652)
Stock-based Compensation	-	-	473,761	-	-	473,761
Issuance of Restricted Shares, Net	30,968	-	-	-	-	-
Vesting of Restricted Shares	-	159,935	(159,935)	-	-	-
Other Comprehensive Loss	-	-	-	-	(165,618)	(165,618)
Balance at December 31, 2024	3,494,303	35,052,979	3,384,714	8,133,623	(562,323)	46,008,993
Net Income	-	-	-	5,855,852	-	5,855,852
Stock Dividend	70,188	983,346	-	(984,951)	-	(1,605)
Stock-based Compensation	-	-	411,426	-	-	411,426
Exercise of stock options	32,500	449,205	(124,205)	-	-	325,000
Issuance of Restricted Shares, Net	22,297	-	-	-	-	-
Vesting of Restricted Shares	-	327,473	(330,987)	-	-	(3,514)
Other Comprehensive Income	-	-	-	-	522,652	522,652
Balance at December 31, 2025	3,619,288	\$36,813,003	\$ 3,340,948	\$13,004,524	\$ (39,671)	\$53,118,804

See Notes to Consolidated Financial Statements

	2025	2024
Operating Activities		
Net income	\$ 5,855,852	\$ 3,175,479
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	115,683	122,602
Credit loss expense	2,190,112	1,883,600
Deferred tax (benefit) expense	(457,630)	(598,000)
Net change in deferred PPP loan fees, net	-	(14,065)
Operating lease right-of-use amortization	433,446	429,710
Operating lease liability payments	(446,081)	(455,160)
Stock-based compensation	411,426	473,761
Earnings on company owned life insurance	(151,711)	-
Gain on sale of SBA loans	(155,120)	(267,709)
Amortization of debt issuance costs	97,808	89,160
Other items	2,731,311	953,133
Net Cash Provided by Operating Activities	10,625,096	5,792,511
Investing Activities		
Net change in interest-bearing time deposits in other banks	1,245,374	745,000
Purchases of debt securities held to maturity	(3,250,000)	(750,000)
Purchases of debt securities available for sale	(6,536,770)	(19,494,690)
Proceeds from principal payments & maturities of debt securities available for sale	4,859,296	2,348,189
Net increase in loans	(72,037,502)	(135,539,808)
Purchase of Federal Home Loan Bank stock	(761,400)	(241,300)
Purchase of company owned life insurance	(6,000,000)	-
Purchases of premises and equipment	(38,109)	(69,001)
Net Cash Used by Investing Activities	(82,519,111)	(153,001,610)
Financing Activities		
Net change in demand and interest-bearing demand accounts	105,821,533	32,283,384
Net change in time deposits	(24,325,724)	61,377,819
Proceeds from exercise of stock options	325,000	-
Proceeds from long term note payables	-	12,500,000
Issuance costs from long term note payables	-	(490,209)
Repayment of other borrowings	-	(1,523,170)
Net Cash Provided by Financing Activities	81,820,809	104,147,824
Change in Cash and Cash Equivalents	9,926,794	(43,061,275)
Cash and Cash Equivalents, Beginning of Year	77,738,061	120,799,336
Cash and Cash Equivalents, End of Year	\$87,664,855	\$77,738,061
Supplemental Disclosures of Cash Flow Information:		
Interest paid	\$ 16,810,893	\$ 15,927,297
Taxes paid	\$ 3,442,000	\$ 1,328,813
Lease liabilities arising from obtaining right-of-use assets	\$ 633,099	\$ -

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 interest 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 two full-service branches in San Diego, California and La Mesa, California, a loan production and administrative office in Carlsbad, California and an administrative office in Los Angeles County.

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 Southern California marketplace and its surrounding areas.

### 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 relates to the determination of the allowance for credit losses.

### Cash and Cash Equivalents

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

### Cash and Due from Banks

Banking regulations require that banks maintain a percentage of their deposits as reserves in cash or on deposit with the Federal Reserve Bank. 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, 2025 and 2024, 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 Deposits in Other Financial Institutions

The Company maintains interest-bearing time deposits at other financial institutions under the FDIC insured limit of \$250,000. Interest-bearing deposits in other institutions mature within 14 months and are carried at cost.

### Debt Securities

Debt securities are classified into 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 net income; 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 by 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.

Allowance for Credit Losses – Held-to-Maturity Securities: Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. Accrued interest receivable on held-to-maturity debt securities totaled \$64,538 and \$21,839 at December 31, 2025 and 2024, respectively and is excluded from the estimate of credit losses.

The estimate of credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

Allowance for Credit Losses – Available-for-Sale Securities: For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If his assessment indicates a credit loss exists, the present value of cash flow expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is

less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount of the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses are recognized as a credit loss expense or reversal. Management charges losses against this allowance once an available-for-sale (AFS) security is confirmed uncollectible, or if the criteria for intent or requirement to sell are met.

Accrued interest receivable on available-for-sale debt securities totaled \$100,705 and \$91,195 at December 31, 2025 and 2024, respectively and is excluded from the estimate of credit losses.

### **Loans**

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

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

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

### **Allowance for Credit Losses - Loans**

The allowance for credit losses ("ACL") is a valuation account that is deducted from, or added to, the loan's amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of the amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using past loan loss experience for both the Company and relevant peers, the nature and volume of the portfolio, information about specific borrower situations, estimated collateral values, and reasonable and supportable economic forecasts. 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.

Loans that do not share similar risk characteristics to their loan pool are evaluated on an individual basis and are excluded from the collective measurement. Loans can be identified for individual evaluation for various reasons including delinquency, nonaccrual status, risk rating and loan modifications. A loan is considered to be collateral dependent when repayment is expected to be provided substantially through the operation or sale of the collateral. The ACL on collateral dependent loans is measured using the amortized cost basis of the financial asset less the fair value of the underlying collateral, adjusted for costs to sell, when applicable. If the value of the underlying collateral is determined to be less than the recorded amount of the loan, a specific reserve for that loan is recorded. If the Company determines that the loss represented by the specific reserve is uncollectible it records a charge-off for the uncollectible portion.

Accrued interest receivable on loans totaled \$2,081,689 at December 31, 2025 and \$1,768,812 at December 31, 2024 and is excluded in the estimate of credit losses.

The Company has elected to use the Weighted Average Remaining Maturity (WARM) method to determine the allowance for credit losses. The remaining life of each loan pool is calculated based on the contractual term adjusted by estimated prepayments. The lifetime loss rate is calculated by multiplying the average loss rate by the weighted average remaining life. Additionally, a forward-looking adjustment is made based on reasonable and supportable economic forecasts. Then the Company makes adjustments for current conditions with qualitative factors (Q Factors) as deemed appropriate. Adding together the lifetime loss plus the forward-looking adjustment and custom factors provides the total loss rate. This total loss rate is then multiplied by the pool totals to give the total reserve in dollars for each pool. The sum of all the pools, plus any specific reserves, provides the total allowance number. It should be noted that the pools do not contain loans held for sale or loans requiring specific allocations. Specific allocations are applied to loans which are risk rated as Watch, Special Mention, Substandard, and Doubtful, and are done separately and added to the pool reserves.

### **Portfolio Segmentation**

Management determined that the most effective approach to segment its portfolio and to extract the relevant information it needed to calculate its ACL is to utilize certain loan segments (or pools) used in preparing regulatory Call Reports. This allows Management the ability to obtain comparative historical loss information from its peer group.

The WARM method utilizes Call Report categories for loan pools. These pools have similar risk characteristics, and loss rates per pool are taken from call report data on Banks similar to Endeavor Bank in size and geographic location. The loan portfolio can be further segmented with other loan pools, including custom loan pools as necessary.

Commercial and industrial business loans are originated primarily to meet the working capital and operational needs of business customers. These loans are underwritten based on the borrower's current and projected cash flows and, where applicable, the value of pledged collateral.

Real estate loans are further segmented into Construction and Development, Owner Occupied Commercial, Non-owner Occupied Commercial, Multifamily, and Other Real Estate loans. Other Real Estate loans consist primarily of business-purpose loans collateralized by 1-4 family residential properties and are not considered conventional residential mortgage loans. Commercial real estate loans are underwritten after evaluating and understanding the borrower's ability to operate profitably. Management examines current and projected cash flows to determine the ability of the borrower to repay its obligations as agreed.

Consumer loans are primarily secured by personal assets. Consumer loan underwriting terms are dependent on the collateral type, debt to income ratio and the borrower's creditworthiness as evidenced by their credit score.

#### **Historical Loss Rates**

Given the minimal historical losses for the Company, peer group loss data provides a statistically meaningful basis for the determination of historical loss rates. The Company uses a minimum loss rate in all pools of 10 bps. That is, if there is no historical loss, the minimum is used. The look-back period for losses also has an effect on the Company's ACL. Management believes it is important to include a meaningful look-back period that includes appropriate credit cycles. The Company has chosen a look-back to January of 2009 which includes higher credit losses from the great recession, rather than limit the look-back to the more recent years when losses have been lower. The look-back period may change based on certain credit cycles/economic conditions at that time.

#### **Peer Group**

The peer group used by the Company for Current Expected Credit Losses Methodology ("CECL") is comprised of approximately 60 banks within 360 miles of the Company. The banks in the peer group range in asset size from \$116 million to \$1.9 billion. The total number of banks may change from time to time, or the Company may add or subtract individual banks from the group to give the most reasonable sample base in terms of size, location or loss rates.

#### **Prepayments**

Part of the Company's CECL calculation takes the average annual charge-off rate and applies it to the contractual term, further adjusted for estimated prepayments. With time, Company's actual prepayment rates will be incorporated into the model by taking the balance of a loan one year earlier, then calculating what the scheduled balance would be a year later based on the payments. It then shows the actual balance. The difference between the scheduled balance and actual balance is the prepayment rate. The Bank has the option of using its actual prepayment rates or a different prepayment rate. Initially, peer group data is being used, and as relevant data is accrued for the Company, a blend of actual and peer group data may be appropriate.

#### **Qualitative Factors**

ASU 2016-13 Financial Instruments – Credit Losses (Topic 326) requires banks to measure all expected credit losses based on historical experience, current conditions and reasonable and supportable forecasts. The Company addresses the current conditions by utilizing nine qualitative or environmental factors. The Company may consider various qualitative or environmental factors that could possibly cause estimated credit losses inherent in the existing portfolio that differ from actual historical loss experience. The qualitative factors are used to recognize the credit risk considering the impact of current economic and environmental factors, management, competition, bank policies and procedures, concentrations and other changes in the loan portfolio. The factors considered are patterned after the guidelines provided by the OCC in April 2008 and again in October 2010, as well as the guidance provided by interagency policy statement on the Allowance for Credit Losses (FIL 54-2020) issued May 8, 2020. The qualitative factor adjustments are considered on a loan pool basis in conjunction with historical experience.

#### **Reasonable and Supportable Forecast – Forward-looking Assumptions**

The Company engages with a third-party vendor for CECL modeling which includes an economic analysis using approximately thirty different economic indicators from the national and state level, to develop a listing of the five highest correlated economic indicators for each loan pool based on regression analysis. The one indicator that has a correlation closest to 1 is used as the primary model. The Company can override the chosen indicator by selecting a different indicator from the list of the next 4 highest correlated indicators. The Company can choose an indicator, other than the highest, based on sound judgement, other economic or external factors, or both. Typically, the indicator most closely correlated with historical losses is used.

Historical credit loss experience is further adjusted by a forecast element of up to 24 months for the effect of certain highly correlated economic indicators which vary for each loan segment. After the forecast period ends, the loss rate reverts back to the historical rate.

#### **Allowance for Credit Losses on Off-Balance Sheet Credit Exposures**

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancelled by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The estimated total available credit has an established minimum reserve based upon historical losses and industry loss expectations. The Company performs a regular analysis of the potential off-balance sheet exposure.

#### **Concentration of Credit Risk**

Most of the Company's business activity is with customers located in Southern California. Therefore, the Company's exposure to credit risk is significantly affected by changes in the economy in the Southern California area.

### **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 borrowing 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 recognizes 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 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.

### **Company Owned Life Insurance**

Company owned life insurance is stated at cash surrender value of the various insurance policies. The income from the investment is included in other non-interest income.

### **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 ASU 2014-09 Revenue from Contracts with Customers (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.

### **Transfers of Financial Assets**

Transfers of financial assets are accounted for as sales when control over the assets have 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 in 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.

### Deferred Compensation

Benefits under deferred compensation contracts are accrued over the period of the employee's active employment from the time the contract is signed to the employee's full eligibility date.

### 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

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 input 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 input that reflects 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 measurements.

## Operating Segments

While the chief decision-makers monitor the revenue streams of the various products and services, operations are managed, and financial performance is evaluated on a Company-wide basis. Discrete operating results are not reviewed by senior management to make resource allocation or performance decisions. Accordingly, all of the financial service operations are considered by management to be aggregated in one reportable operating segment.

The Company's reportable segments are determined by the Chief Executive Officer, who is the designated chief operating decision maker ("CODM"), based upon information provided about the Company's products and services offered, primarily banking operations. The segment is also distinguished by the level of information provided to the CODM, who uses such information to review performance of various components of the business, which are then aggregated if operating performance, products/services, and customers are similar.

The CODM will evaluate the financial performance of the Company's business components such as by evaluating revenue streams, significant expenses, and budget to actual results in assessing the Company's segment and in the determination of allocating resources. CODM uses revenue streams to evaluate product pricing and significant expenses to assess performance and evaluate return on assets. CODM uses consolidated net income to benchmark the Company against its competitors. The benchmarking analysis coupled with monitoring of budget to actual results are used in assessing performance and in establishing compensation. Loans and investments provide revenues in the banking operation. Interest expense, provisions for credit losses and payroll provide the significant expenses in the banking operation. All operations are domestic. Segment performance is evaluated using consolidated net income. Information reported internally for performance assessment by the CODM is included within the statements of operations.

## Adoption of New Accounting Standards

Effective January 1, 2025, the Company adopted Accounting Standards Update (ASU) 2023-09, *Income taxes (Topic 740): Improvements to Income Tax Disclosures*. The implementation of this standard establishes a requirement to disclose differences between the statutory tax rate and the effective tax rate by jurisdiction and disaggregated information about income taxes paid, income (loss) from continuing operations before income tax expense (or benefit) and income tax expense (or benefit) from continuing operations. Management has determined that this standard is preferable in that the reporting will provide users with more useful information and greater transparency about how the Company's operations and related tax risks affect its tax rate and cash flow. The amendments related to the ASU were applied retrospectively to the beginning of the earliest year presented.

Effective January 1, 2024, the Company adopted Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The ASU requires that public entities (including those with a single reportable segment) make all existing segment disclosures required by Topic 280 Segment Reporting on both an annual and interim basis. Significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss (measure) and other segment items must also be disclosed. The CODM's title and position is also required to be disclosed as well as how the CODM uses each reported measure to assess segment performance and in deciding how to allocate resources. The ASU does not change how a public entity determines its reportable segments.

## Reclassifications

Some items in the prior year's financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year's net income or shareholders' equity.

## Note 2 - Debt Securities

The following table summarizes the amortized cost, fair value and allowance for credit losses of securities available-for-sale and securities held-to-maturity at December 31, 2025 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income and gross unrealized gains and losses:

Available-for-Sale Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
US government and agency securities	\$ 2,576,668	\$ -	\$ (57,558)	\$ -	\$ 2,519,110
Mortgage-backed securities	21,986,669	254,922	(187,191)	-	22,054,400
Obligations of state and political subdivisions	1,108,298	-	(66,491)	-	1,041,807
	<u>\$ 25,671,635</u>	<u>\$ 254,922</u>	<u>\$ (311,240)</u>	<u>-</u>	<u>\$ 25,615,317</u>

Held-to-Maturity Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
Corporate debt securities	\$ 4,000,000	\$ 67,480	\$ (8,417)	\$ 4,059,063	\$ (62,400)
	<u>\$ 4,000,000</u>	<u>\$ 67,480</u>	<u>\$ (8,417)</u>	<u>\$ 4,059,063</u>	<u>\$ (62,400)</u>

The following table summarizes the amortized cost, fair value and allowance for credit losses of securities available-for-sale and securities held-to-maturity at December 31, 2024, and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income and gross unrealized gains and losses:

Available-for-Sale Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
US government and agency securities	\$ 2,604,670	\$ -	\$ (136,913)	\$ -	\$ 2,467,757
Mortgage-backed securities	19,057,494	-	(519,314)	-	18,538,180
Obligations of state and political subdivisions	1,111,444	-	(122,181)	-	989,263
	<u>\$ 22,773,608</u>	<u>-</u>	<u>\$ (778,408)</u>	<u>-</u>	<u>\$ 21,995,200</u>

Held-to-Maturity Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
Corporate debt securities	\$ 1,750,000	\$ -	\$ (91,421)	\$ 1,658,579	\$ (32,400)
	<u>\$ 1,750,000</u>	<u>\$ -</u>	<u>\$ (91,421)</u>	<u>\$ 1,658,579</u>	<u>\$ (32,400)</u>

The amortized cost and fair values of debt securities at December 31, 2025, 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.

	December 31, 2025	
	Amortized Cost	Fair Value
Available-for-Sale		
One to five years	\$ 3,108,298	\$ 2,990,807
Five to ten years	-	-
Beyond ten years	576,668	570,110
Mortgage-backed securities	21,986,669	22,054,400
Total	<u>\$ 25,671,635</u>	<u>\$ 25,615,317</u>
Held-to-Maturity		
One to five years	\$ -	\$ -
Five to ten years	3,000,000	3,052,351
Beyond ten years	1,000,000	1,006,712
Total	<u>\$ 4,000,000</u>	<u>\$ 4,059,063</u>

Securities pledged had a carrying amount of \$29,615,617 and \$20,028,713 at year-end 2025 and 2024 respectively and were pledged to secure borrowings with the Federal Home Loan Bank.

As of December 31, 2025, the Company had thirty-eight total debt securities, of which fifteen were in an unrealized loss position. As of December 31, 2024, the Company had twenty-eight total debt securities, of which twenty-seven 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, 2025 and 2024, 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.

The following table summarizes debt securities available-for-sale in an unrealized loss position for which an allowance for credit losses has not been recorded at December 31, 2025, aggregated by major security type and length of time in a continuous unrealized loss position:

	Less than Twelve Months		Twelve Months or More		Total	
	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value
Available-for-Sale Securities						
US government and agency securities	\$ -	\$ -	\$ (57,558)	\$ 2,519,110	\$ (57,558)	\$ 2,519,110
Mortgage-backed securities	(11,305)	2,221,646	(175,886)	4,037,145	(187,191)	6,258,791
Obligations of state and political subdivisions	-	-	(66,491)	1,041,807	(66,491)	1,041,807
	<u>\$ (11,305)</u>	<u>\$ 2,221,646</u>	<u>\$ (299,935)</u>	<u>\$ 7,598,062</u>	<u>\$ (311,240)</u>	<u>\$ 9,819,708</u>

The following table summarizes debt securities available-for-sale in an unrealized loss position for which an allowance for credit losses has not been recorded at December 31, 2024. Aggregated by major security type and length of time in a continuous unrealized or unrealized loss position:

	Less than Twelve Months		Twelve Months or More		Total	
	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value
Available-for-Sale Securities						
US government and agency securities	\$ -	\$ -	\$ (136,913)	\$ 2,467,757	\$ (136,913)	\$ 2,467,757
Mortgage-backed securities	(313,301)	15,734,162	(214,254)	1,159,366	(527,555)	16,893,528
Obligations of state and political subdivisions	-	-	(122,181)	989,263	(122,181)	989,263
	<u>\$ (313,301)</u>	<u>\$ 15,734,162</u>	<u>\$ (473,348)</u>	<u>\$ 4,616,386</u>	<u>\$ (786,649)</u>	<u>\$ 20,350,548</u>

As of December 31, 2025 and 2024 there is no allowance for credit losses on debt securities available-for-sale.

The following table presents the activity in the allowance for credit losses for debt securities held-to-maturity by major security type for the year ended December 31, 2025 and 2024:

	December 31, 2025	December 31, 2024
Allowance for Credit Losses:		
Beginning balance		\$ 32,400
Credit loss expense		30,000
Securities charged-off		-
Recoveries		-
Total ending allowance balance		<u>\$ 62,400</u>
Allowance for Credit Losses:		
Beginning balance		\$9,000
Credit loss expense		23,400
Securities charged-off		-
Recoveries		-
Total ending allowance balance		<u>\$ 32,400</u>

As of December 31, 2025 and 2024, the Company had no debt securities held-to-maturity on nonaccrual and past due over 89 days still on accrual.

The Company monitors the credit quality of debt securities held-to-maturity monthly. As of December 31, 2025 the Company held six corporate bond securities that are not rated. As of December 31, 2024, the Company held two corporate bond securities that are not rated. The Company monitors credit quality through publicly available financial statements for the bond issuers.

### Note 3 - Loans and Allowance for Credit Losses

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.

At December 31, the composition of the loan portfolio is as follows:

	2025	2024
Real Estate		
Construction and development loans	\$ 49,544,096	\$ 38,838,801
Owner occupied commercial real estate	230,841,887	220,546,269
Non-owner occupied commercial real estate	92,467,114	92,709,784
Other real estate	27,734,650	25,005,852
Multifamily	37,845,223	30,161,294
Commercial and industrial business loans	198,282,893	161,252,677
Consumer loans	8,112,430	5,066,787
Subtotal	644,828,293	573,581,464
Less: Net deferred loan fees and costs	(1,428,256)	(1,764,775)
Allowance for credit losses	(9,363,423)	(7,838,200)
Loans, net	<u>\$ 634,036,614</u>	<u>\$ 563,978,489</u>

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, 2025 and 2024, the balance of loans related to the MSLP was approximately \$706,000 and \$2.02 million, net of deferred fees and costs, respectively.

At December 31, 2025, the Company had pledged loans totaling approximately \$164.3 million to secure a line of credit with the Federal Home Loan Bank, and \$113.6 million to secure a line of credit with the Federal Reserve Discount Window as discussed in Note 7-Borrowings.

See Notes to Consolidated Financial Statements

The following table presents the activity in the allowance for credit losses for loans and off-balance sheet exposures by portfolio segment for the year ended December 31, 2025:

Allowance for Credit Losses	Commercial and Industrial Business			
	Real Estate	Commercial and Industrial Business	Consumer	Total
Loans				
Beginning of year	\$ 3,644,599	\$ 3,849,028	\$ 444,573	\$ 7,838,200
Credit loss expense	119,205	2,362,567	(347,276)	2,134,496
Charge-offs	-	(620,806)	-	(620,806)
Recoveries	-	11,533	-	11,533
Total ending allowance balance	<u>\$ 3,663,804</u>	<u>\$ 5,602,322</u>	<u>\$ 97,297</u>	<u>\$ 9,363,423</u>

Allowance for Credit Losses	Commercial and Industrial Business			
	Real Estate	Commercial and Industrial Business	Consumer	Total
Off-Balance Sheet Credit Exposure				
Beginning of year	\$ 17,000	\$ 87,800	\$ 9,200	\$ 114,000
Credit loss expense	1,566	29,041	(4,991)	25,616
Charge-offs	-	-	-	-
Recoveries	-	-	-	-
Total ending allowance balance	<u>\$ 18,566</u>	<u>\$ 116,841</u>	<u>\$ 4,209</u>	<u>\$ 139,616</u>

The following table presents the activity in the allowance for credit losses for loans and off-balance sheet exposures by portfolio segment for the year ended December 31, 2024:

Allowance for Credit Losses	Commercial and Industrial Business			
	Real Estate	Commercial and Industrial Business	Consumer	Total
Loans				
Beginning of year	\$ 3,530,231	\$ 1,978,890	\$ 482,879	\$ 5,992,000
Credit loss expense	14,368	1,870,138	(38,306)	1,846,200
Charge-offs	-	-	-	-
Recoveries	-	-	-	-
Total ending allowance balance	<u>\$ 3,544,599</u>	<u>\$ 3,849,028</u>	<u>\$ 444,573</u>	<u>\$ 7,838,200</u>

Allowance for Credit Losses	Commercial and Industrial Business			
	Real Estate	Commercial and Industrial Business	Consumer	Total
Off-Balance Sheet Credit Exposure				
Beginning of year	\$ 23,300	\$ 67,400	\$ 9,300	\$ 100,000
Credit loss expense	(6,300)	20,400	(100)	14,000
Charge-offs	-	-	-	-
Recoveries	-	-	-	-
Total ending allowance balance	<u>\$ 17,000</u>	<u>\$ 87,800</u>	<u>\$ 9,200</u>	<u>\$ 114,000</u>

The following table presents the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of December 31, 2025:

Real Estate	Nonaccrual With No Allowance for Credit Loss	Nonaccrual	Loans Past Due Over 89 Days Still Accruing
	Construction and development loans	\$ -	\$ -
Owner occupied commercial real estate	-	-	-
Non-owner occupied commercial real estate	-	-	-
Other real estate	-	-	-
Multifamily	-	-	-
Commercial and industrial business loans	800,223	320,635	-
Consumer	-	-	-
Total	<u>\$ 800,223</u>	<u>\$ 320,635</u>	<u>\$ -</u>

See Notes to Consolidated Financial Statements

The following table presents the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of December 31, 2024:

Real Estate	Nonaccrual With No Allowance for Credit Loss	Nonaccrual	Loans Past Due Over 89 Days Still Accruing
	Construction and development loans	\$ -	\$ -
Owner occupied commercial real estate	-	-	-
Non-owner occupied commercial real estate	-	-	-
Other real estate	-	-	-
Multifamily	-	-	-
Commercial and industrial business loans	-	2,608,173	241,457
Consumer	-	-	-
Total	<u>\$ -</u>	<u>\$ 2,608,173</u>	<u>\$ 241,457</u>

The following table presents the amortization cost basis of collateral dependent loans, by the primary collateral type, which are individually evaluated to determine expected credit losses, and the related ACL allocated to these loans as of December 31, 2024:

December 31, 2024	Collateral Type Business Assets	ACL
Real Estate		
Construction and development loans	\$ -	\$ -
Owner occupied commercial real estate	-	-
Non-owner occupied commercial real estate	-	-
Other real estate	-	-
Multifamily	-	-
Commercial and industrial business loans	2,264,367	-
Consumer	-	-
Total	<u>\$ 2,264,367</u>	<u>\$ -</u>

There were no collateral dependent loans as December 31, 2025.

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 the deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

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

**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.

As of December 31, 2025, the risk category of loans by class of loans, net of deferred fees and costs, is as follows:

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2025	2024	2023	2022	2021	Prior			
<b>Construction and development loans</b>									
Risk rating									
Pass	\$ -	\$ -	\$ 14,958,334	\$ -	\$ -	\$ -	\$ 34,451,477	\$ -	\$ 49,409,812
Special mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total construction and development loans	\$ -	\$ -	\$ 14,958,334	\$ -	\$ -	\$ -	\$ 34,451,477	\$ -	\$ 49,409,812
Current period gross write-off	-	-	-	-	-	-	-	-	-
<b>Non-owner occupied commercial real estate</b>									
Risk rating									
Pass	\$ 11,212,180	\$ 3,137,885	\$ -	\$ 32,788,362	\$ 10,380,138	\$ 4,557,893	\$ 27,554,556	\$ -	\$ 89,631,015
Special mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	2,539,457	-	2,539,457
Doubtful	-	-	-	-	-	-	-	-	-
Total non-owner occupied commercial real estate	\$ 11,212,180	\$ 3,137,885	\$ -	\$ 32,788,362	\$ 10,380,138	\$ 4,557,893	\$ 30,094,013	\$ -	\$ 92,170,472
Current period gross write-off	-	-	-	-	-	-	-	-	-
<b>Owner occupied commercial real estate</b>									
Risk rating									
Pass	\$ 17,169,433	\$ 47,930,758	\$ 17,728,098	\$ 16,968,076	\$ 28,810,781	\$ 12,875,991	\$ 71,332,312	\$ 7,822,258	\$ 220,637,706
Special mention	-	-	3,751,419	3,623,792	-	1,252,484	896,742	-	9,524,437
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total owner occupied commercial real estate	\$ 17,169,433	\$ 47,930,758	\$ 21,479,517	\$ 20,591,868	\$ 28,810,781	\$ 14,128,475	\$ 72,229,054	\$ 7,822,258	\$ 230,162,143
Current period gross write-off	-	-	-	-	-	-	-	-	-

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2025	2024	2023	2022	2021	Prior			
<b>Other real estate</b>									
Risk rating									
Pass	\$ 727,980	\$ 8,932,689	\$ 2,401,757	\$ 3,756,705	\$ 3,703,785	\$ -	\$ 8,135,289	\$ -	\$ 27,658,205
Special mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total other real estate	\$ 727,980	\$ 8,932,689	\$ 2,401,757	\$ 3,756,705	\$ 3,703,785	\$ -	\$ 8,135,289	\$ -	\$ 27,658,205
Current period gross write-off	-	-	-	-	-	-	-	-	-

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2025	2024	2023	2022	2021	Prior			
<b>Multi-family</b>									
Risk rating									
Pass	\$ 5,780,730	\$ 1,236,384	\$ -	\$ 5,644,890	\$ 5,941,353	\$ -	\$ 6,291,326	\$ 10,512,003	\$ 35,406,686
Special mention	-	-	-	-	-	-	2,329,752	-	2,329,752
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total commercial and industrial business loans	\$ 5,780,730	\$ 1,236,384	\$ -	\$ 5,644,890	\$ 5,941,353	\$ -	\$ 8,621,078	\$ 10,512,003	\$ 37,736,438
Current period gross write-off	-	-	-	-	-	-	-	-	-

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2025	2024	2023	2022	2021	Prior			
<b>Commercial and Industrial Business Loans</b>									
Risk rating									
Pass	\$ 537,070	\$ 2,669,317	\$ -	\$ 2,700,713	\$ 1,607,663	\$ 3,259,863	\$ 156,196,131	\$ 18,355,765	\$ 185,326,522
Special mention	-	-	-	-	-	-	2,962,309	980,336	3,942,645
Substandard	-	-	-	-	-	-	7,929,517	-	7,929,517
Doubtful	-	-	-	-	800,574	-	143,788	-	944,362
Total commercial and industrial business loans	\$ 537,070	\$ 2,669,317	\$ -	\$ 2,700,713	\$ 2,408,237	\$ 3,259,863	\$ 167,231,745	\$ 19,336,101	\$ 198,143,046
Current period gross write-off	620,806	-	-	-	-	-	-	-	-

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2025	2024	2023	2022	2021	Prior			
<b>Consumer</b>									
Risk rating									
Pass	\$ -	\$ 41,447	\$ -	\$ -	\$ -	\$ -	\$ 8,078,474	\$ -	\$ 8,119,922
Special mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total consumer	\$ -	\$ 41,447	\$ -	\$ -	\$ -	\$ -	\$ 8,078,474	\$ -	\$ 8,119,922
Current period gross write-off	-	-	-	-	-	-	-	-	-

As of December 31, 2024, the risk category of loans by class of loans, net of deferred fees and costs, is as follows:

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2024	2023	2022	2021	Prior			
<b>Construction and development loans</b>								
Risk rating								
Pass	\$ -	\$ 10,704,938	\$ -	\$ -	\$ -	\$ 27,975,233	\$ -	\$ 38,680,171
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total owner occupied commercial real estate	\$ -	\$ 10,704,938	\$ -	\$ -	\$ -	\$ 27,975,233	\$ -	\$ 38,680,171
Current period gross write-off	-	-	-	-	-	-	-	-

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2024	2023	2022	2021	Prior			
Non-owner occupied commercial real estate								
Risk rating								
Pass	\$ 3,064,909	\$ -	\$ 34,071,929	\$ 10,887,044	\$ 4,149,426	\$ 39,080,122	\$ -	\$ 91,253,431
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	1,027,493	-	1,027,493
Doubtful	-	-	-	-	-	-	-	-
Total non-owner occupied commercial real estate	\$ 3,064,909	\$ -	\$ 34,071,929	\$ 10,887,044	\$ 4,149,426	\$ 40,107,615	\$ -	\$ 92,280,924
Current period gross write-off	-	-	-	-	-	-	-	-

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2024	2023	2022	2021	Prior			
Owner occupied commercial real estate								
Risk rating								
Pass	\$ 48,211,570	\$ 27,082,214	\$ 22,845,356	\$ 28,511,941	\$ 13,709,696	\$ 70,636,628	\$ 287,424	\$ 211,284,828
Special mention	-	-	3,725,466	1,189,263	2,968,811	-	-	7,883,540
Substandard	-	-	-	-	-	622,192	-	622,192
Doubtful	-	-	-	-	-	-	-	-
Total commercial and industrial business loans	\$ 48,211,570	\$ 27,082,214	\$ 26,570,822	\$ 29,701,204	\$ 16,678,507	\$ 71,258,820	\$ 287,424	\$ 219,790,560
Current period gross write-off	-	-	-	-	-	-	-	-

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2024	2023	2022	2021	Prior			
Other real estate								
Risk rating								
Pass	\$ 9,145,645	\$ 2,412,704	\$ 3,824,564	\$ 3,808,760	\$ -	\$ 5,721,156	\$ -	\$ 24,912,829
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total construction and development	\$ 9,145,645	\$ 2,412,704	\$ 3,824,564	\$ 3,808,760	\$ -	\$ 5,721,156	\$ -	\$ 24,912,829
Current period gross write-off	-	-	-	-	-	-	-	-

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2024	2023	2022	2021	Prior			
Multi-family								
Risk rating								
Pass	\$ 1,591,036	\$ 10,657,385	\$ 5,739,735	\$ 5,098,687	\$ -	\$ 4,669,152	\$ -	\$ 27,755,995
Special mention	-	-	-	-	-	2,191,404	-	2,191,404
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total consumer	\$ 1,591,036	\$ 10,657,385	\$ 5,739,735	\$ 5,098,687	\$ -	\$ 6,860,556	\$ -	\$ 29,947,399
Current period gross write-off	-	-	-	-	-	-	-	-

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2024	2023	2022	2021	Prior			
Commercial and Industrial Business Loans								
Risk rating								
Pass	\$ 2,535,108	\$ 5,215,986	\$ 3,363,908	\$ 2,628,304	\$ 4,276,300	\$ 119,479,527	\$ 4,895,641	\$ 142,394,774
Special mention	-	-	-	-	-	6,840,392	-	6,840,392
Substandard	-	-	-	1,483,906	-	6,485,333	1,319,367	9,288,606
Doubtful	-	-	-	-	-	2,608,208	-	2,608,208
Total consumer	\$ 2,535,108	\$ 5,215,986	\$ 3,363,908	\$ 4,112,210	\$ 4,276,300	\$ 135,413,460	\$ 6,215,008	\$ 161,131,980
Current period gross write-off	-	-	-	-	-	-	-	-

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2024	2023	2022	2021	Prior			
Consumer								
Risk rating								
Pass	\$ 94,125	\$ -	\$ -	\$ -	\$ 1,097,041	\$ 3,881,660	\$ -	\$ 5,072,826
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total consumer	\$ 94,125	\$ -	\$ -	\$ -	\$ 1,097,041	\$ 3,881,660	\$ -	\$ 5,072,826
Current period gross write-off	-	-	-	-	-	-	-	-

Occasionally, the Company may modify loans to borrowers who are experiencing financial difficulty. Loan modifications to borrowers experiencing financial difficulty may be in the form of principal forgiveness, term extension, an other-than-insignificant payment delay, interest rate reduction, or combination thereof.

The following table presents the amortized cost basis of loans that were both experiencing financial difficulty and modified during the year by class and type of modification for the year ended December 31, 2025. The financial effect of loan modifications to borrowers experiencing financial difficulty and percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below:

December 31, 2025	Weighted Average		Total Class of Financing Receivable
	Term Extension	Term Extension	
Real Estate			
Construction and development loans	\$ -	-	-
Owner occupied commercial real estate	-	-	-
Non-owner occupied commercial real estate	-	-	-
Other real estate	2,191,404	12 months	7.9%
Multifamily	-	-	-
Commercial and industrial business loans	894,902	15 months	0.5%
Consumer	-	-	-
<b>Total</b>	<b>\$ 3,086,306</b>	<b>12 months</b>	<b>0.5%</b>

During 2025, the company held two loans which were modified from their original terms due to the borrowers experiencing financial distress. In neither case was any principal forgiven or charged off, and there was no decrease in interest rates. One borrower, a non-profit, requested that principal payments be deferred and structured to coincide with the timing of grant receipts which were to be received on a predetermined schedule on a matching-funds basis. The second modified loan is a real estate-secured loan in which the borrower had been unable to make full payments for a period of time, which led to an unpaid accrued interest amount, along with legal and related expenses. Once the borrower resolved the issues impacting their cash flow, the accrued interest and expenses were capitalized into a new loan amount, and that was amortized over a conventional period, with a balloon payment.

There were no loans modified that were past due at December 31, 2025 and no payment defaults since the modifications took place. The Company has not committed to lending any additional amounts to the borrowers included in the previous tables.

The following table presents loans purchased and sold during the year ended December 31, 2025 by portfolio segment:

December 31, 2025	Construction and Development	Owner occupied commercial RE	Non-owner occupied commercial RE	Other real estate	Multifamily	Commercial and Industrial Business	Consumer
Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales	\$ -	\$ -	\$ -	\$ -	\$ 3,989,853	\$ 3,919,300	\$ -

The following table presents loans purchased and sold during the year ended December 31, 2024 by portfolio segment:

December 31, 2025	Construction and Development	Owner occupied commercial RE	Non-owner occupied commercial RE	Other real estate	Multifamily	Commercial and Industrial Business	Consumer
Purchases	\$ -	\$ 993,928	\$ 1,350,000	\$ -	\$ -	\$ -	\$ -
Sales	\$ 5,030,451	\$ 6,184,860	\$ 1,731,361	\$ -	\$ -	\$ 4,290,842	\$ -

#### Note 4 - Premises and Equipment

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

	2025	2024
Leasehold Improvements	\$ 224,424	\$ 224,424
Furniture Fixtures, and Equipment	788,910	760,000
	1,013,334	984,424
Less Accumulated Depreciation and Amortization	(825,389)	(718,906)
	<u>\$ 187,945</u>	<u>\$ 265,518</u>

Depreciation expense was approximately \$116,000 and \$123,000 as of December 31, 2025 and 2024, respectively.

#### Note 5 - Leases

The Company has entered into operating leases for its branches, loan production and administrative offices, which expire on various dates through December 2031. 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:

	2025	2024
Operating Lease Expense	\$ 470,948	\$ 481,727
Variable Lease Expense	63,341	54,210
Total Lease Expense	<u>\$ 534,289</u>	<u>\$ 535,937</u>

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

	2025	2024
Cash Paid for Amounts included in the Measurement of Lease Liabilities	\$ 485,546	\$ 503,534
Right-of-Use Assets Obtained in Exchange for Lease Obligations	\$ 654,165	-

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

	2025	2024
Weighted Average Remaining Lease Term	4.30 Years	2.47 Years
Weighted Average Discount Rate	4.19%	3.54%

Maturities of operating lease liabilities as of December 31, 2025, were as follows:

Year Ending	
2026	\$ 473,373
2027	287,977
2028	208,744
2029	158,630
2030	164,182
Thereafter	169,928
Total lease payments	1,462,834
Less imputed interest	(128,236)
Total operating lease liability	<u>\$ 1,334,598</u>

## Note 6 - Deposits

Scheduled maturities of time deposits were as follows:

2026	\$ 43,769,781
2027	<u>274,809</u>
	<u>\$ 44,044,590</u>

As of December 31, 2025, the Company had 3 deposit relationships that exceeded 2.00% of total deposits, collectively aggregating approximately \$80,775,000 and representing 11.83% 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, 2025. There were no outstanding advances under these line as of December 31, 2025 and 2024.

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 \$139.1 million at December 31, 2025 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 \$164.3 million as collateral for this line. As of December 31, 2025 and 2024, there were no advances under this line.

During 2023, the Company established an available line of credit through the Federal Reserve Bank Discount Window. Under this line, the Company may borrow up to approximately \$93.2 million at December 31, 2025 subject to provide adequate collateral. The Company has pledged loans of approximately \$113.6 million as collateral for this line. As of December 31, 2025, there were no advances under this line.

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, 2025 and 2024 were \$304,624 and \$353,364, respectively. At December 31, 2025, the Company was in compliance with all covenants and terms of the Notes.

On March 1, 2024, the Company issued \$12.5 million of 9.00% Fixed-to-Floating Rate Subordinated Notes Due 2034 (the "Notes"). The Notes mature March 1, 2034, accrue interest at a fixed rate of 9.00% through the fixed rate period to March 1, 2029, after which interest accrues at a floating rate of 90-day SOFR plus 498 basis points, until maturity, unless redeemed early (at the Company's option) after the end of the fixed rate period. Issuance costs of \$490,210 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, 2025 and 2024 were \$400,750 and \$449,790, respectively. On December 31, 2025, the Company was in compliance with all covenants and terms of the notes.

## Note 8 - Income Taxes

The provision for income taxes charged to income for the years ended December 31, 2025 and 2024, consists of the following:

	2025	2024
Current		
Federal	\$ 1,921,611	\$ 1,282,057
State	<u>1,017,799</u>	<u>702,613</u>
Total current provision	<u>2,939,410</u>	<u>1,984,670</u>
Deferred		
Federal	(348,611)	(403,000)
State	<u>(109,019)</u>	<u>(195,000)</u>
Total deferred provision	<u>(457,630)</u>	<u>(598,000)</u>
Total current and deferred provision	<u>\$ 2,481,780</u>	<u>\$ 1,386,670</u>

Deferred taxes are a result of differences between income tax accounting and U.S. GAAP with respect to income and expense recognition. The following is a summary of the components of the net deferred tax asset accounts recognized in the accompanying statements of financial condition as of December 31, 2025 and 2024:

	2025	2024
Deferred tax assets		
Organization expenses	\$ 321,000	\$ 366,000
Allowance for credit losses due to tax limitations	2,708,000	2,237,000
Stock-based compensation	817,000	812,000
Operating lease liability	393,000	339,000
Available for sale	17,000	216,000
Other items	433,000	170,000
State taxes current	<u>3,000</u>	<u>16,000</u>
	<u>4,692,000</u>	<u>4,156,000</u>
Deferred tax liabilities		
Right of use asset	(368,000)	(305,000)
Accrual to cash	(295,000)	(261,000)
Other items	<u>(6,000)</u>	<u>(20,000)</u>
	<u>(669,000)</u>	<u>(586,000)</u>
Net deferred tax assets	<u>\$ 4,023,000</u>	<u>\$ 3,570,000</u>

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

	2025		2024	
	Amount	Rate	Amount	Rate
Statutory federal tax	\$ 1,751,000	21.0%	\$ 958,000	21.0%
State taxes, net of federal benefit	731,000	8.8%	397,000	8.7%
Stock-based compensation	(18,000)	( 0.2%)	-	-
Other items, net	17,780	0.2%	31,670	0.7%
Provision for income taxes	<u>\$ 2,481,780</u>	<u>29.8%</u>	<u>\$ 1,386,670</u>	<u>30.4%</u>

The Bank is subject to federal income tax and franchise tax of the state of California. Income tax returns for the years ending after December 31, 2021 are open to audit by the federal authorities and for the years ending after December 31, 2020 are open to audit by California state authorities.

Income taxes paid (net of refunds received) disaggregated by federal and state for the years ended December 31, 2025 and 2024 were as follows:

	2025	2024
Federal	\$ 2,280,000	\$ 805,000
California	1,162,000	521,000
	<u>\$ 3,442,000</u>	<u>\$ 1,326,000</u>

## Note 9 - Other Expenses

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

	2025	2024
Director Stock-Based Compensation and Other	\$ 412,172	\$ 415,955
Loan Expenses	86,295	60,009
Office and Telephone Expense	217,311	194,032
Insurance	86,337	84,387
Dues Memberships and Subscriptions	167,481	170,004
Network Fees	564,502	305,616
Travel and Entertainment Expense	320,596	320,596
Other	450,764	347,711
	<u>\$ 2,305,458</u>	<u>\$ 1,897,310</u>

## 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:

	2025		2024	
	Income	Shares	Income	Shares
Net income as reported	\$ 5,855,852	-	\$ 3,175,479	-
Less earnings allocated to participating securities	(240,097)	-	(68,867)	-
Shares outstanding at year end	-	3,619,288	-	3,494,303
Impact of weighting shares repurchased during the year	-	-	-	-
Less weighted average shares of participating securities	-	(145,744)	-	(75,069)
Impact of weighting shares issued during the year	-	(64,667)	-	(32,859)
Used in basic EPS	5,615,755	3,408,877	3,106,612	3,386,375
Dilutive effect of outstanding Stock options	-	244,131	-	22,346
Used in diluted EPS	<u>\$ 5,615,755</u>	<u>3,653,008</u>	<u>\$ 3,106,612</u>	<u>3,408,721</u>

At December 31, 2025 and 2024, there were no anti-dilutive options.

## 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 varying degrees, elements of credit and interest rate risk not recognized in the Company's consolidated financial statements.

The Company's exposure to credit 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.

As of December 31, 2025 and 2024, the Company had the following approximate outstanding financial commitments whose contractual amounts represent credit risk:

	2025	2024
Commitments to Extend Credit	\$ 262,565,367	\$ 210,620,540
Standby Letters of Credit	1,810,035	1,800,000
Commercial Letters of Credit	795,341	2,366,538
	<u>\$ 265,170,743</u>	<u>\$ 218,787,078</u>

### Note 12 - Related Party Transactions

In the ordinary course of business, the Bank has granted loans to its directors, principal shareholders, and their affiliates. The aggregate amount of loans to such related parties was approximately \$1.3 million and \$0 as of December 31, 2025 and 2024.

Deposits from related parties held by the Bank at December 31, 2025 and 2024, amounted to approximately \$14.7 million and \$21.4 million.

### 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 non-qualified and incentive stock options, and directors and other consultants, who are not also an officer or employee, may only be granted non-qualified 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. On February 23, 2022, the 2017 plan was amended to increase the number of shares to 1,011,717. 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 \$411,426 and \$473,761 for the years ended December 31, 2025 and 2024, respectively. The total income tax benefit recognized in the statements of operations for stock-based compensation was \$49,750 and \$85,320 for the years ended December 31, 2025 and 2024, respectively.

The fair value of stock options issued in 2025 and 2024, was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2025	2024
Expected Volatility	30.0%	30.0%
Expected Term	7.5 years	7.5 years
Expected Dividends	0.00%	0.00%
Risk-Free Rate	4.32%	4.32%
Grant Date Fair Value	\$ 6.06	\$ 4.76

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.

In connection with the 2% stock dividends declared on May 13, 2025 and May 3, 2024, outstanding stock options were proportionately adjusted to increase the number of shares subject to the awards and reduce the exercise price per share. The adjustment did not result in incremental compensation expense.

A summary of the status of the Company's stock option plan as of December 31, 2025 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	818,805	\$ 9.98		
Adjustment for Stock Dividend	32,900	-		
Granted	10,519	13.34		
Exercised	(32,500)	10.00		
Forfeited or Expired	(11,500)	9.83		
Outstanding at End of Year	<u>818,224</u>	<u>\$ 10.02</u>	<u>4.15</u>	<u>\$ 5,476,478</u>
Options Exercisable	<u>818,224</u>	<u>\$ 10.02</u>	<u>4.15</u>	<u>\$ 5,476,478</u>

The weighted average grant-date fair value of options granted during the years ended December 2025 and 2024, was \$54,655 and \$243,772, respectively. The total intrinsic value of options exercised during the year ended December 31, 2025 was \$227,500. No options were exercised during the year ended December 31, 2024. As of December 31, 2025, 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, 2025, follows:

	Unvested Shares	Weighted-Average Grant Date Fair Value
Balance Beginning of Period	37,010	\$ 11.09
Granted	22,633	14.04
Shares Vested	(26,886)	12.18
Forfeited or Expired	(336)	10.17
Balance End of Year	<u>32,421</u>	<u>\$ 12.25</u>

As of December 31, 2025, there was \$381,744 of total unrecognized compensation cost related to non-vested restricted stock granted under the Plan. The cost is expected to be recognized over a weighted-average period of 1.65 years. The total fair value of restricted stock vested during the years ended December 31, 2025 and 2024, was \$375,789 and \$142,316, respectively.

## Note 14 - Employee Benefit Plans

### Defined Contribution Plan

The Company has adopted a 401(k) defined contribution 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 \$431,523 for the year ended December 31, 2025 and \$294,620 for the year ended December 31, 2024.

### Deferred Compensation Plan

In 2025, the Company entered into supplemental executive retirement plans with certain key officers. Under the terms of these agreements, the Company is obligated to provide, upon retirement, a 10 year benefit to the officers or their beneficiaries. The estimated present value of future benefits to be paid is being accrued over the period from the effective date of the agreements until the expected retirement dates of the officers. The expense incurred for these agreements in 2025 was \$102,390, resulting in a deferred compensation liability of \$102,390 as of December 31, 2025, and is recorded with "accrued interest and other liabilities" on the statement of financial condition. The Company is a beneficiary of life insurance policies that have been purchased as a method of financing the benefits under these agreements.

## 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 on a recurring basis at December 31, 2025 and 2024:

December 31, 2025	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Assets Measured at Fair Value On A Recurring Basis				
Debt securities available for sale	\$ -	\$ 25,615,317	\$ -	\$ 25,615,317
December 31, 2024				
Assets Measured at Fair Value On A Recurring Basis				
Debt securities available for sale	\$ -	\$ 21,995,200	\$ -	\$ 21,995,200

The following table presents quantitative information about non-recurring Level 3 fair value measurements at December 31, 2024:

	Fair Value Amount	Valuation Technique	Observable Input	Range
Collateral Dependent Loans	\$ 2,264,367	Appraisals	Selling Costs	7-10%

There were no collateral dependent loans at December 31, 2025.

## 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 values hierarchy level and estimated fair value of significant financial instruments at December 31 are summarized as follows (amounts in thousands):

	Fair Value Hierarchy	2025		2024	
		Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>					
Cash and cash equivalents	Level 1	\$ 88,155	\$ 88,155	\$ 77,738	\$ 77,738
Time deposits in other banks	Level 2	992	995	2,728	2,750
Investment securities	Level 2	29,553	29,553	23,713	23,654
Loans, net	Level 3	634,037	627,202	563,978	544,029
FHLB stock	Level 1	2,825	2,825	2,064	2,064
Accrued interest receivable	Level 2	2,360	2,360	2,024	2,024
<b>Financial Liabilities</b>					
Demand and other non-maturity deposits	Level 3	638,670	638,670	532,848	532,848
Time deposits	Level 3	44,045	44,045	68,370	68,370
Long term notes payable	Level 3	26,795	26,795	26,696	27,755
Accrued interest payable	Level 2	874	874	772	772

## 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, 2025 and 2024, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2025 and 2024, 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, 2025 (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)	\$ 88,574	11.6%	\$ 61,026	8.0%	\$ 76,282	10.0%
Tier 1 Capital (To Risk-Weighted Assets)	\$ 79,038	10.4%	\$ 45,769	6.0%	\$ 61,026	8.0%
CET1 Capital (To Risk-Weighted Assets)	\$ 79,038	10.4%	\$ 34,327	4.5%	\$ 49,584	6.5%
Tier 1 Capital (To Average Assets)	\$ 79,038	10.2%	\$ 30,858	4.0%	\$ 38,573	5.0%

The following table also sets forth the Bank's actual capital amounts and ratios at December 31, 2024 (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)	\$ 79,970	11.9%	\$ 53,772	8.0%	\$ 67,215	10.0%
Tier 1 Capital (To Risk-Weighted Assets)	\$ 71,985	10.7%	\$ 40,329	6.0%	\$ 53,772	8.0%
CET1 Capital (To Risk-Weighted Assets)	\$ 71,985	10.7%	\$ 30,247	4.5%	\$ 43,689	6.5%
Tier 1 Capital (To Average Assets)	\$ 71,985	10.9%	\$ 26,414	4.0%	\$ 33,017	5.0%

The California Financial Code also provides that a Company may not make a cash distribution to its shareholders in excess of the lesser of the Company's undivided profits or the Company's net income for its last three fiscal years less the amount of any distribution made by the Company's shareholders during the same period. In addition, the Company and the Bank may not pay dividends that would result in its capital levels being reduced below the minimum requirements shown above.

## Note 18 - Subsequent Events

On January 30, 2026, the Company completed a capital raise through the issuance of 666,665 shares of common stock for aggregate gross proceeds of approximately \$10 million. Net proceeds from the capital raise will support organic and strategic growth opportunities.

The Company has evaluated subsequent events for recognition and disclosure through February 20, 2026, which is the date the consolidated financial statements were available to be issued.

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# INVESTOR INFORMATION

## AUDITORS AND LEGAL COUNSEL

### Eide Bailly, LLP

Certified Public Accountants/Auditors, Laguna Hills, California

### Breakwater Law Group, LLP, Attorneys At Law

Legal Counsel, Solana Beach, California

## INVESTOR INFORMATION

Endeavor Bancorp currently trades on the OTCQX® Best Market. The number of shares issued and outstanding as of December 31, 2025 was 3,619,288. Please call your financial advisor or one of our market makers listed below for stock information.

### Hilltop Securities

P.O. Box 1688, Big Bear Lake, California 92315  
Contact: Michael Natzic, (909) 584-4500

### 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:

### Continental Stock Transfer & Trust

1 State Street, 30th Floor - New York, 10004-1561  
(212) 509-4000 - [www.continentalstock.com](http://www.continentalstock.com)

For more detailed financial information, please refer to Endeavor Bank quarterly CALL reports located on the FDIC website at [www.fdic.gov](http://www.fdic.gov).

### Endeavor Bank Investor Relations Department

750 B Street, Suite 3110, San Diego, California 92101  
(619) 329-6581



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, we also operate an administrative office in Carlsbad, a branch in East County, and an office in the LA/Inland Empire. In addition to providing traditional business banking solutions across a broad spectrum of industries and specialties, Endeavor Bank partners business clients with our Leadership team and together, we build strategies and provide resources that solve problems, plan for the future, and expand clients' efforts to grow revenues and profits. Endeavor Bancorp trades on the OTCQX® Best Market under the symbol "EDVR." Visit [www.endeavor.bank](http://www.endeavor.bank) 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 annual 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, the effect on customers, collateral value and property insurance markets of the recent wildfires in the Los Angeles metropolitan area and similar events in the future, 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.

# BOARD OF DIRECTORS

The distinguished business and community visionaries who comprise Endeavor Bancorp's Board of Directors are unwaveringly dedicated to our stability, growth, and consultative approach. They help drive our mission forward and support long-term success for our clients and our community.



**Matthew H. Rattner**  
Chairman of the Board  
Co-Founder,  
Karl Strauss Brewing Company,  
Investor and Mentor



**Dan C. Yates**  
Chief Executive Officer



**Steven D. Sefton**  
President



**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



**Lorne R. Polger**  
Co-Founder,  
Pathfinder Partners



**Vickie E. Turner**  
Partner Emeritus,  
Wilson Turner Kosmo LLP



**Christopher J. Woolley**  
Co-Founder,  
Square 1 Bank



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FOCUSED.  
CONSULTATIVE.  
IMPACTFUL.**



LinkedIn Growth

**+813**

New Followers

**18.33%**

Engagement Rate



**Headquarters & Branch**

Symphony Towers, 750 B Street, Suite 3110, San Diego, CA 92101, (619) 329-6581

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**Executive & Loan Production Office**

703 Palomar Airport Road, Suite 165, Carlsbad, CA 92011

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**East County Branch**

9400 Grossmont Summit Drive, Suite 201, La Mesa, CA 91941, (619) 859-6850

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**Pasadena Office**

1055 E. Colorado Boulevard, Fifth Floor, Pasadena, CA 91106

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