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Endeavor Bancorp Reports Net Income of $407,000 for the First Quarter of 2024; Results Highlighted by Net Interest Margin Expansion

SAN DIEGO, CA -- (April 24, 2024) –Endeavor Bancorp (OTCQX: EDVR) (the "Company," or "Bancorp"), the holding company for Endeavor Bank (the "Bank"), today reported net income of $407,000, or $0.10 per diluted share, for the first quarter of 2024, compared to net income of $852,000, or $0.20 per diluted share, for the fourth quarter of 2023, and $899,000, or $0.17 per diluted share, for the first quarter of 2023. All financial results are unaudited.

Results for the first quarter of 2024 included a $450,000 provision for credit losses, compared to a $181,000 provision for credit losses in the fourth quarter of 2023, and a $292,000 provision for credit losses in the first quarter of 2023. The increase in the provision for credit losses during the current quarter was due to projected future loan growth and not due to any credit quality concerns. Excluding taxes and loan loss provisions, the Company's core pretax, pre-provision earnings were $1.04 million in the first quarter of 2024, compared to $1.42 million in the preceding quarter and $1.58 million in the first quarter of 2023. Higher costs associated with the company's expansion also impacted first quarter 2024 results.

"Our first quarter 2024 operating results were highlighted by net interest margin expansion and steady loan growth. As the high interest rate environment continues and deposit competition remains fierce, we are encouraged that our earning assets yield continues to increase, up 23 basis points in the first quarter, reaching an all-time high of 6.23% at quarter end," said Julie Glance, CFO. "The Company strategic focus has shifted to growth and profit as there continues to be strong lending opportunities. As a result, we strengthened our allowance for loan losses during the quarter by adding to our loan loss reserves. Liquidity continues to be high with on-balance sheet cash of 18.8%, and a loan to deposit ratio of 90.1% at quarter end. We operate in one of the highest growth markets in the nation, and we are well positioned to capitalize on growth opportunities in the year ahead."

"A highlight of the first quarter was our successful capital raise and our expansion into the greater Los Angeles and Inland Empire markets," said Dan Yates, CEO. "This successful capital raise gives us an opportunity to build out our business plan and is an affirmation of the tremendous opportunities in our greater Southern California market. The additional capital provides us with the foundation to expand our team, increase our ability to profitably expand our client base regionally, and achieve much stronger returns over the next several years."

Income Statement

Net interest income was $5.0 million in the first quarter of 2024, which was unchanged compared to the preceding quarter and an 8.7% increase compared to the first quarter of 2023. Strong core earnings were driven by higher rates on earning assets. Total interest income on loans and bank deposits and investments was $8.5 million, an increase of $73,000 compared to the preceding quarter, while total interest expenses increased $65,000 during the same timeframe, increasing net interest income by $8,000 during the first quarter of 2024, compared to the preceding quarter.

Net interest margin (NIM) increased 11 basis points to 3.68% in the first quarter of 2024 compared to 3.57% in the fourth quarter of 2023 and decreased 14 basis points compared to 3.82% in the first quarter of 2023. "Higher asset yields outpaced the increase in our cost of funds during the quarter, contributing to net interest margin expansion. Also encouraging was a five basis point decrease in the cost of deposits during the month of March, as deposit costs are beginning to stabilize," said Glance. The yield on total earning assets increased 23 basis points during the first quarter of 2024 to 6.23%, compared to 6.00% in the preceding quarter. New borrowings increased the overall cost of funds by 14 basis points during the first quarter of 2024 to 2.76%, compared to 2.62% in the preceding quarter.

"As we focus on growth and market expansion, the most notable increase during the quarter was in salaries and benefits expense, which increased $208,000 in the first quarter 2024, compared to the linked quarter and $590,000 over the first quarter of 2023. We added 14 additional employees over the past year, with seven of those positions added in the first quarter of 2024," added Glance. The Company's first quarter 2024 earnings were also impacted by higher non-interest expense connected to $284,000 in annual board related stock compensation that is paid out one-time annually during the first quarter of each year. This compared to $270,000 in annual board related stock compensation during the first quarter of 2023.

The Company's annualized return on average equity for the first quarter of 2024 was 3.79%, compared to 7.99% in the fourth quarter of 2023 and 9.35% in the first quarter of 2023. The annualized return on average assets for the first quarter of 2024 was 0.29%, compared to 0.60% in the fourth quarter of 2023 and 0.73% in the first quarter of 2023.

Balance Sheet

Total assets decreased $4.3 million, or 0.8%, during the first quarter of 2024 to $565.9 million at March 31, 2024, compared to $570.2 million at December 31, 2023, and increased $50.0 million, or 9.7%, compared to March 31, 2023. Balance sheet liquidity remains very strong with cash balances of $102.3, which represents 18.1% of total assets as of March 31, 2024. The Company's bond portfolio remains minimal, representing only $13.4 million, or 2.4% of total assets at March 31, 2024. In addition, total available borrowing capacity through the Federal Home Loan Bank and the Federal Reserve discount window exceeded $126.9 million as of quarter end.

"Loan growth continues to be solid, as we focus on lending opportunities in our market where many banks are pulling back and restricting lending," said Steve Sefton, President. "In addition to growing the loan portfolio, we remained selective on the loans we added during the quarter, adding only high quality credits to the balance sheet with disciplined loan pricing. As of quarter end, there were minimal office building loans in the portfolio, and half of the commercial real estate loans were owner-occupied."

Total loans outstanding increased $6.9 million, or 1.6%, during the first quarter of 2024 to $443.2 million at March 31, 2024, compared to $436.3 million three months earlier, and increased $66.4 million, or 17.6%, when compared to $376.8 million a year earlier. Total non-performing loans were only 0.07% of the total loan portfolio as of March 31, 2024, unchanged compared to three months earlier. The Company had no net charge offs during the first quarter of 2024. This compared to net charge offs of $800,000 in the prior quarter.

As anticipated, total deposits decreased $15.4 million during the quarter to $492.2 million at March 31, 2024, compared to $507.6 million three months earlier, mainly due to anticipated client investments outside of the bank. Compared to a year ago, deposits increased by $35.3 million, up 7.7%. The loan to deposit ratio was 90.1% at March 31, 2024, compared to 85.9% at December 31, 2024.

As a result of its participation in a reciprocal deposit placement network, the Bank accepted "reciprocal" deposits from other institutions, enabling the Bank to offer customers FDIC insurance on accounts in excess of the typical $250,000 FDIC insurance limit. Although the reciprocal deposit accounts maintained through the network are core deposits seeking FDIC insurance, the FDIC rules indicate that reciprocal deposits aggregating over 20% of total liabilities are classified as deposits obtained by or through a deposit broker. The total reciprocal deposits reported as brokered deposits were $126.7 million at March 31, 2024, and $134.9 million as of December 31, 2023.

Shareholders' equity was $43.2 million at March 31, 2024, compared to $42.5 million at December 31, 2023, and $39.5 million at March 31, 2023. Tangible book value per share increased to $12.64 at March 31, 2024, compared to $12.48 three months earlier and $11.48 a year earlier.

Recent Events

On March 5, the Company announced that it had completed the issuance of $12.5 million in fixed-to-floating rate subordinated notes. The subordinated debt was structured such that it qualified as Tier 2 capital at the holding company and will be down streamed to the Bank as Tier 1 capital. The Company intends to use the net proceeds primarily to support its strategic expansion into the greater Los Angeles and Inland Empire markets and for general corporate purposes. Performance Trust Capital Partners, LLC acted as placement agent.

The Company also announced its plans to enter the greater Los Angeles Metro and Inland Empire markets, with key hire Duncan Hughes leading the efforts. Hughes, who recently joined the Company as Senior Vice President - Regional Manager, will be establishing a presence in the San Gabriel Valley area as the Company lays the groundwork for a full-service Regional Office, with plans for expansion later this year and into 2025. His team includes an Eastern Inland Empire focus led by Kathryn Gutierrez.

Capital

Largely due to the subordinated debt capital raise completed during the first quarter of 2024, the Bank's Tier 1 leverage ratio increased to 12.18% at March 31, 2024, compared to 10.14% at December 31, 2023. The Tier 1 risk-based capital ratio was 12.49% as of March 31, 2024, compared to 10.92% on December 31, 2023, and the Total risk-based capital ratio was 13.69% compared to 12.09% three months earlier, all of which were well above regulatory minimums.

About Endeavor Bancorp

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

Headquartered in downtown San Diego in the Symphony Towers building, the Bank also operates a loan production and executive administration office in Carlsbad and a branch office in La Mesa. Endeavor Bank provides traditional business banking services across a broad spectrum of industries and specialties. Unique to the bank is its consultative banking approach that partners our business clients with Endeavor Bank's senior management. Together, we build strategies and provide resources that solve problems, plan for the future, and help clients' efforts to grow revenues and profits. Endeavor Bancorp trades on the OTCQX® Best Market under the symbol "EDVR." Visit www.endeavor.bank for more information.

EDVR Shareholders

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

Forward-Looking Statements

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

Endeavor Bancorp

SELECTED FINANCIAL DATA

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

Unaudited

	Three Months Ended		
	March 31, 2024 (Consolidated)	December 31, 2023 (Consolidated)	March 31, 2023 (Consolidated)
SUMMARY OF OPERATIONS			
Interest income	$ 8,517	$ 8,444	$ 6,567
Interest expense	3,488	3,423	1,942
Net interest income	5,029	5,021	4,625
Provision for credit losses	450	181	292
Net interest income after loss provision	4,580	4,841	4,333
Non-interest income	151	138	287
Non-interest expense	4,139	3,738	3,315
Income before tax	592	1,241	1,305
Federal income tax expense	117	245	258
State income tax expense	66	143	148
Net income	$ 407	$ 852	$ 899
Core pretax earnings*	$ 1,042	$ 1,422	$ 1,578
*excludes taxes and provision for loan losses			
PER COMMON SHARE DATA			
Number of shares outstanding (000s)	3,422	3,394	3,394
Earnings per share, basic	$ 0.12	$ 0.25	$ 0.26
Earnings per share, diluted	$ 0.10	$ 0.20	$ 1.17
Book Value per share	$ 12.62	$ 12.53	$ 11.62
BALANCE SHEET DATA			
Assets	$ 565,881	$ 570,176	$ 515,951
Investments securities	13,432	7,877	7,675
Total loans, net of unearned income	443,203	436,263	376,820
Total deposits	492,169	507,557	456,902
Borrowings	27,090	16,121	16,127
Shareholders' equity	43,197	42,526	39,450
AVERAGE BALANCE SHEET DATA			
Average assets	$ 557,691	$ 563,973	$ 496,733
Average total loans, net of unearned income	434,999	424,435	377,563
Average total deposits	490,628	501,079	437,896
Average shareholders' equity	43,247	42,344	38,962
ASSET QUALITY RATIOS			
Net (charge-offs) recoveries	$ -	$ (800)	$ -
Net (charge-offs) recoveries to average loans	0.00%	0.20%	0.00%
Non-performing loans as a % of loans	0.07%	0.07%	0.14%
Non-performing assets as a % of assets	0.05%	0.05%	0.12%
Allowance for loan losses as a % of total loans	1.45%	1.37%	1.60%
Non-performing loans as a % of the Allowance for loan losses	4.66%	6.94%	8.80%
FINANCIAL RATIOS\STATISTICS			
Annualized return on average equity	3.79%	7.99%	9.35%
Annualized return on average assets	0.29%	0.60%	0.73%
Net interest margin	3.68%	3.57%	3.82%
Efficiency ratio	79.91%	72.44%	67.50%
CAPITAL RATIOS			
Tier 1 leverage ratio -- Bank	12.18%	10.14%	10.82%
Common equity tier 1 ratio -- Bank	12.49%	10.92%	11.58%
Tier 1 risk-based capital ratio -- Bank	12.49%	10.92%	11.58%
Total risk-based capital ratio --Bank	13.69%	12.09%	12.83%
TCE/TA *	7.63%	7.46%	7.65%
Tangible Book Value per Share	$ 12.64	$ 12.48	$ 11.48

*Non-GAAP financial measure.

Unaudited financials 2024