Endeavor Bancorp

2024
Annual Report

Sowing GOLD

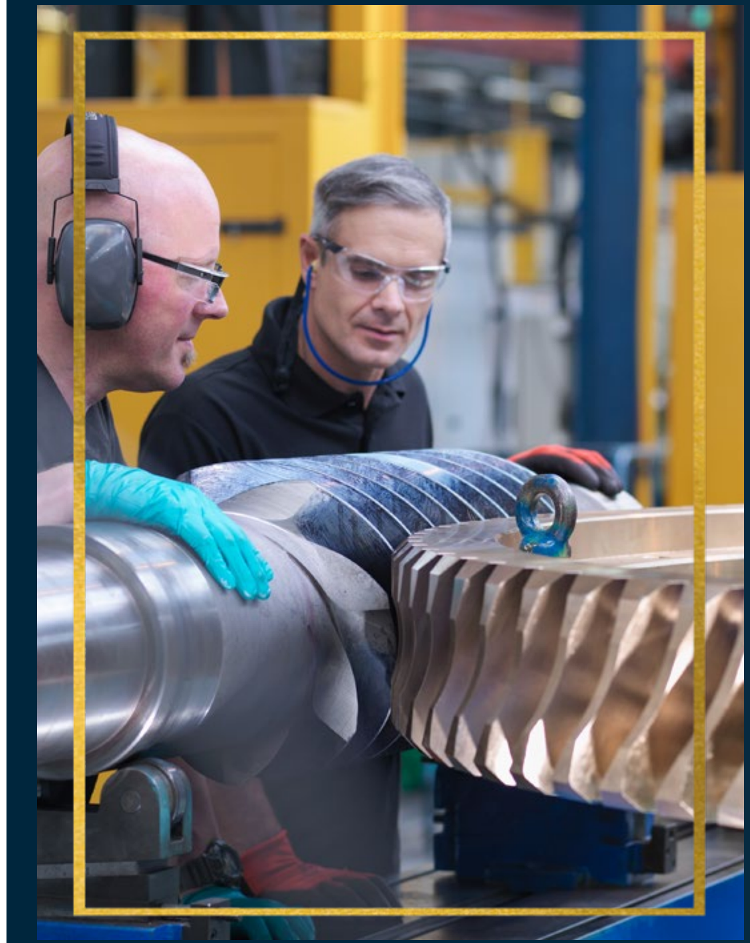
Consultative Banking that Sows Prosperity and Strengthens Communities

Table Of
Contents

Sowing a Stronger Future

Endeavor Bancorp

Thriving Communities
Start with YOU



At Endeavor Bank, we go beyond transactions, reinvesting deposits into local businesses to fuel growth and strengthen the economy. Banking with us helps create jobs, foster innovation, and build a thriving business ecosystem. By choosing a local bank, you're not just securing your future—you're shaping your community.

"Powered by EOS"

Shareholder Letter

To Our Shareholders,

Building a Bank for the Future: Strength, Growth, and Strategic Expansion

At Endeavor Bancorp, our mission is clear: to be the premier consultative business bank for small to mid-sized businesses across Southern California. We are more than just a bank; we are a financial advisor, helping businesses thrive through consultative strategic guidance and tailored financial solutions.

Navigating Challenges, Seizing Opportunities

The past year presented a challenging landscape for banks nationwide, shaped by persistently high interest rates and a historic outflow of deposits from the banking system. From June 2022 to June 2023, over $874 billion in deposits exited FDIC-insured banks, migrating to alternatives like U.S. Treasuries and money market funds. As a result, deposit growth became one of the industry's greatest challenges in 2024.

Deposits act as the foundation of a bank's capacity to extend credit to local businesses, particularly small to medium sized companies. When banks struggle to grow deposits, lending capacity contracts, limiting opportunities for business expansion, real estate development, and innovation. That's why, in 2024, we doubled down on our commitment to building a strong core deposit franchise.

In 2024, we took bold steps to position ourselves for sustainable, long-term success, making significant investments in talent, infrastructure, and technology to help us achieve our strategic objectives of market expansion and deposit growth to ensure long-term success. These investments – like stretching back a slingshot – create momentum that propels us forward, setting the stage for enhanced profitability and growth in 2025 and beyond.

Strategic Expansion and Investment

To advance our mission, we have made targeted investments to expand our banking reach and enhance our service capabilities. In 2024, we increased our revenue and support teams by over 30%, including launching a dedicated team that serves the Greater Los Angeles Metro and Inland Empire markets, and invested in our technology stack. While these investments in people and technology created short-term earnings pressure, they were essential to establishing a foundation for future profitability.

Our strategic expansion is already generating momentum, reinforcing our ability to serve businesses across one of the most dynamic economic regions in the country. By focusing on relationship-based, consultative banking, we continue to build deep client loyalty, strengthen our deposit base, and drive sustainable growth.

Financial Highlights

We made meaningful progress in 2024, achieving strong balance sheet growth while executing on our strategic initiatives. Key financial highlights include:

- Total assets grew to $678 million, a 19% increase (+$108 million)
- Net loans expanded by 31% (+$136 million), reflecting strong lending activity
- Total deposits rose by 19% (+$94 million), strengthening our funding capacity
- Net interest margin expanded, driven by a 69-basis-point increase in earning asset yields

While our earnings before taxes declined by $987,000 in 2024 compared to 2023, due to our strategic investments, the results exceeded our expectations at the start of the year. We successfully balanced critical investments with continued balance sheet growth, positioning the bank for long-term profitability.

Additionally, in 2024, we successfully executed our **second subordinated debt issuance of $12.5 million**, one of the few banks to do so. This strengthened our capital position without diluting shareholder equity, supporting our expanding balance sheet and future lending capacity.

As the Federal Reserve began cutting rates in September 2024, we began to see improvements in deposit costs, a trend expected to continue into 2025, further enhancing profitability.

Looking Ahead

With the groundwork laid in 2024, we enter 2025 with optimism and a clear focus on growth and operational efficiency. Our key priorities include:

- **Expanding core business deposits** to strengthen our funding base and lending capacity
- **Leveraging our 2024 investments** to drive revenue growth and operational efficiencies
- **Deepening client relationships** through consultative banking and personalized service

Endeavor Bank was built on a foundation of community partnership, strength, and growth. Just as a slingshot must pull back before launching forward, our investments in talent, technology, and infrastructure in 2024 have positioned us for positive performance in 2025 and beyond.

On behalf of the Board of Directors and our leadership team, we thank you— our shareholders, clients, and community partners —for your trust and support. Together, we are building a bank that not only delivers strong financial performance but also serves as a cornerstone for local businesses and communities across Southern California.

Matthew H. Rattner Chairman	Steven D. Sefton, President 858.230.4243	Dan C. Yates, CEO 858.230.5185

(1) FDIC.gov

Message from Leadership

Strength. Growth. Strategic Expansion.

Turning Challenges Into Opportunities

In 2024, Endeavor Bank turned challenges into opportunities, strengthening our foundation and delivering greater value. While the industry faced uncertainty, we expanded strategically, growing our team by 30% to enhance service across the Greater Los Angeles and Inland Empire areas.

Despite high interest rates and shifting deposit trends, we prioritized stability and smart growth, achieving strong loan and deposit expansion. Our focus remains clear - empowering businesses to thrive with financial strength and personalized service.

Our Company

Endeavor Bancorp

Our Vision: To be the premier consultative business bank for small to mid-sized businesses across Southern California.

Sowing GROWTH

Crafting Strategies That Maximize Potential

We strive to help businesses not just grow, but thrive. With our customized financial solutions and expert guidance, they are positioned to scale seamlessly and optimize profitability.

Our Values

1. **FIGURE IT OUT!** Leave no question or problem unaddressed.
2. **KAIZEN** Continuously improve, change for the better.
3. **ZEAL** Focus intensely on delivering results with energy and positive outlook.
4. **TRIBE** Ferociously protective with a bit of swagger.
5. **URGENCY** Agree on deadlines for action, keep meetings brief, stay agenda-focused.

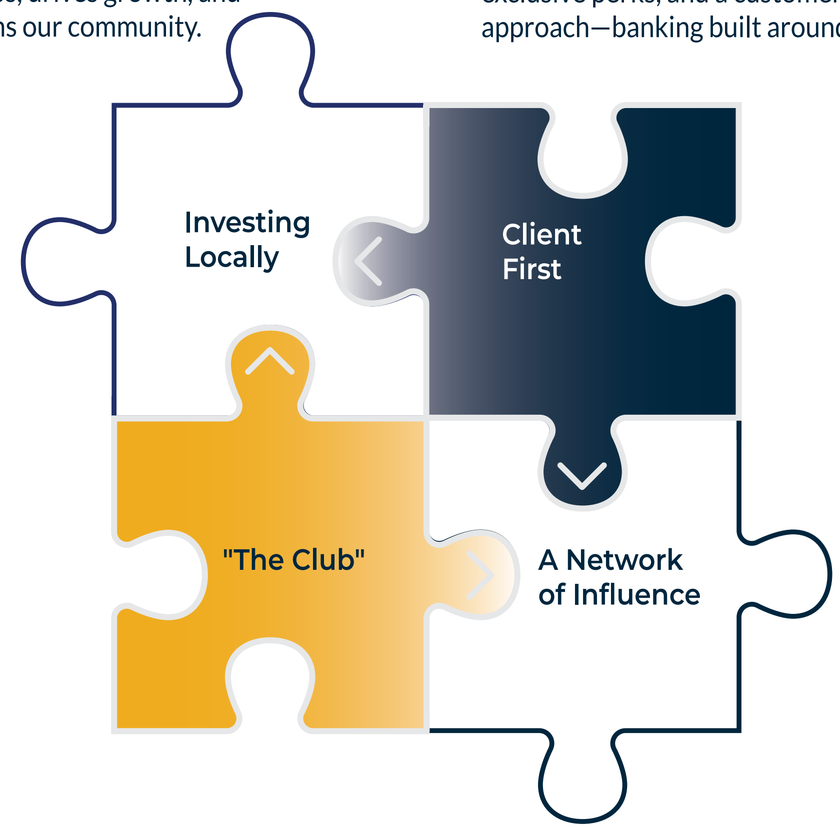
Sowing IMPACT

Many people choose large banks for their broad service offerings. However, they may not realize that a local bank like Endeavor Bank, designed specifically to serve businesses, offers those same solutions, plus a more personalized experience that provides significant benefits for the community.

Here's why banking local with Endeavor makes all the difference.

Business owners are Endeavor Bank's backbone. Banking locally creates jobs, drives growth, and strengthens our community.

Endeavor Bank offers ATM access to a worldwide network - fee free, exclusive perks, and a customer-first approach—banking built around you.



Backed by hundreds of SoCal business leaders, Endeavor Bank's Shareholder Club fosters success through exclusive events and connections.

Endeavor Bank connects businesses to solutions, opportunities, and growth through our powerful network and expert guidance.

Endeavor Bancorp

More Than a Bank

A Catalyst for Prosperity

Our Leadership Team

Embracing Change, Empowering Growth

Markets evolve, industries shift, and technology disrupts—but with the right strategies, businesses thrive. We provide future-forward solutions that anticipate change and position you for long-term success.


Dan C. Yates
Chief Executive Officer


Steven D. Sefton
President


Julie Given-Glance
Chief Financial Officer


Mark A. Anderson
Chief Operations Officer


Joanna Archer
Deputy Chief
Operations Officer


Scott T. Parker
Chief Credit Offier


John Harelson
Chief Banking Officer

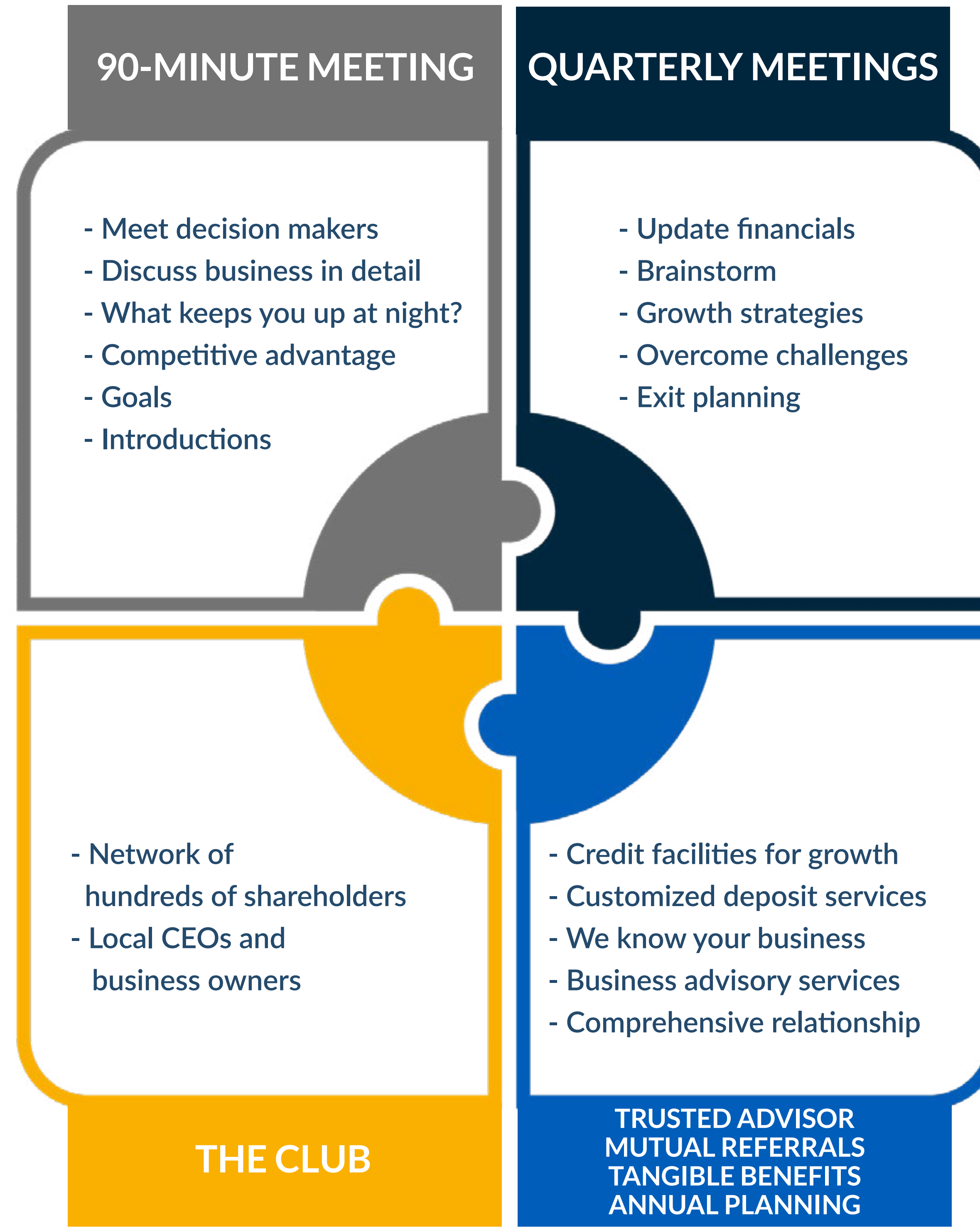
COMMUNITY TESTIMONIAL

"Endeavor is a perfect example of your banker as your business partner vs. just a bank. Their consultative approach helps business owners identify and develop strategies to solve their business pain points."

Dr. Steven Jones
CEO of Global LeaderSHYFT, Inc.

Sowing TRUST

Endeavor Bank's Consultative Banking Explained



Endeavor Bancorp

Sowing THE FUTURE

Banking that Moves at the Speed of Innovation

At Endeavor Bank, we recognize that technology is essential to delivering the best banking experience while maintaining the personal relationships that set us apart. That's why we continue to invest in cutting-edge digital solutions—real-time payments, AI-driven insights, and advanced cybersecurity—to ensure our clients have seamless, secure, and efficient banking at their fingertips.

The Effects of Technology

2024
An Eventful Year

Endeavor Bank hosts events to grow its participation in the business community, providing valuable insights and networking opportunities for business owners and investors. Our Business Owner Forums offer strategic guidance on market opportunities and business valuation, while our Advisory Board Meetings give business owners a platform to present challenges and receive expert advice. Additionally, our Annual Shareholder Meeting highlights Endeavor's growth strategy and vision, marking our anniversary with a celebration of our achievements and future goals.

Charitable Giving Programs

Endeavor Bank remains committed to supporting philanthropic causes and nonprofit organizations. Through event sponsorships, charitable contributions, board leadership, and hands-on volunteerism, we actively invest in initiatives that strengthen our communities and create lasting impact.

Sowing COMMUNITY

2024 TRIBE FAMILY PICNIC

2024 HOLIDAY PARTY

2024 ANNUAL SHAREHOLDER MEETING

2024 HOLIDAY PARTY

BUSINESS OWNER FORUM

Our Clients

Endeavor Bank serves owner-managed and operating companies across Southern California, typically generating $5–100 million in revenue, ranking in the top tier of their industries. Our ideal clients are closely held businesses, led by CEOs who seek strong partnerships, strategic support, and a like-minded network.

Sowing PROSPERITY

Introducing just some of Endeavor Bank's clients —driving growth and shaping the future of Southern California.

Consolidated Financial Statements with Independent Auditor's Report

December 31, 2024 and 2023

Endeavor Bancorp and Subsidiary

Endeavor Bancorp and Subsidiary
Table of Contents
December 31, 2024 and 2023

Consolidated Financial Statements

EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Endeavor Bancorp and Subsidiary (the Company), which c mprise the consolidated statements of financial condition as of December 31, 2024 and 2023, 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, 2024 and 2023, 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, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Eide Bailly LLP

Laguna Hills, California
March 14, 2025

Endeavor Bancorp

Endeavor Bancorp and Subsidiary
Consolidated Statements of Financial Condition
December 31, 2024 and 2023

	2024	2023
Assets		
Cash and due from banks	$ 5,579,271	$ 3,669,788
Interest-bearing deposits at other banks	72,158,790	117,129,548
Total cash and cash equivalents	77,738,061	120,799,336
Interest-bearing time deposits at other banks	2,728,000	3,473,000
Debt securities available for sale, at fair value (amortized cost of $22,773,608 and $5,627,107, net of allowance of credit losses of $0 and $0)	21,995,200	5,063,924
Debt securities held to maturity, net of allowance for credit losses of $32,400 in 2024 and $9,000 in 2023	1,717,600	991,000
Loans		
Owner occupied commercial real estate	220,546,269	155,037,079
Non-owner occupied commercial real estate	122,752,124	114,591,761
Commercial and industrial business	161,371,632	118,084,047
Construction and development	38,838,801	25,632,730
Consumer	30,072,638	24,437,420
Total loans	573,581,464	437,783,037
Deferred fees and costs, net	(1,764,775)	(1,520,219)
Allowance for loan credit losses	(7,838,200)	(5,992,000)
Net loans	563,978,489	430,270,818
Federal home loan bank ("FHLB") stock, at cost	2,063,800	1,822,500
Premises and equipment, net	265,518	319,119
Operating lease right-of-use assets	1,030,234	1,459,943
Deferred tax assets	3,570,000	2,922,000
Accrued interest and other assets	3,238,582	3,029,378
Total assets	$ 678,325,484	$ 570,151,018

See Notes to Consolidated Financial Statements

Endeavor Bancorp

Endeavor Bancorp and Subsidiary
Consolidated Statements of Financial Condition
December 31, 2024 and 2023

	2024	2023
Liabilities and shareholders' equity		
Deposits		
Noninterest-bearing demand	$ 193,210,189	$ 166,643,940
Interest-bearing demand, savings, and money market accounts	339,638,069	333,920,935
Time deposits under $250,000	17,719,176	4,673,751
Time deposits $250,000 and over	50,651,138	2,318,745
Total deposits	601,218,572	507,557,371
Operating lease liabilities	1,147,580	1,602,740
Long term notes payable	26,696,847	14,597,896
Other borrowings	-	1,523,170
Accrued interest and other liabilities	3,253,492	2,343,818
Total liabilities	632,316,491	527,624,995
Commitments and contingencies - Note 11		
Shareholders' equity		
Preferred stock - 20,000,000 shares authorized, none outstanding	-	-
Common stock - 20,000,000 shares authorized, no par value; shares issued and outstanding, 3,494,303 in 2024 3,394,923 in 2023	35,052,979	34,204,819
Additional paid-in capital	3,384,714	3,070,888
Retained earnings	8,133,623	5,647,021
Accumulated other comprehensive loss	(562,323)	(396,705)
Total shareholders' equity	46,008,993	42,526,023
Total liabilities and shareholders' equity	$ 678,325,484	$ 570,151,018

See Notes to Consolidated Financial Statements

Endeavor Bancorp

Endeavor Bancorp and Subsidiary
Consolidated Statements of Operations
December 31, 2024 and 2023

	2024	2023
Interest and dividend income		
Loans	$ 32,865,622	$ 24,275,677
Debt securities	645,128	169,314
Interest-bearing deposits and other	5,147,340	6,086,852
Total interest and dividend income	38,658,089	30,531,843
Interest expense		
Interest-bearing demand, savings,		
Money market accounts	13,011,893	9,753,956
Time deposits	1,040,727	239,019
Other borrowings	1,776,552	804,258
Total interest expense	15,829,172	10,797,233
Net interest income	22,828,917	19,734,610
Credit loss expense - loans	1,846,200	1,016,000
Credit loss expense - debt securities held to maturity	23,400	9,000
Credit loss expense - off balance sheet exposures	14,000	20,000
Credit loss expense	1,883,600	1,045,000
Net interest income after credit loss expense	20,945,317	18,689,610
Noninterest income		
Gain on sale of SBA loans	267,709	-
Service charges and fees on deposits	214,807	238,657
Other service charges and fees	435,021	547,937
Total noninterest income	917,537	786,594
Noninterest expense		
Salaries and employee benefits	11,370,020	8,794,722
Occupancy and equipment expenses	714,694	646,152
Regulatory assessments	402,003	403,505
Legal and professional	633,774	563,208
Advertising and business development	337,523	384,023
Data processing	1,945,381	1,556,207
Other expenses	1,897,310	1,579,281
Total noninterest expense	17,300,705	13,927,098
Income before income taxes	4,562,149	5,549,106
Provision for income taxes	1,386,670	1,680,463
Net income	$ 3,175,479	$ 3,868,643
Net income per share - Basic	$ 0.92	$ 1.14
Net income per share - Diluted	$ 0.91	$ 1.12

See Notes to Consolidated Financial Statements

Endeavor Bancorp

Endeavor Bancorp and Subsidiary
Consolidated Statements of Comprehensive Income
December 31, 2024 and 2023

	2024	2023
Net income	$ 3,175,479	$ 3,868,643
Other comprehensive loss:		
Unrealized losses/gains on debt securities available for sale	(215,224)	106,594
Tax effect of current period changes	49,608	(31,508)
Total other comprehensive (loss)/gain	(165,616)	75,086
Comprehensive income	$ 3,009,863	$ 3,943,729

See Notes to Consolidated Financial Statements

Endeavor Bancorp

Endeavor Bancorp and Subsidiary
Consolidated Statements of Shareholders' Equity
December 31, 2024 and 2023

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Number of Shares	Amount				
Balance at January 1, 2023	3,380,543	$ 34,136,607	$ 2,758,384	$ 1,778,378	$ (471,791)	$38,201,578
Stock-based compensation			382,206			382,206
Issuance of restricted shares, net	14,380	(1,490)				(1,490)
Vesting of restricted shares		69,702	(69,702)			-
Other comprehensive income					75,086	75,086
Net income				3,868,643		3,868,643
Balance at December 31, 2023	3,394,923	34,204,819	3,070,888	5,647,021	(396,705)	42,526,023
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)
Stock dividend	68,412	688,225		(688,877)		(652)
Net income				3,175,479		3,175,479
Balance at December 31, 2024	3,494,303	$ 35,052,979	$ 3,384,714	$ 8,133,623	$ (562,323)	$46,008,993

Endeavor Bancorp

Endeavor Bancorp and Subsidiary
Consolidated Statements of Cash Flows
December 31, 2024 and 2023

	2024	2023
Operating activities		
Net income	$ 3,175,479	$ 3,868,643
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	122,602	97,701
Credit loss expense	1,883,600	1,045,000
Deferred taxes	(598,000)	46,000
Net change in deferred PPP loan fees, net	(14,065)	(21,663)
Operating lease right-of-use amortization	429,710	399,913
Operating lease liability payments	(455,160)	(409,472)
Stock-based compensation	473,761	382,206
Amortization of debt issuance costs	89,160	48,740
Other items	685,425	(490,044)
Net cash provided by operating activities	5,792,512	4,967,024
Investing activities		
Net change in interest-bearing time deposits in other banks	745,000	(1,489,000)
Purchases of debt securities held to maturity	(750,000)	-
Purchases of debt securities available for sale	(19,494,690)	-
Proceeds from principal payments & maturities of debt securities available for sale	2,348,189	237,281
Net increase in loans	(135,539,808)	(56,588,690)
Purchase of Federal Home Loan Bank stock	(241,300)	(335,800)
Purchases of premises and equipment	(69,001)	(291,359)
Net cash used by investing activities	(153,001,610)	(58,467,568)
Financing activities		
Net change in demand and interest-bearing demand accounts	32,283,384	80,825,445
Net change in time deposits	61,377,819	3,811,634
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)	(245,414)
Net cash provided by financing activities	104,147,824	84,391,665
Change in cash and cash equivalents	(43,061,274)	30,891,121
Cash and cash equivalents, beginning of year	120,799,336	89,908,215
Cash and cash equivalents, end of year	$ 77,738,062	$ 120,799,336
Supplemental disclosures of cash flow information:		
Interest paid	$ 15,927,297	$ 10,747,663
Taxes paid	$ 1,328,813	$ 2,018,463
Lease liabilities arising from obtaining right-of-use assets	$ -	$ 577,957

Note 1 - Summary of Significant Accounting Policies

Principles of Consolidation and Nature of Operations

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

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

The Bank commenced business on January 22, 2018, after receiving the requisite approvals of regulatory authorities. The Bank has been incorporated in the State of California and organized as a single operating segment that operates two full-service branches in San Diego, California and La Mesa, California and a loan production and administrative office in Carlsbad, California.

The Bank operates in the local market offering traditional products and services, serving the needs of small-to-medium sized businesses, business owners and professionals, and real estate owners and investors. The majority of deposits and loans are expected to be originated from within the Southern California marketplace and its surrounding areas.

Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through March 14, 2025, which is the date the consolidated financial statements were available to be issued.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A material estimate that is particularly susceptible to significant changes in the near term 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, 2024 and 2023, 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 in three categories and accounted for as follows: debt securities that the Company has the positive intent and ability to hold to maturity are classified as held to maturity and are measured at amortized cost; debt securities bought and held principally for the purpose of selling in the near term are classified as trading securities and are measured at fair value, with unrealized gains and losses included in 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 on the specific identification method. Premiums and discounts are amortized or accreted using the interest method over the expected lives of the related securities. Purchases and sales of debt securities are recorded on the trade date.

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 $21,839 and $21,667 at December 31, 2024 and December 31, 2023, 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 flows 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 recorded as credit loss expense (or reversal.) Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available-for-sale debt securities totaled $91,195 and $23,240 at December 31, 2024 and December 31, 2023, 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. Loans qualifying for deferral under Section 4013 of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) continue to accrue interest during the deferral period. When loans are placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Income on nonaccrual loans is subsequently recognized only to the extent that cash is received, and the loan's principal balance is deemed collectible. Interest accruals are resumed on such loans only when they are brought current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to all principal and interest.

Allowance for 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.

Accrued interest receivable on loans totaled $1,768,812 at December 31, 2024 and $1,390,433 at December 31, 2023 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 seen in PPP loans), as is necessary.

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 $107 million to $1.8 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.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for undiscounted selling costs as appropriate.

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 cancellable 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 borrowings and other factors and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as interest income in the consolidated statement of operations.

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives, which ranges from three to five years for furniture, equipment, and computer equipment. Leasehold improvements are amortized using the straight-line method over an estimated useful life of seven years or the remaining lease term, whichever is shorter. Expenditures for betterments or major repairs are capitalized and those for ordinary repairs and maintenance are charged to operations as incurred.

Leases

The Company determines if an arrangement contains a lease at contract inception and recognize right-of-use ("ROU") assets and operating lease liabilities based on the present value of lease payments over the lease term. While operating leases may include options to extend the term, the Company does not take into account the options in calculating the ROU asset and lease liability unless it is reasonably certain such options will be exercised. The present value of lease payments is determined based on the Company's incremental borrowing rate and other information available at lease commencement. Leases with an initial term of 12 months or less are not recorded in the consolidated statements of financial condition. Lease expense is recognized on a straight-line basis over the lease term. The Company has elected to account for lease agreements with lease and non-lease components as a single lease component.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable, and the amount or range of loss can be reasonably estimated. Management does not believe there are any such matters that will have a material effect on the consolidated financial statements.

Revenue Recognition – Noninterest Income

In accordance with 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 has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Advertising Costs

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

Stock-Based Compensation

The Company recognizes the cost of employee services received in exchange for awards of stock options and restricted stock, or other equity instruments, based on the grant-date fair value of those awards. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Company's common stock at the date of grant is used for restricted stock awards. This cost is recognized over the period which an employee is required to provide services in exchange for the award, generally the vesting period. The Company treats each tranche of each stock option award as if it were a separate award with its own vesting date. Generally, for each tranche granted, compensation expense is recognized on a straight-line basis from the grant date until the vesting date of the respective tranche. The cost of other awards is generally recognized over the vesting period, on a straight-line basis.

The Company has elected to account for forfeitures of stock-based awards as they occur. Excess tax benefits and tax deficiencies relating to stock-based compensation are recorded as income tax expense or benefit in the statements of operations when incurred.

Income Taxes

Deferred income taxes are computed using the asset and liability method, which recognizes a liability or asset representing the tax effects, based on current tax law, of future deductible or taxable amounts attributable to events that have been recognized in the consolidated financial statements. A valuation allowance is established to reduce the deferred tax asset to the level at which it is "more likely than not" that the tax asset or benefits will be realized. Realization of tax benefits of deductible temporary differences and operating loss carry forwards depends on having sufficient taxable income of an appropriate character within the carry forward periods.

The Company has adopted guidance issued by the Financial Accounting Standards Board ("FASB") that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the consolidated financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Interest and penalties related to tax positions are recorded as part of income tax expense.

Earnings Per Share ("EPS")

Earnings per common share is computed under the two-class method. Basic EPS excludes dilution and is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period, excluding outstanding participating securities. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Unvested share-based awards that contain non-forfeitable rights to receive dividends when declared or dividend equivalents (whether paid or unpaid) are participating securities and are included in the computation of earnings per share pursuant to the two-class method. The Company has determined that its outstanding non-vested restricted share awards are participating securities.

Comprehensive Income

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

Financial Instruments

In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit as described in Note 11-Commitments. Such financial instruments are recorded in the consolidated financial statements when they are funded, or related fees are incurred or received.

Fair Value Measurement

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Current accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

See Note 15-Fair Value Measurements for more information and disclosures relating to the Company's fair value 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. The CODM uses revenue streams to evaluate product pricing and significant expenses to assess performance and evaluate return on assets. The 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 the 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, 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.

On January 1, 2023, the Company adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326), as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The measurement of expected credit losses under CECL methodology is applicable to financial assets measured at amortized costs, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ACS 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Company adopted ACS 326 using the modified retrospective method for all financial assets measured at amortized cost, and off-balance-sheet ("OBS") credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under GAAP.

The Company determined that there was no impact on the adoption of ASC 326. There were no material changes to the allowances upon adoption.

Reclassifications

Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year 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, 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
December 31, 2024					
U.S. 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
	$ 22,773,608	$ -	$ (778,408)	$ -	$ 21,995,200

Held-to-maturity securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
December 31, 2024					
Corporate debt securities	$ 1,750,000	$ -	$ (91,421)	$ 1,658,579	$ (32,400)
	$ 1,750,000	$ -	$ (91,421)	$ 1,658,579	$ (32,400)

Endeavor Bancorp
Endeavor Bancorp and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

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, 2023 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
December 31, 2023					
U.S. government and agency securities	$ 2,950,352	$ -	$ (195,424)	$ -	$ 2,754,928
Mortgage-backed securities	1,562,202	-	(226,090)	-	1,336,112
Obligations of state and political subdivisions	1,114,553	-	(141,669)	-	972,884
	$ 5,627,107	$ -	$ (563,183)	$ -	$ 5,063,924

Held-to-maturity securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
December 31, 2023					
Corporate debt securities	$ 1,000,000	$ -	$ (103,190)	$ 896,810	$ (9,000)
	$ 1,000,000	$ -	$ (103,190)	$ 896,810	$ (9,000)

The amortized cost and fair values of debt securities at December 31, 2024, 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, 2024	
	Amortized Cost	Fair Value
Available-for-sale		
One to five years	$ 3,111,444	$ 2,860,060
Five to ten years	-	-
Beyond ten years	604,670	596,961
Mortgage-backed securities	19,057,494	18,538,178
Total	$ 22,773,608	$ 21,995,199
Held-to-maturity		
One to five years	$ 1,000,000	$ 908,579
Five to ten years	750,000	750,000
Mortgage-backed securities	-	-
Total	$ 1,750,000	$ 1,658,579

Securities pledged had a carrying amount of $20,028,713 and $4,091,040 at year-end 2024 and 2023 respectively and were pledged to secure borrowings with the Federal Home Loan Bank.

As of December 31, 2024, the Company had twenty-eight total debt securities, of which twenty-seven were in an unrealized loss position. As of December 31, 2023, the Company had seven total debt securities that 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, 2024 and 2023, 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, 2024, aggregated by major security type and length of time in a continuous unrealized loss position:

	Less than Twelve Months		Twelve Months or More		Total	
Available-for-sale securities	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value
December 31, 2024						
U.S. 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
	$ (313,301)	$ 15,734,162	$ (473,348)	$ 4,616,386	$ (786,649)	$ 20,350,548

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, 2023. 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	
Available-for-sale securities	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value
December 31, 2023						
U.S. government and agency securities	$ -	$ -	$ (195,424)	$ 2,754,928	$ (195,424)	$ 2,754,928
Mortgage-backed securities	-	-	(226,090)	1,336,112	(226,090)	1,336,112
Obligations of state and political subdivisions	-	-	(141,669)	972,884	(141,669)	972,884
	$ -	$ -	$ (563,183)	$ 5,063,924	$ (563,183)	$ 5,063,924

As of December 31, 2024 and 2023 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, 2024 and 2023:

	Other
December 31, 2024	
Allowance for credit losses:	
Beginning balance	$ 9,000
Credit loss expense	23,400
Securities charged-off	-
Recoveries	-
Total ending allowance balance	$ 32,400

	Other
December 31, 2023	
Allowance for credit losses:	
Beginning balance	$ -
Impact of adopting ASC 326	-
Credit loss expense	9,000
Securities charged-off	-
Recoveries	-
Total ending allowance balance	$ 9,000

As of December 31, 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, 2024 the Company held two held-to-maturity security 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.

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, 2024, the balance of loans related to the MSLP was $2.02 million, net of deferred fees and costs. As of December 31, 2023 the balance of loans related to the MSLP was $3.18 million, net of deferred fees and costs.

At December 31, 2024, the Company had pledged loans totaling approximately $153.2 million to secure a line of credit with the Federal Home Loan Bank, $37.3 million to secure a line of credit with the Federal Reserve Discount Window as discussed in Note 7-Borrowings.

The following table presents the activity in the allowance for credit losses by portfolio segment for the year ended December 31, 2024:

	Owner Occupied Commercial Real Estate	Non-owner Occupied Commercial Real Estate	Commercial and Industrial Business	Construction and Development	Consumer	Total
Allowance for credit losses						
Beginning of year	$ 1,493,886	$ 1,351,552	$ 1,978,890	$ 684,793	$ 482,879	$ 5,992,000
Credit loss expense	460,084	(176,338)	1,870,138	(269,378)	(38,306)	1,846,200
Charge-offs	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-
Total ending allowance balance	$ 1,953,970	$ 1,175,214	$ 3,849,028	$ 415,415	$ 444,573	$ 7,838,200

	Owner Occupied Commercial Real Estate	Non-owner Occupied Commercial Real Estate	Commercial and Industrial Business	Construction and Development	Consumer	Total
Allowance for credit losses						
Off-balance sheet credit exposure						
Beginning of year	$ 14,800	$ 2,500	$ 67,400	$ 6,000	$ 9,300	$ 100,000
Credit loss expense	(6,400)	(100)	20,400	200	(100)	$ 14,000
Charge-offs	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-
Total ending allowance balance	$ 8,400	$ 2,400	$ 87,800	$ 6,200	$ 9,200	$ 114,000

The following table presents the activity in the allowance for credit losses by portfolio segment for the year ended December 31, 2023:

	Owner Occupied Commercial Real Estate	Non-owner Occupied Commercial Real Estate	Commercial and Industrial Business	Construction and Development	Consumer	Total
Allowance for credit losses						
Beginning balance, prior to adoption of ASC 326	$ 1,529,313	$ 1,368,000	$ 2,453,687	$ 168,000	$ 257,000	$ 5,776,000
Impact of adopting ASC 326	-	-	-	-	-	-
Provisions	(35,427)	(16,448)	325,203	516,793	225,879	1,016,000
Charge-offs	-	-	(800,000)	-	-	(800,000)
Recoveries	-	-	-	-	-	-
End of year	$ 1,493,886	$ 1,351,552	$ 1,978,890	$ 684,793	$ 482,879	$ 5,992,000

	Owner Occupied Commercial Real Estate	Non-owner Occupied Commercial Real Estate	Commercial and Industrial Business	Construction and Development	Consumer	Total
Allowance for credit losses						
Off-balance sheet credit exposure						
Beginning of year	$ 4,000	$ 6,500	$ 58,000	$ 6,300	$ 5,200	$ 80,000
Credit loss expense	10,800	(4,000)	9,400	(300)	4,100	20,000
Charge-offs	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-
Total ending allowance balance	$ 14,800	$ 2,500	$ 67,400	$ 6,000	$ 9,300	$ 100,000

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:

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

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, 2023:

	Nonaccrual With No Allowance for Credit Loss	Nonaccrual	Loans Past Due Over 89 Days Still Accruing
Owner occupied commercial real estate	$ -	$ -	$ -
Non-owner occupied commercial real estate	-	-	-
Commercial and industrial business loans	-	300,000	1,547,783
Construction and development loans	-	-	-
Consumer loans	-	-	-
Total	$ -	$ 300,000	$ 1,547,783

The following table presents the amortized cost basis of collateral dependent loans by class of loans as of December 31, 2024:

December 31, 2024	Business Assets
Owner occupied commercial real estate	$ -
Non-owner occupied commercial real estate	-
Commercial and industrial business loans	2,264,367
Construction and development loans	-
Consumer loans	-
Total	$ 2,264,367

There were no loans determined to be collateral dependent as of December 31, 2023.

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.

Endeavor Bancorp and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

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, 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							
	2024	2023	2022	2021	Prior	Revolving Loans Amortized Costs Basis	Revolving Loans Converted to Term	Total
Owner occupied commercial real estate								
Risk rating								
Pass	$ 48,212,085	$ 27,082,214	$ 22,845,356	$ 28,511,941	$ 13,709,696	$ 70,636,628	$ 287,423	$ 211,285,343
Special mention	-	-	3,725,466	1,189,263	2,968,811	-		7,883,540
Substandard	-	-	-	-	-	622,192		622,192
Doubtful	-	-	-	-	-			-
Total owner occupied commercial real estate	$ 48,212,085	$ 27,082,214	$ 26,570,822	$ 29,701,204	$ 16,678,507	$ 71,258,820	$ 287,423	$ 219,791,075
Current period gross write-offs	-	-	-	-	-	-	-	-

	Term Loans Amortized Cost Basis by Origination Year							
	2024	2023	2022	2021	Prior	Revolving Loans Amortized Costs Basis	Revolving Loans Converted to Term	Total
Non-owner occupied commercial real estate								
Risk rating								
Pass	$ 4,655,945	$ 10,657,385	$ 39,811,664	$ 15,985,732	$ 4,149,426	$ 43,749,274	$ -	$ 119,009,426
Special mention	-	-	-	-	-	2,191,404	-	2,191,404
Substandard	-	-	-	-	-	1,027,493	-	1,027,493
Doubtful	-	-	-	-	-	-	-	-
Total non-owner occupied commercial real estate	$ 4,655,945	$ 10,657,385	$ 39,811,664	$ 15,985,732	$ 4,149,426	$ 46,968,171	$ -	$ 122,228,323
Current period gross write-offs	-	-	-	-	-	-	-	-

	Term Loans Amortized Cost Basis by Origination Year							
	2024	2023	2022	2021	Prior	Revolving Loans Amortized Costs Basis	Revolving Loans Converted to Term	Total
Commercial and industrial business loans								
Risk rating								
Pass	$ 2,535,108	$ 5,215,986	$ 3,363,908	$ 2,628,304	$ 4,275,786	$ 119,479,527	$ 4,895,641	$ 142,394,260
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 commercial and industrial business loans	$ 2,535,108	$ 5,215,986	$ 3,363,908	$ 4,112,210	$ 4,275,786	$ 135,413,460	$ 6,215,008	$ 161,131,466
Current period gross write-offs	-	-	-	-	-	-	-	-

	Term Loans Amortized Cost Basis by Origination Year							
	2024	2023	2022	2021	Prior	Revolving Loans Amortized Costs Basis	Revolving Loans Converted to Term	Total
Construction and development								
Risk rating								
Pass	$ -	$ 10,704,938	$ -	$ -	$ -	$ 27,975,233	$ -	$ 38,680,171
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total construction and development	$ -	$ 10,704,938	$ -	$ -	$ -	$ 27,975,233	$ -	$ 38,680,171
Current period gross write-offs	-	-	-	-	-	-	-	-

	Term Loans Amortized Cost Basis by Origination Year							
	2024	2023	2022	2021	Prior	Revolving Loans Amortized Costs Basis	Revolving Loans Converted to Term	Total
Consumer								
Risk rating								
Pass	$ 9,239,770	$ 2,412,704	$ 3,824,564	$ 3,808,760	$ 1,097,041	$ 9,602,815	$ -	$ 29,985,654
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total consumer	$ 9,239,770	$ 2,412,704	$ 3,824,564	$ 3,808,760	$ 1,097,041	$ 9,602,815	$ -	$ 29,985,654
Current period gross write-offs	-	-	-	-	-	-	-	-

As of December 31, 2023, 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						
	2023	2022	2021	Prior	Revolving Loans Amortized Costs Basis	Revolving Loans Converted to Term	Total
Owner occupied commercial real estate							
Risk rating							
Pass	$ 27,478,408	$ 24,174,098	$ 29,656,231	$ 18,227,208	$ 52,495,462	$ 278,029	$ 152,309,436
Special mention	-	-	-	-	-	-	-
Substandard	-	-	1,222,457	-	950,788	-	2,173,245
Doubtful	-	-	-	-	-	-	-
Total owner occupied commercial real estate	$ 27,478,408	$ 24,174,098	$ 30,878,688	$ 18,227,208	$ 53,446,250	$ 278,029	$ 154,482,681
Current period gross write-offs	-	-	-	-	-	-	-

	Term Loans Amortized Cost Basis by Origination Year						
	2023	2022	2021	Prior	Revolving Loans Amortized Costs Basis	Revolving Loans Converted to Term	Total
Non-owner occupied commercial real estate							
Risk rating							
Pass	$ 10,652,130	$ 39,817,530	$ 17,705,894	$ 4,857,450	$ 37,863,361	$ -	$ 110,896,365
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	3,231,180	-	3,231,180
Doubtful	-	-	-	-	-	-	-
Total non-owner occupied commercial real estate	$ 10,652,130	$ 39,817,530	$ 17,705,894	$ 4,857,450	$ 41,094,541	$ -	$ 114,127,545
Current period gross write-offs	-	-	-	-	-	-	-

	Term Loans Amortized Cost Basis by Origination Year				Revolving Loans Amortized Costs Basis	Revolving Loans Converted to Term	Total
	2023	2022	2021	Prior			
Commercial and industrial business loans							
Risk rating							
Pass	$ 4,348,860	$ 6,512,255	$ 5,166,598	$ 4,608,770	$ 81,192,788	$ 6,998,234	$ 108,827,505
Special mention	-	770,187	803,552	-	918,949	936,050	3,428,738
Substandard	-	-	1,659,671	525,779	2,955,088	169,643	5,310,181
Doubtful	-	-	-	-	300,000	-	300,000
Total commercial and industrial business loans	$ 4,348,860	$ 7,282,442	$ 7,629,821	$ 5,134,549	$ 85,366,825	$ 8,103,927	$ 117,866,424
Current period gross write-offs	-	-	$ 800,000	-	-	-	-

	Term Loans Amortized Cost Basis by Origination Year				Revolving Loans Amortized Costs Basis	Revolving Loans Converted to Term	Total
	2023	2022	2021	Prior			
Construction and development							
Risk rating							
Pass	$ 7,827	$ 4,627,384	$ -	$ -	$ 20,758,821	$ -	$ 25,394,032
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total construction and development loans	$ 7,827	$ 4,627,384	$ -	$ -	$ 20,758,821	$ -	$ 25,394,032
Current period gross write-offs	-	-	-	-	-	-	-

	Term Loans Amortized Cost Basis by Origination Year				Revolving Loans Amortized Costs Basis	Revolving Loans Converted to Term	Total
	2023	2022	2021	Prior			
Consumer							
Risk rating							
Pass	$ 2,194,727	$ 3,881,717	$ 3,909,113	$ 1,181,056	$ 13,225,523	$ -	$ 24,392,136
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total consumer	$ 2,194,727	$ 3,881,717	$ 3,909,113	$ 1,181,056	$ 13,225,523	$ -	$ 24,392,136
Current period gross write-offs	-	-	-	-	-	-	-

Endeavor Bancorp and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

During 2024, 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.

The loans were not past due at December 31, 2024 and did not have payment defaults since the modifications took place. There were no loan modifications in 2023.

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the year ended December 31, 2024:

Note 4 - Premises and Equipment

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

	2024	2023
Leasehold improvements	$ 224,424	$ 224,424
Furniture, fixtures, and equipment	760,000	724,575
	984,424	948,999
Less accumulated depreciation and amortization	(718,906)	(629,880)
	$ 265,518	$ 319,119

Depreciation expense was approximately $123,000 and $98,000 as of December 31, 2024, and December 31, 2023, 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 June 2028. 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:

	2024	2023
Operating lease expense	$ 481,727	$ 461,751
Variable lease expense	54,210	6,919
Total lease expense	$ 535,937	$ 468,670

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

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities	$ 503,534	$ 469,813
Right-of-Use assets obtained in exchange for lease obligations	$ -	$ 577,957

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

	2024	2023
Weighted average remaining lease term	2.47 Years	3.43 Years
Weighted average discount rate	3.54%	3.66%

Maturities of operating lease liabilities as of December 31, 2024, were as follows:

Year Ending	
2025	$ 522,077
2026	455,745
2027	151,478
2028	67,472
Thereafter	-
Total lease payments	1,196,772
Less imputed interest	(49,192)
Total operating lease liability	$ 1,147,580

Note 6 - Deposits

Scheduled maturities of time deposits for the next five years were as follows:

2025	$ 29,844,981
2026	33,502,860
2027	5,022,473
	$ 68,370,314

As of December 31, 2024, the Company had 7 deposit relationships that exceeded 2.00% of total deposits, collectively aggregating approximately $121,130,000 and representing 20.12% 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, 2024. There were no outstanding advances under these line as of December 31, 2024 and 2023.
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 $125.8 million at December 31, 2024 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 $153.2 million as collateral for this line. As of December 31, 2024 and 2023, 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 $28 million at December 31, 2024 subject to provide adequate collateral. The Company has pledged loans of approximately $37.3 million as collateral for this line. As of December 31, 2024, there were no advances under this line.

As of December 31, 2023, the Company had loan advances of $1.5 million from the Federal Reserve Bank of San Francisco under the Paycheck Protection Program Liquidity Facility (“PPPLF”), which had an interest rate of 0.35% per annum. The advances are collateralized by Paycheck Protection Program loans in the same amount and maturities as the advances. As of December 31, 2024, 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, 2024 and 2023 respectively were $353,364 and $402,104. At December 31, 2024, 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, 2024 were $449,790. At December 31, 2024, the Company was in compliance with all covenants and terms of the Notes.

Note 8 - Income Taxes

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

	2024	2023
Current		
Federal	$ 1,282,057	$ 1,101,740
State	702,613	623,723
	1,984,670	1,725,463
Deferred	(598,000)	(45,000)
Valuation allowance	-	-
	$ 1,386,670	$ 1,680,463

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

	2024		2023	
	Amount	Rate	Amount	Rate
Statutory federal tax	$ 958,000	21.0%	$ 1,165,000	21.0%
State taxes, net of federal benefit	397,000	8.7%	482,000	8.7%
Valuation allowance	-	-	-	-
Stock-based compensation	-	-	-	-
Other items, net	31,670	0.7%	33,463	0.6%
Provision for income taxes	$ 1,386,670	30.4%	$ 1,680,463	30.3%

Endeavor Bancorp

Endeavor Bancorp and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Deferred taxes are a result of differences between income tax accounting and generally accepted accounting principles with respect to income and expense recognition. The following is a summary of the components of the net deferred tax asset accounts recognized in the accompanying consolidated statements of financial condition at December 31:

	2024	2023
Deferred tax assets		
Organization expenses	$ 366,000	$ 410,000
Allowance for credit losses due to tax limitations	2,237,000	1,650,000
Stock-based compensation	812,000	712,000
Operating lease liability	339,000	474,000
Available for sale	216,000	166,000
Other items	170,000	110,000
State taxes current	16,000	-
	4,156,000	3,522,000
Valuation allowance	-	-
Deferred tax liabilities		
Right of use asset	(305,000)	(432,000)
Accrual to cash	(261,000)	(146,000)
Other items	(20,000)	-
State taxes current	-	(22,000)
	(586,000)	(600,000)
Net deferred tax assets	$ 3,570,000	$ 2,922,000

The valuation allowance for deferred tax assets was established after considering many factors, including the size of the deferred tax assets and the Bank's history of taxable income. In 2022, the valuation allowance was fully reversed due to the Bank management's assessment that the deferred tax assets were "more likely than not" to be realized. At December 31, 2023, the Bank has fully utilized all Federal and California net operating loss carryforwards.

The Company records interest and penalties related to uncertain tax positions as part of (benefit) provision for income taxes. There was no penalty or interest expense recorded during the years ended December 31, 2024 and 2023. The Company does not expect the total amount of unrecognized tax benefits to significantly increase or decrease within the next twelve months.

The Company is subject to federal income tax and California franchise tax. Federal income tax returns for years ended after December 31, 2020, are open to audit by the federal authorities and for the years ending after December 31, 2019 are open to audit by the California state authorities.

Note 9 - Other Expenses

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

	2024	2023
Director stock-based compensation and other	$ 414,955	$ 424,191
Loan expenses	60,009	45,062
Office and telephone expense	194,032	160,246
Insurance	84,387	77,784
Dues, memberships and subscriptions	170,004	142,513
Network fees	263,875	257,406
Travel and entertainment expense	320,596	207,422
Other	389,452	264,657
	$ 1,897,310	$ 1,579,281

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:

	2024		2023	
	Income	Shares	Income	Shares
Net income as reported	$ 3,175,479	-	$ 3,868,643	-
Less earnings allocated to participating securities	(68,867)	-	(20,445)	-
Shares outstanding at year end	-	3,494,303	-	3,394,923
Less weighted average shares of participating securities	-	(75,069)	-	(17,927)
Impact of weighting shares Issued during the year	-	(32,859)	-	(2,739)
Used in basic EPS	3,106,612	3,386,375	3,848,198	3,374,257
Dilutive effect of outstanding Stock options	-	22,346	-	62,110
Used in diluted EPS	$ 3,106,612	3,408,721	$ 3,848,198	3,436,367

At December 31, 2024 and 2023, 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 the Company had the following approximate outstanding financial commitments whose contractual amounts represent credit risk:

	2024	2023
Commitments to extend credit	$ 210,620,540	$ 175,906,675
Standby letters of credit	1,800,000	1,596,325
Commercial letters of credit	2,366,538	86,000
	$214,787,078	$177,589,000

Note 12 - Related Party Transactions

In the ordinary course of business, certain executive officers, directors, and companies with which they are associated may have loans and deposits with the Company. At December 31, 2024 and 2023, there were zero and a de minimus amount in outstanding balances of related party loans respectively, and related party deposits were approximately $21.4 million and $31.1 million, respectively.

Note 13 - Stock – Based Compensation Plan

The Board of Directors of the Company approved the 2017 Equity Incentive Plan ("2017 Plan"). The plan was approved in April 2018 by the shareholders. Under the terms of the 2017 Plan, officers and key employees may be granted both 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. 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 $473,761 and $382,206 for the years ended December 31, 2024 and 2023, respectively.

The fair value of stock options issued in 2024 and 2023, was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2024	2023
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%	4.03%
Grant date fair value	$4.76	$5.06

Since the Company has a limited amount of historical stock activity, the expected volatility is based on the historical volatility of similar banks that have a longer trading history. The expected term represents the estimated average period of time that the options remain outstanding. Since the Company does not have sufficient historical data on the exercise of stock options, the expected term is based on the "simplified" method that measures the expected term as the average of the vesting period and the contractual term, adjusted for management's estimate on the period of time that options granted are expected to be outstanding. The risk-free rate of the return reflects the grant date interest rate offered for zero coupon U.S. Treasury bonds over the expected term of the options.

A summary of the status of the Company's stock option plan as of December 31, 2024 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	769,595	$ 9.91		
Granted	51,210	11.00		
Exercised	-	-		
Forfeited or expired	(2,000)	10.28		
Outstanding at end of year	818,805	$ 9.98	5.00	$ 1,899,537
Options exercisable	818,805	$ 9.98	5.00	$ 1,899,537

As of December 31, 2024, 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, 2024, follows:

	Unvested Shares	Weighted-Average Grant Date Fair Value
Balance, beginning of period	17,872	$ 11.07
Granted	30,968	10.56
Shares vested	11,830	10.74
Forfeited or expired	-	-
Balance, end of year	37,010	$ 10.71

As of December 31, 2024, there was $172,745 of total unrecognized compensation cost related to nonvested restricted stock granted under the Plan. The cost is expected to be recognized over a weighted-average period of 1.05 years. The total fair value of restricted stock vested was $142,316 per year.

Note 14 - Employee 401k Plan

The Company has adopted a 401(k) plan for the benefit of its employees. Under the plan, eligible employees may defer a portion of their salaries. The plan provides for a discretionary matching contribution. The Company made contributions and incurred an associated expense of $294,620 for the year ended December 31, 2024 and $244,797 for the year ended December 31, 2023.

Note 15 - Fair Value Measurements

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

Debt Securities Available for Sale

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

The following table provides the hierarchy and fair value for each major category of assets and liabilities measured at fair value at December 31, 2024 and December 31, 2023:

	Fair Value Measurements Using			
December 31, 2024	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis				
Debt securities available for sale	$ -	$ 21,995,200	$ -	$ 21,995,200
December 31, 2023				
Assets measured at fair value on a recurring basis				
Debt securities available for sale	$ -	$ 5,063,924	$ -	$ 5,063,924

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.

Assets measured at fair value on a non-recurring basis are summarized below:

	2024	
Collateral-dependent loans:	Carrying Value	Fair Value
Owner occupied commercial real estate	$ -	$ -
Non-owner occupied commercial real estate	-	-
Commercial and industrial business loans	2,264	2,264
Construction and development loans	-	-
Consumer loans	-	-

Endeavor Bancorp

Endeavor Bancorp and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Fair value estimates are based on financial instruments both on and off the balance sheet without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Additionally, tax consequences related to the realization of the unrealized gains and losses can have a potential effect on fair value estimates and have not been considered in any of the estimates.
The fair value hierarchy level and estimated fair value of significant financial instruments at December 31 are summarized as follows (amounts in thousands):

		2024		2023	
	Fair Value Hierarchy	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets					
Cash and cash equivalents	Level 1	$ 77,738	$ 77,738	$120,799	$120,799
Time deposits in other banks	Level 2	2,728	2,750	3,473	3,510
Investment securities	Level 2	23,713	23,654	6,055	5,961
Loans, net	Level 3	563,978	544,029	430,271	408,670
FHLB stock	Level 1	2,064	2,064	1,823	1,823
Accrued interest	Level 2	2,024	2,024	1,596	1,596
Financial Liabilities					
Demand and other non-maturity deposits	Level 3	532,848	532,848	500,565	500,565
Time deposits	Level 3	68,370	68,370	6,993	6,928
Federal home loan bank borrowing	Level 3	-	-	-	-
Long term notes payables	Level 3	26,696	27,755	14,598	13,859
Other borrowing	Level 3	-	-	1,523	1,480

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, 2024 and 2023, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2024, and 2023, 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, 2024 (dollar amounts in thousands):

	Actual		Amount of Capital Required: For Capital Adequacy Purposes		Amount of Capital Required: To Be Well-Capitalized Under Prompt Corrective Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$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 following table also sets forth the Bank's actual capital amounts and ratios at December 31, 2023 (dollar amounts in thousands):

	Actual		Amount of Capital Required: For Capital Adequacy Purposes		Amount of Capital Required: To Be Well-Capitalized Under Prompt Corrective Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$63,171	12.1%	$41,803	8.0%	$52,253	10.0%
Tier 1 capital (to risk-weighted assets)	$57,070	10.9%	$31,352	6.0%	$41,803	8.0%
CET1 capital (to risk-weighted assets)	$57,070	10.9%	$23,514	4.5%	$33,965	6.5%
Tier 1 capital (to average assets)	$57,070	10.1%	$22,508	4.0%	$28,134	5.0%

The California Financial Code also provides that a bank may not make a cash distribution to its shareholders in excess of the lesser of the bank's undivided profits or the bank's net income for its last three fiscal years less the amount of any distribution made by the bank's shareholders during the same period.

Investor Information

Auditors and Legal Counsel

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, 2024 was 3,494,303. 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

For more detailed financial information, please refer to Endeavor Bank quarterly CALL reports located on the FDIC website at www.fdic.gov.

Endeavor Bank Investor Relations Department
750 B Street, Suite 3110, San Diego, California 92101
(619) 329-6581

EDVR
TICKER SYMBOL
OTCQX®
Best Market

Endeavor Bancorp

Endeavor Bancorp, the holding company for Endeavor Bank, is primarily owned and operated by Southern Californians for Southern California businesses and their owners. The Bank's focus is local: local decision-making, local board, local founders, local owners, and relationships with local clients in Southern California.

Headquartered in downtown San Diego in the landmark Symphony Towers building, 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 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 press release, the words "anticipate," "believe," "estimate," "expect", and "intend" and words or phrases of similar meaning, as they relate to the Company or the Company's Management, are intended to identify forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Important factors that could cause actual results to differ materially from the Company's expectations ("cautionary statements") are loan losses, rapid and unanticipated deposit withdrawals, unavailability of sources of liquidity, additional regulatory requirements that may be imposed on community banks or banks generally, changes in interest rates, loss of key personnel, lower lending limits and capital than competitors, regulatory restrictions and oversight of the Company, the secure and effective implementation of technology, risks related to the local and national economy, 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.

Sowing WEALTH

Beyond Banking,
It's Business Acceleration.

In 2024, we made significant strides, achieving strong balance sheet growth while advancing our strategic initiatives. Total assets grew by 19% to $678 million (+$108 million), supported by a 31% increase in net loans (+$136 million), reflecting robust lending activity. Deposits also rose by 19% (+$94 million), further strengthening our funding capacity. Additionally, our net interest margin expanded, driven by a 69-basis-point increase in earning asset yields. These achievements position us for continued success and sustained growth.

CLIENT TESTIMONIAL

"As a charter school, ensuring financial stability while maintaining the highest quality education for our students is our top priority. Like many growing schools, we face challenges with cash flow timing due to the structure of public funding. Thanks to Endeavor Bank, we secured a line of credit that has provided us with the flexibility and confidence to manage our operational expenses without disruption. Their team was knowledgeable, responsive, and committed to helping us find the right solution and we are incredibly grateful for their partnership."

Dr. Amy Kernan, Director of Irvine International Academy

Our Board

Endeavor Bank's Board of Directors is composed of distinguished business and community leaders dedicated to our stability, growth, and consultative approach. Their expertise, leadership, and unwavering commitment drive our mission forward, supporting long-term success for our clients and our community.

Dan C. Yates
Chief Executive Officer

Steven D. Sefton
President

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

Julie P. Dubick
Strategic Partnership Advisor
Conrad Prebys Foundation

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

Bryan B. Min
Founder and CEO
Epsilon Systems

Lorne R. Polger
Co-Founder
Pathfinder Partners

Vickie E. Turner
Partner Emeritus
Wilson Turner Kosmo LLP

Christopher J. Woolley
Co-Founder
Square 1 Bank

Joyce Glazer
Emeritus Board Member

Endeavor Bancorp

Headquarters & Branch

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

Executive & Loan Production Office

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

East County Branch

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

Pasadena Office

1055 E. Colorado Blvd., 5th floor, Pasadena, CA 91106

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