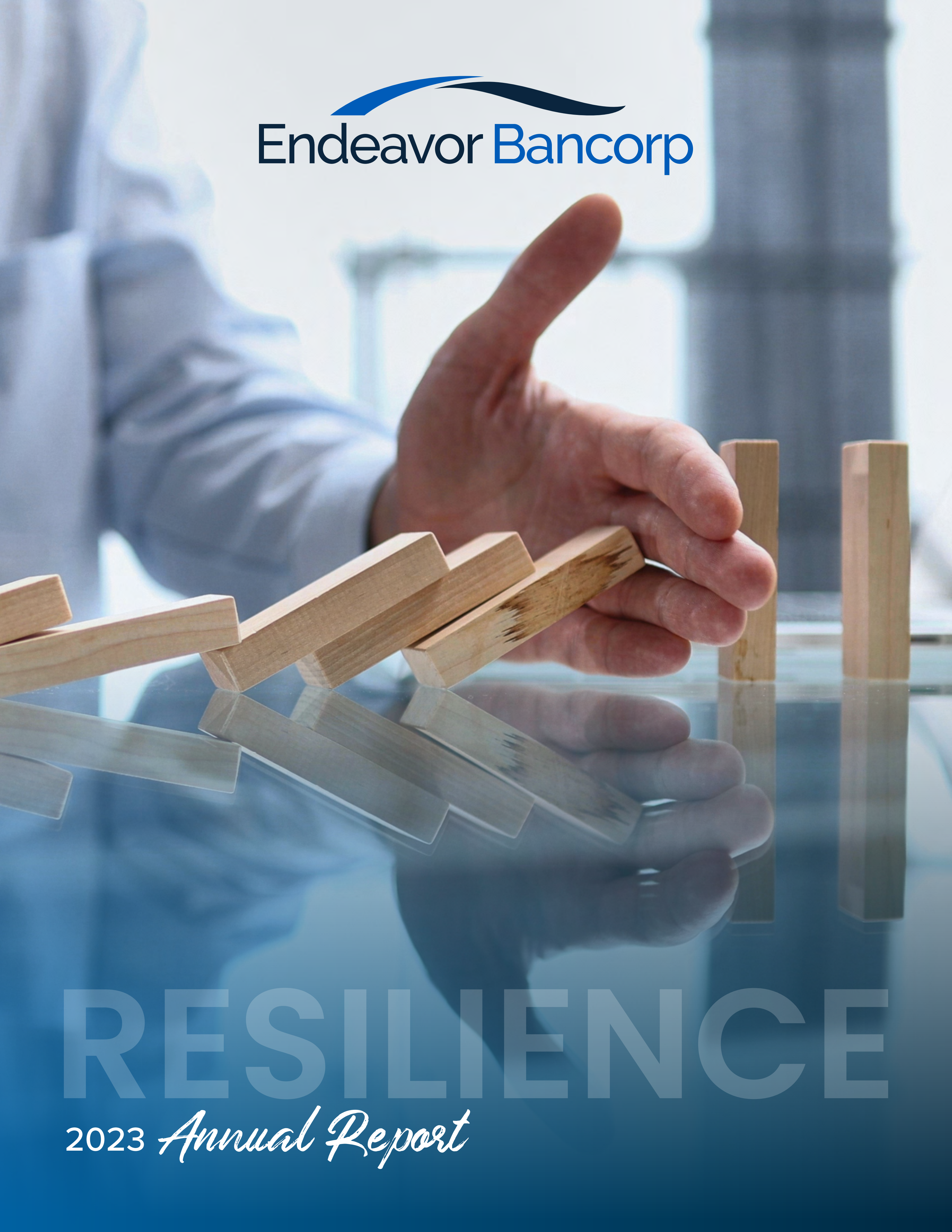


Endeavor Bancorp

RESILIENCE

2023 Annual Report

SHAREHOLDER LETTER

Resilience is *stability*.

2023 WAS ANOTHER YEAR OF UNPRECEDENTED challenges for the banking industry, fueled by bank failures, liquidity concerns and a volatile interest rate environment. The Federal Reserve raising its benchmark rate 11 times over the past two years, reaching its highest level in over two decades, has had far-reaching implications for the economy, many businesses, and the banking sector.

Despite the economic headwinds, 2023 was another great year at Endeavor by helping local businesses achieve their goals. In 2023, we grew to $570 million in total assets at year-end—more than halfway to our 10-year goal to grow to $1 billion in assets. Endeavor's reputation for hands-on, consultative banking grew throughout Southern California in 2023, thanks to our dedicated team and our advocates. Our vision to be the premier community business bank to small and mid-sized businesses in Southern California continues.

Our 2023 results showcase the focused effort of our strong, experienced team, and our commitment to maintaining a fortress balance sheet, which consisted of a high level of liquidity with virtually 100% cash on deposit at the FED with almost no bonds, growth in deposits of nearly 20% year-over-year, a modest loan to deposit ratio and strong credit quality. Income before taxes was $5.55 million compared to $4.39 million in 2022, an increase of $1.16 million. Strong core earnings were driven by higher rates on earning assets, as interest income on loans increased $6.6 million and interest income on liquidity and investments increased $5.0 million for 2023. The cost of deposits increased by $8.5 million, thereby net interest income grew by $3.1 million year-over-year.

Total assets surpassed $570 million in 2023, up $90 million, or 19%, from the year prior, while net loans climbed $56 million, or 15%, and total deposits increased nearly $85 million, or 20%. Our unique geographic market continues to be among the nation's most promising and growth-oriented, and our exceptionally loyal client base has given us a solid core deposit base upon which to build. We are doing this while protecting our capital and maintaining a high-quality loan portfolio.

Because of the Fed's actions, in 2023, Management pivoted to proactively manage our client relationships to retain deposits and assure clients that our bank is exceptionally strong and well managed. Approximately one trillion dollars in deposits exited the banking sector, much of it finding refuge in U.S. Treasuries, reducing overall liquidity in the industry and creating steep competition for deposit clients. Concerns about contagion risk even affected community banks, with short sellers driving down stock prices for not just many regional banks but the overall banking sector.

Additionally, the media's scrutiny of uninsured deposits prompted us to proactively transition most of our clients with deposits exceeding $250,000 into a reciprocal deposit placement network to obtain 100% FDIC insurance. Our leadership team proactively communicated this product to help our clients feel more confident by fully insuring their deposits. We took these measures, together with other proactive actions, to safeguard our bank's stability and reputation. While certain challenges were beyond our control and impacted earnings, our response was both proactive and responsible.

In a time of rising interest rates and robust deposit competition, our client outreach efforts paid off and Endeavor Bancorp thrived. By the end of 2023, total deposits at the Bank were approximately 20% higher than the previous year, at a time when many banks experienced a reduction in deposits. Nearly all these deposits came from core deposit relationships, not brokered deposits from outside of our client base. We also experienced nearly 15% in loan growth year-over-year. As loan growth accelerated in the second half of 2023, the momentum of growth is expected to continue driving stronger loan income into 2024.

Our bank was able to pivot seamlessly in response to market changes because decisions are made locally and services are delivered by veteran bankers who are also trusted advisors to business owners and CEOs in Southern California. The Bank's relationship managers are motivated to customize each client relationship and accommodate unique circumstances. These tactics demonstrate Endeavor's commitment to consultative banking, where our bankers act as business advisors to our clients and support those relationships with creative ideas, strategic introductions, and more.

In 2023, we expanded beyond our offices in downtown San Diego and Carlsbad to open an additional office in La Mesa to better support our East County clients. Also in 2023, we hired a very accomplished CFO, Julie Glance. As we enter 2024 – our 6th year of operation - we continue to build out our business model. During the first quarter of 2024 we completed a private placement of $12.5 million of subordinated debt and announced a Greater Los Angeles and Inland Empire market expansion. 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. Our financial modeling supports the value and ability to leverage new capital many times as we expand our team, positioning us to achieve much stronger returns over the next five years. We've recently hired three veteran bankers to lead our efforts, who will be instrumental in driving our geographic expansion success.

What drives our bank to success is the foundation of our core values. Our approach of understanding our clients' businesses and needs while continuously looking for ways to improve our operations and grow our business, all while being intensely focused on delivering results is making its mark. We are continuing to lay the groundwork to be the Southern California "go to" business bank that is filling a void in our community, investing in local businesses, while building shareholder value. On behalf of the board of directors and our leadership team, we want to thank you, our loyal shareholders, for your continued support.

Sincerely,

Matthew H. Rattner
Chairman

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

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

Resilience is *solutions*.

Maintaining Financial Stability Amid Market Turbulence

2023 saw several mid-sized, systematically important banks fail, resulting in concern from depositors nationwide. The Endeavor Bank team reacted quickly to create and implement an action plan that supported financial stability for our bank and our clients' businesses.

Fortress Balance Sheet

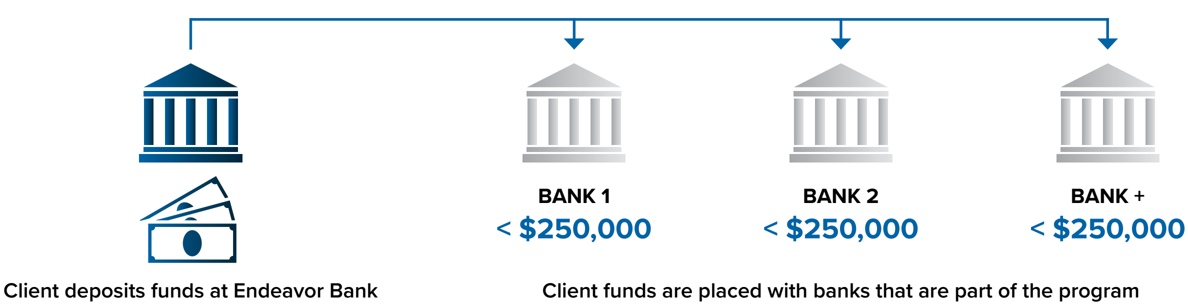
- We entered 2023 with a strategic plan based on our existing fortress balance sheet to support security with significant liquidity, including cash of $124 million, an insignificant investment portfolio of only $6 million, and a modest loan to deposit ratio.

Client Outreach

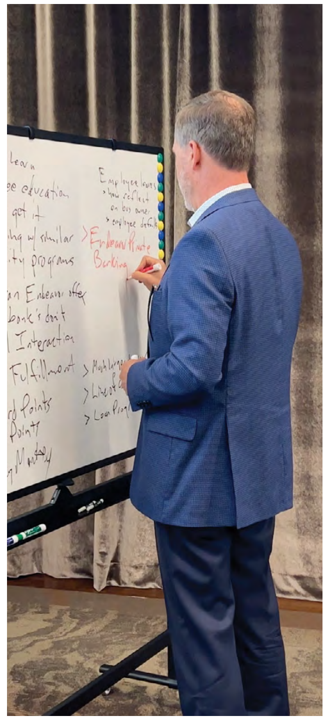
- Our team immediately contacted all potentially affected clients and increased FDIC insured deposits from approximately 25% of total deposits to 75% of total deposits within a 30-day period.

Reciprocal Deposit Network

- Our leadership team and relationship managers worked with clients whose accounts exceeded FDIC insurance limits to secure deposit insurance through our participation in reciprocal deposit networks.








Endeavor Bank's Four Pillars of Success

A strong foundation, based on our vision and values, helped us stay resilient during turbulent market times.

LOCAL

- Endeavor Bank is primarily owned by Southern California business leaders.
- We make decisions locally, supported by keen market awareness/expertise.
- We invest 100% of our focus and resources (client deposits) back into the community.

FOUNDER/OWNER MANAGED

- Our management team has significant skin in the game as Bank founders/investors/final decision makers/visionaries.
- We maintain 100% alignment with all shareholders as we strive to create wealth for our shareholders, clients, and our community.

CONSULTATIVE

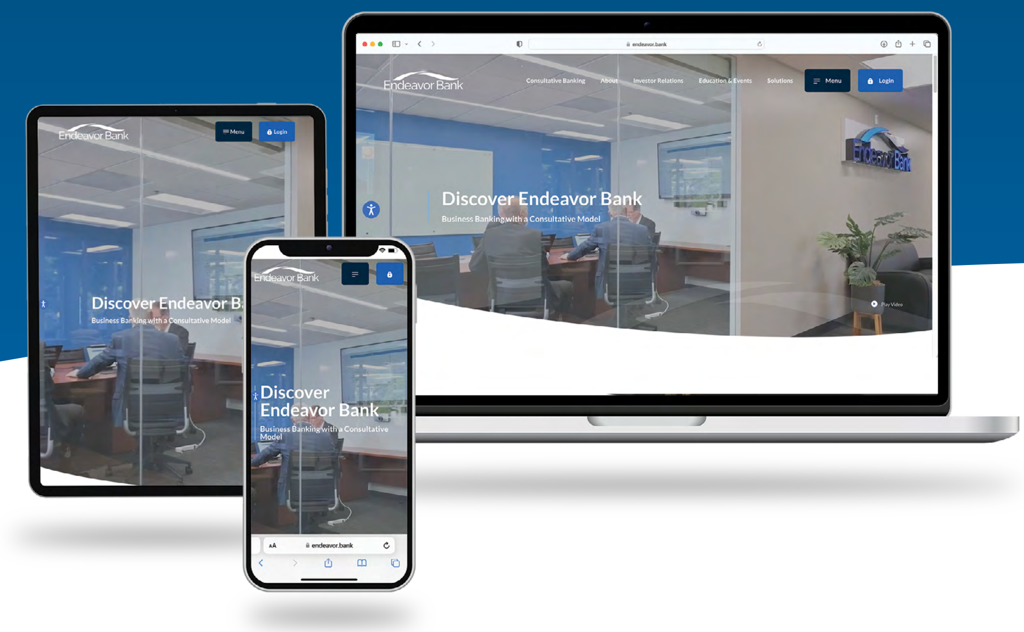
- We help clients thrive with our consultative culture.
- We brainstorm ideas, solutions, and make key introductions (using our vast networks and influence in the community) to help clients grow revenues, increase profits, solve critical business issues, and to identify/capitalize on opportunities.

"THE CLUB"

- Endeavor Bank was founded with the support of more than 600 shareholders, representing virtually all business sectors in Southern California.
- The experience and know-how of each of these business leaders makes our "Shareholder Club" one of the most influential clubs there is.
- On a regular basis, we bring our club members together for educational and networking programs. When our shareholders do business together, we all benefit.

Strong Relationships and Advanced Technology Further our Client Experience

Resilience is *connections*.



Having the right people and technology are keys to business success. Endeavor Bank has invested in both.

- Endeavor Bank has invested significant resources in technology platforms to provide a superior client experience.
- Connected to our advanced technology are personal relationships provided by our growing team of banking experts.
- Our financial growth has led to our expanding team of talented bankers, from 11 people in 2018 to nearly 60 at year-end 2023.
- Our well-connected group of bankers makes their business connections available to our clients, opening up an entire community of resources available to help our clients with their business needs.

2023 Events

East County Office Grand Opening Event

• We expanded our footprint by opening an office in La Mesa.

Business Owner Forums

This program is a hallmark of our consultative business model:

- **Investor Strategies in Today's Market,** which focused on key opportunities for investors looking to capitalize on market trends
- **Business Valuation Strategies**, which focused on maximizing business value for owners

Our Forums provide actionable education to business owners as well as high-level networking opportunities.

Advisory Board Meetings

• Our Advisory Board allows business owners to confidentially present their challenges to our panel of industry leaders and then receive their valuable advice and insights.

Annual Shareholder Meeting

• Leadership updated shareholders on Endeavor's growth and strategic vision while celebrating our 5th Anniversary.

Charitable Giving Program

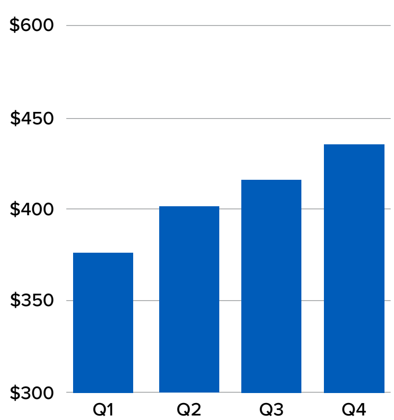
Endeavor Bank actively champions philanthropic causes and nonprofit organizations that our clients and employees are passionate about by engaging in event sponsorships, making charitable contributions, participating in board governance, and dedicating volunteer hours.

Resilience is *responsiveness*.

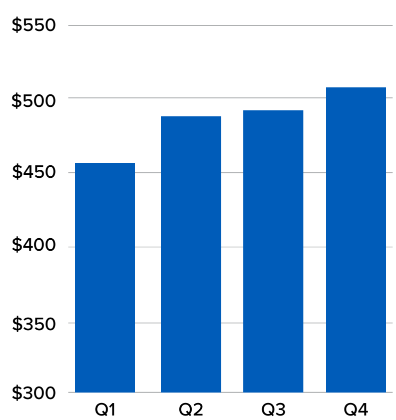
In a year where the overall industry saw deposits shrinking, Endeavor grew both loans (15%) and deposits (20%) and saw a 34.7% increase year-over-year in adjusted core pretax earnings.

FINANCIAL HIGHLIGHTS

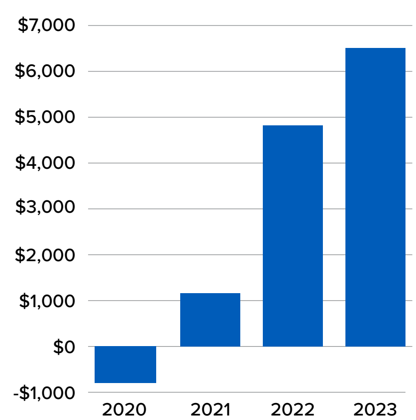
Gross Total Loans*
($ in millions)



Gross Total Deposits*
($ in millions)



Core Pre-Tax Earnings*
Annual ($ in thousands)



**excludes PPP fee income and provision for loan losses*

OTCQX® Best Market

Endeavor Bancorp (OTCQX: EDVR) **completed our first year** as a qualified company trading on the OTCQX® Best Market.

QUALIFIABLE RESULTS

The positive feedback we've received from clients on our consultative banking approach underscores the financial stability and resilience our Bank demonstrated in 2023.

"Endeavor is a real business partner. They actively listen and consult with me regarding business challenges. On a number of occasions, the Endeavor Bank team has introduced me to the right vetted advisor who helped me resolve a business challenge. By working with Endeavor, I have improved my business and realized growth."

- **Lisa Carman**, CEO of T3W, Inc.

"Endeavor Bank was extraordinarily responsive and expeditious in providing financing that enabled me to take advantage of a once in a lifetime opportunity to re-acquire my company that was being sold by private equity. But it is not only Endeavor Bank's support with M&A, it is Endeavor Bank's responsiveness and service execution. My experienced and expert leadership team says the level of service and support provided by Endeavor Bank's staff, from treasury services to digital support and security, has been exceptional. Endeavor Bank sets the standard for excellence in the banking industry, and I am grateful to be a client and partner with them."

- **Arthur L. Gruen, MD**, CEO of EA Health

"From the very beginning, working with Endeavor Bank has been an experience like no other. I have been a part of the San Diego business community for over 30 years and Endeavor consistently exceeds my expectations, going above and beyond to provide potential solutions for my business needs. Transitioning to Endeavor Bank has proven to be the best decision I've made in a long time."

- **Timothy Broadhead**, President & CEO of Indian Motorcycle

"We're sincerely grateful to Endeavor Bank. Their unwavering support transformed our business from a dream to over 60 employees, becoming Orange County's fastest-growing company in just two years! We appreciate that Endeavor is a bank for entrepreneurs, driving economic growth and excitement for the future."

- **Anthony Geraci**, CEO of Stratus Financial

"The Endeavor Bank advisory board is made up of a group of individuals from the local business community that are very successful entrepreneurs. They are all there to do one thing and that one thing is to help a small business grow. I had the opportunity to present my business plan for growth to these individuals and they gave me incredible feedback. When I have a business need, I know I can call someone at Endeavor Bank. They know me, they know my business and they take care of what is needed so that I can go back to doing what I do best, which is running my business."

- **Christa Schott**, CEO of Alliant Consulting

Resilience is *consistency*.

Financial Statements with Independent Auditor's Report

CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Endeavor Bancorp and Subsidiary (the Company), which comprise the consolidated statements of financial condition as of December 31, 2023 and 2022, and the related consolidated statements of operations, comprehensive income, shareholder's 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, 2023 and 2022, 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.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company adopted the provisions of FASB Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as of January 1, 2023, using the modified retrospective approach with an adjustment at the beginning of the adoption period. Our opinion is not modified with respect to this matter.

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
February 20, 2024

Endeavor Bancorp

Consolidated Statements of Financial Condition
December 31, 2023 and 2022

	2023	2022
Assets		
Cash and due from banks	$ 3,669,788	$ 6,937,585
Interest-bearing deposits at other banks	117,129,548	82,970,630
Total cash and cash equivalents	120,799,336	89,908,215
Interest-bearing time deposits at other banks	3,473,000	1,984,000
Debt securities available for sale, at fair value	5,063,924	5 ,194,611
Debt securities held to maturity, net of allowance for credit losses of $9,000	991,000	1 ,000,000
Loans		
Real estate	317,242,078	261,663,327
Commercial	118,084,047	117,451,133
Consumer	2,456,912	2,733,204
Total loans	437,783,037	381,847,664
Deferred fees and costs	(1,520,219)	(1,395,199)
Allowance for loan credit losses	(5,992,000)	(5,776,000)
Net loans	430,270,818	374,676,465
Federal home loan bank ("FHLB") stock, at cost	1,822,500	1,486,700
Premises and equipment, net	319,119	125,461
Operating lease right-of-use assets	1,459,943	1,281,899
Deferred tax assets	2,922,000	2,909,000
Accrued interest and other assets	3,029,378	1,867,630
Total assets	$ 570,151,018	$ 480,433,981

See Notes to Consolidated Financial Statements

Endeavor Bancorp

Consolidated Statements of Financial Condition
December 31, 2023 and 2022

	2023	2022
Liabilities and shareholders' equity		
Deposits		
Noninterest-bearing demand	$ 166,643,940	$ 201,572,398
Interest-bearing demand, savings, and money market accounts	333,920,935	218,167,032
Time deposits under $250,000	4,673,751	562,362
Time deposits $250,000 and over	2,318,745	2,618,500
Total deposits	507,557,371	422,920,292
Operating lease liabilities	1 ,602,740	1,434,255
Long term notes payable	14,597,896	14,549,156
Other borrowings	1,523,170	1,768,584
Accrued interest and other liabilities	2,343,818	1,560,116
Total liabilities	527,624,995	442,232,403
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, 3,394,923 in 2023 3,380,543 in 2022	34,204,819	34,136,607
Additional paid-in capital	3,070,888	2,758,384
Retained earnings (deficit)	5,647,021	1,778,378
Accumulated other comprehensive loss	(396,705)	(471,791)
Total shareholders' equity	42,526,023	38,201,578
Total liabilities and shareholders' equity	$ 570,151,018	$ 480,433,981

See Notes to Consolidated Financial Statements

Endeavor Bancorp

Consolidated Statements of Operations
Years Ended December 31, 2023 and 2022

	2023	2022
Interest and dividend Income		
Loans	$ 24,275,677	$ 17,718,096
Debt securities	169,314	87,325
Interest-bearing deposits and other	6,086,852	1,132,649
Total interest and dividend income	30,531,843	18,938,070
Interest Expense		
Interest-bearing demand, savings, money market accounts	9,753,956	1,538,864
Time deposits	239,019	30,379
Other borrowings	804,258	751,338
Total interest expense	10,797,233	2,320,581
Net Interest Income	19,734,610	16,617,489
Credit loss expense - loans	1,016,000	1 ,701,000
Credit loss expense - debt securities held to maturity	9,000	-
Credit loss expense - off balance sheet exposures	20,000	-
Credit loss expense	1,045,000	1,701,000
Net interest income after credit loss expense	18,689,610	14,916,489
Noninterest Income		
Service charges and fees on deposits	238,657	304,530
Other service charges and fees	547,937	289,825
Total noninterest income	786,594	594,355
Noninterest Expense		
Salaries and employee benefits	8,794,722	6,928,776
Occupancy and equipment expenses	646,152	526,377
Other expenses	4,486,224	3,666,006
Total noninterest expense	13,927,098	11,121,159
Income Before Income Taxes	5,549,106	4,389,685
(Benefit) provision for income taxes	1,680,463	(1,187,900)
Net Income	$ 3,868,643	$ 5,577,585
Net Income per Share - Basic	$ 1.14	$ 1 .65
Net Income per Share - Diluted	$ 1.12	$ 1 .62

See Notes to Consolidated Financial Statements

Endeavor Bancorp

Consolidated Statements of Comprehensive Income
Years Ended December 31, 2023 and 2022

	2023	2022
Net Income	$ 3,868,643	$ 5,577,585
Other Comprehensive Loss:		
Unrealized losses on debt securities available for sale	106,594	(551,341)
Tax effect of current period changes	(31,508)	197,986
Total Other Comprehensive Gain/(Loss)	75,086	(353,355)
Comprehensive Income	$ 3,943,729	$ 4,905,168

See Notes to Consolidated Financial Statements

Endeavor Bancorp

Consolidated Statements of Shareholders' Equity
Years Ended December 31, 2023 and 2022

	Common Stock					
	Number of Shares	Amount	Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Compre-hensive Loss	Total
Balance at January 1, 2022	3,372,390	$ 34,061,837	$ 2,560,961	$ (3,799,207)	$ (118,436)	$ 32,705,155
Stock-based compensation			273,850			273,850
Issuance of restricted shares, net	8,153	(1,657)				(1,657)
Vesting of restricted shares		76,427	(76,427)			-
Other comprehensive income					(353,355)	(353,355)
Net income				5,577,585		5,577,585
Balance at December 31, 2022	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

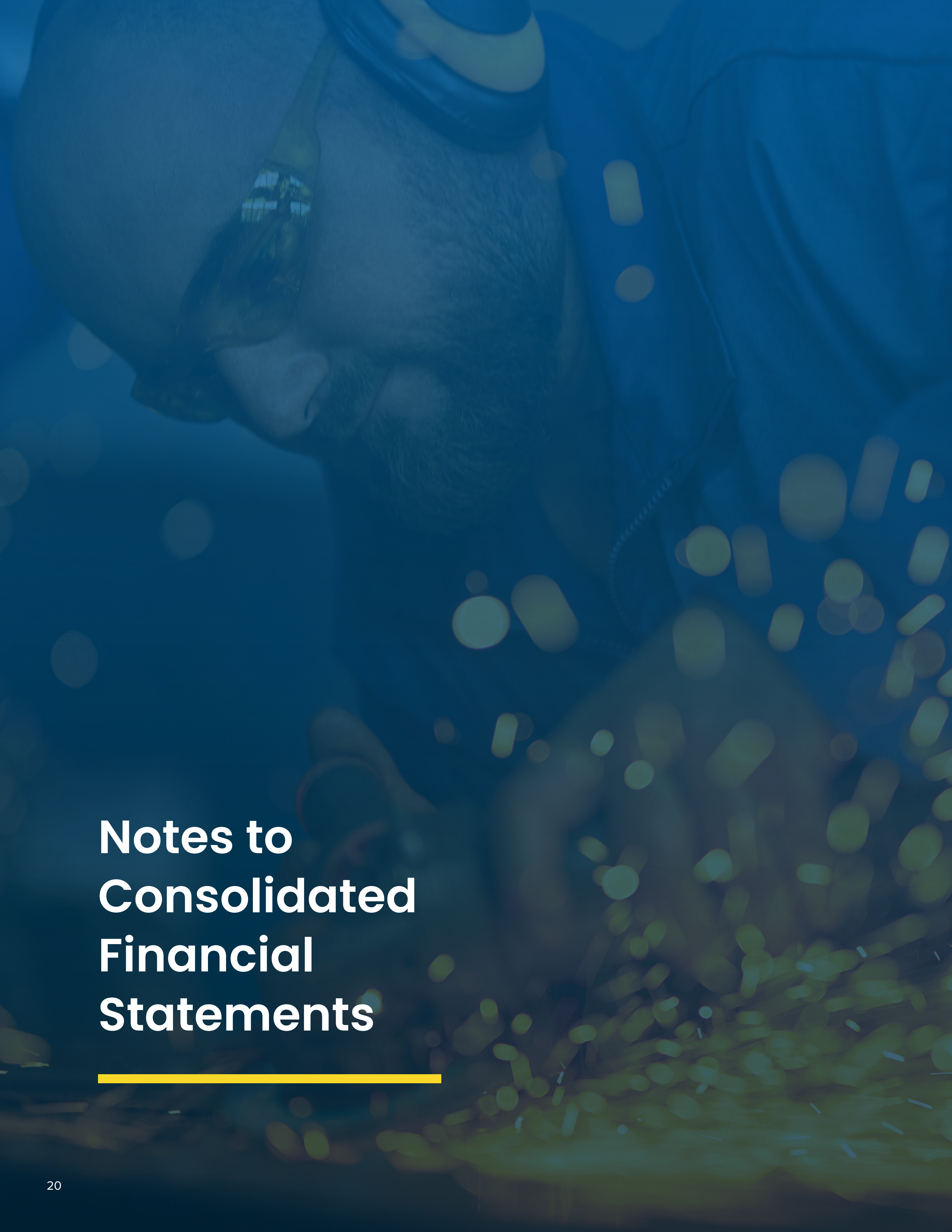
See Notes to Consolidated Financial Statements

Endeavor Bancorp

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Activities		
Net Income	$ 3,868,643	$ 5,577,585
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	97,701	72,869
Credit loss expense	1,045,000	1,701,000
Deferred taxes	46,000	(2,711,000)
Net change in deferred PPP loan fees, net	(21,663)	(1,143,062)
Operating lease right-of-use amortization	399,913	305,612
Operating lease liability payments	(409,472)	(288,928)
Stock-based compensation	382,206	273,850
Amortization of debt issuance costs	48,740	-
Other items	(490,044)	(641,709)
Net Cash from Operating Activities	4,967,024	3,146,217
Investing Activities		
Net change in interest-bearing time deposits in other banks	(1,489,000)	2,486,000
Purchases of debt securities held to maturity	-	(1,000,000)
Purchases of debt securities available for sale	-	(996,764)
Proceeds from principal payments & maturities of debt securities available for sale	237,281	237,882
Net increase in loans	(56,588,690)	(47,205,736)
Purchase of Federal Home Loan Bank stock	(335,800)	(389,300)
Purchases of premises and equipment	(291,359)	(33,702)
Net Cash from Investing Activities	(58,467,568)	(46,901,620)
Financing Activities		
Net change in demand and interest-bering demand accounts	80,825,445	83,198,221
Net change in time deposits	3,811,634	374,618
Proceeds from long term note payables	-	15,000,000
Issuance costs from long term note payables	-	(450,844)
Repayment of other borrowings	(245,414)	(51,729,893)
Net Cash from Financing Activities	84,391,665	46,392,102
Change in Cash and Cash Equivalents	30,891,121	2,636,699
Cash and Cash Equivalents, Beginning of Year	89,908,215	87,271,516
Cash and Cash Equivalents, End of Year	$ 120,799,336	$ 89,908,215
Supplemental Disclosures of Cash Flow Information		
Interest paid	$ 10,747,663	$ 2,271,010
Taxes paid	$ 2,018,463	$ 1,714,000
Lease liabilities arising from obtaining right-of-use assets	$ 577,957	$ -

See Notes to Consolidated Financial Statements



Notes to Consolidated Financial Statements

Note 1 - Summary of Significant Accounting Policies

Principles of Consolidation and Nature of Operations

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

Endeavor Bancorp was formed on January 13, 2022 as a one-bank holding company. On June 1, 2022 Endeavor Bancorp acquired 100% of the outstanding shares of common stock of the Bank in exchange for an equal number of shares of common stock of Endeavor Bancorp. There was no cash involved in the transaction. The reorganization was accounted for as a pooling of 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-tomedium 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 February 20, 2024, 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, 2023 and 2022, 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.

The Company maintains interest bearing time deposits at other financial institutions under the FDIC insured limit of $250,000.

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 $21,667 at December 31, 2023 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 urealized 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 $23,240 at December 31, 2023 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.

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 $113 million to $1.5 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 also 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 clients 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 straightline 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 clients 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 client; (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 client. 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 clients 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 clients 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 clients for specific services provided to the client, 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 client.

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 (loss)

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.

Reclassifications

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

Adoption of New Accounting Standards

On January 1, 2023, the Company adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326):

Measurement of Credit Losses on Financial Instruments (ASC326), 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 at adoption of ASC 326. There were no material changes to the allowances upon adoption.

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, 2023 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) and gross unrecognized gain 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 Unrecognized Gains	Gross Unrecognized 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)

Available-for-Sale Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2022				
U.S. Government and Agency Securities	$ 2,984,745	$ 21,546	$ (246,541)	$ 2,759,750
Mortgage-Backed Securities	1,762,018	-	(269,593)	1,492,425
Obligations of State and Political Subdivisions	1,117,625	-	(175,189)	942,436
	$ 5,864,388	$ 21,546	$ (691,323)	$ 5,194,611

Held to Maturity Securities	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
December 31, 2022				
Corporate debt securities	$ 1,000,000	$ -	$ -	$ 1,000,000
	$ 1,000,000	$ -	$ -	$ 1,000,000

The amortized cost and fair values of debt securities at December 31, 2023, 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, 2023	
	Amortized Cost	Fair Value
Available-for-sale		
Within one year	$ -	$ -
One to five years	3,114,553	2,784,192
Five to ten years	-	-
Beyond ten years	950,352	943,620
Mortgage-Backed Securities	1,562,202	1,336,112
Total	$ 5,627,107	$ 5,063,924
Held-to-Maturity		
One to five years	$ 1,000,000	$ 896,810
Mortgage-Backed Securities	-	-
Total	$ 1,000,000	$ 896,810

Securities pledged at year-end 2023 had a carrying amount of $4,091,040 and were pledged to secure borrowings with the Federal Home Loan Bank. There were no securities pledged in 2022.

As of December 31, 2023, the Company had seven total debt securities that were in an unrealized loss position. As of December 31, 2022, the Company had seven total debt securities, of which six 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, 2023 and 2022, 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, 2023, 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, 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

The following table summarizes securities with unrealized and unrecognized losses at December 31, 2022. Aggregated by major security type and length of time in a continuous unrealized or unrecognized 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, 2022						
U.S. Government and Agency Securities	$ -	$ -	$ (246,541)	$ 1,753,459	$ (246,541)	$ 1,753,459
Mortgage-Backed Securities	-	-	(269,593)	1,492,425	(269,593)	1,492,425
Obligations of State and Political Subdivisions	-	-	(175,189)	942,436	(175,189)	942,436
	$ -	$ -	$ (691,323)	$ 4 ,188,320	$ (691,323)	$ 4 ,188,320

As of December 31, 2023 there is no allowance for credit losses on debt securities available-for-sale held.

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, 2023:

December 31, 2023	Other
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, 2023, 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, 2023 the Company held one held-to-maturity security that is not rated. The Company monitors credit quality through publicly available financial statements for the entity.

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.

Beginning in April of 2020, the Company participated in the Paycheck Protection Program ("PPP"), administrated by the Small Business Administration ("SBA"), in assisting businesses impacted by the Coronavirus pandemic. PPP loans are included in commercial loans, 100% guaranteed by the SBA, and carry a fixed rate of 1.00%. At loan origination, the Company was paid a processing fee from the SBA ranging from 1% to 5% based on the loan size. The Company collected PPP processing fees, net of deferred loan origination costs, in the amount of $5.0 million during the year ended December 31, 2021 (none were collected during the year ended December 31, 2022). The Company recorded $21,663 and $1.1 million in accretion of those fees, which was classified in interest and fees on loans in the consolidated statements of operations during the years ended December 31, 2023, and December 31, 2022, respectively.

The Company participated in the Main Street Lending Program (MSLP) to support lending to small and mediumsized 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, 2023, the balance of loans related to the MSLP was $3.18 million, net of deferred fees and costs. As of December 31, 2022 the balance of loans related to the MSLP was $4.19 million, net of deferred fees and costs.

At December 31, 2023, the Company had pledged loans totaling approximately $153.2 million to secure a line of credit with the Federal Home Loan Bank, $24.7 million to secure a line of credit with the Federal Reserve Discount Window and $1.9 million to the Federal Reserve Bank in relation to the Paycheck Protection Program as discussed in Note 7-Borrowings.

Loans at year-end were as follows:

	2023	2022
Commercial	$ 118,084,047	$ 117,451,133
Commercial real estate:		
Construction	25,632,730	14,757,176
Other	250,866,254	213,521,584
Residential real estate	40,743,094	33,384,567
Consumer	2,456,912	2,733,204
Subtotal	437,783,037	381,847,664
Less: Net deferred loan fees and costs	(1,520,219)	(1,395,199)
Allowance for credit losses	(5,992,000)	(5,776,000)
Loans, net	$ 430,270,818	$ 374,676,465

At December 31, 2023, commercial loans include $1.91 million in PPP loans.

A summary of the changes in the allowance for credit losses as of December 31, 2023 follows:

	Real Estate	Commercial	Consumer	Total
Allowance for Credit Losses				
Beginning of year	$ 3,285,326	$ 2,453,687	$ 36,987	$ 5,776,000
Impact of adopting ASC 326	-	-	-	-
Credit loss expense	723,115	325,203	(32,318)	1,016,000
Charge-offs	-	(800,000)	-	(800,000)
Recoveries	-	-	-	-
Total ending allowance balance	$ 4,008,441	$ 1,978,890	$ 4,669	$ 5,992,000

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, 2023:

	Real Estate	Commercial	Consumer	Total
Allowance for Loan Losses				
Beginning of year	$ 2,349,200	$ 1,704,257	$ 21,453	$ 4,075,000
Provisions	936,126	749,430	15,444	1,701,000
Charge-offs	-	-	-	-
Recoveries	-	-	-	-
End of year	$ 3,285,326	$2,453,687	$36,987	$5,776,000

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2022:

	Real Estate	Commercial	Consumer	Total
Allowance for loan losses				
Ending allowance balance attributable to loans:				
Loans individually evaluated for impairment	$ -	$ 150,000	$ -	$ 150,000
Loans collectively evaluated for impairment	3,285,326	2,303,687	36,987	5,626,000
Total ending allowance balance	$ 3,285,326	$ 2,453,687	$ 36,987	$ 5,776,000
Loans				
Loans individually evaluated for impairment	$ -	$ 572,772	$ -	$ 572,772
Loans collectively evaluated for impairment	260,584,941	116,557,287	2,737,474	379,879,693
Total ending loans balance	$ 260,584,941	$ 117,130,050	$ 2,737,474	$ 380,452,465

The following table presents information related to impaired loans by class of loans as of December 31, 2022:

	Unpaid Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
December 31, 2022					
Real Estate - Construction	$ -	$ -	$ -	$ -	$ -
Real Estate - Other:					
Farmland	-	-	-	-	-
1-4 Residential	-	-	-	-	-
Multifamily	-	-	-	-	-
Commercial	-	-	-	-	-
Commercial	274,116	272,772	-	341,373	30,418
Consumer	-	-	-	-	-
With an Allowance					
Real Estate - Construction	-	-	-	-	-
Real Estate - Other:					
Farmland	-	-	-	-	-
1-4 Residential	-	-	-	-	-
Multifamily	-	-	-	-	-
Commercial	-	-	-	-	-
Commercial	300,000	300,000	150,000	300,000	6,361
Consumer	-	-	-	-	-
	$ 574,116	$ 572,772	$ 150,000	$ 641,373	$ 36,779

The following tables present 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
Real Estate			
Construction	$ -	$ -	$ -
Commercial	-	-	-
Residential	-	-	-
Commercial	-	300,000	1,547,783
Consumer	-	-	-
Total	$ -	$ 300,000	$ 1,547,783

The following tables present the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of December 31, 2022:

	Nonaccrual	Loans Past Due Over 89 days Still Accruing
Real Estate		
Construction	$ -	$ -
Commercial	-	-
Residential	-	-
Commercial	572,772	-
Consumer	-	-
Total	$ 572,772	$ -

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

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

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

Doubtful – Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values highly questionable and improbable.

Based on the most recent analysis performed, the risk category of loans by class of loans, net of deferred fees and costs, is as follows:

	Term Loans Amortized Cost Basis by Origination Year				Revolving Loans Amortized Costs Basis	Revolving Loans Converted to Term	
	2023	2022	2021	Prior			Total
Commercial							
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 Loans	$ 4,348,860	$ 7,282,442	$ 7,629,821	$5,134,549	$85,366,825	$ 8,103,927	$ 117,866,424

	Term Loans Amortized Cost Basis by Origination Year				Revolving Loans Amortized Costs Basis	Revolving Loans Converted to Term	
	2023	2022	2021	Prior			Total
Commercial RE - Construction							
Risk rating							
Pass	$ 7,827	$ 4,627,384	$ -	$ -	$ 20,758,821	$ -	$25,394,032
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total Comm RE - Construction	$ 7,827	$ 4,627,384	$ -	$ -	$ 20,758,821	$ -	$25,394,032

	Term Loans Amortized Cost Basis by Origination Year				Revolving Loans Amortized Costs Basis	Revolving Loans Converted to Term	Total
	2023	2022	2021	Prior			
Commercial RE - Other							
Risk rating							
Pass	$27,478,407	$63,991,629	$41,534,084	$23,084,658	$90,358,823	$278,029	$246,725,630
Special mention	-	-	-	-	-		-
Substandard	-	-	1,222,457	-	1,995,502		3,217,959
Doubtful	-	-	-	-			-
Total Comm RE - Other	$27,478,407	$63,991,629	$42,756,541	$23,084,658	$92,354,325	$278,029	$249,943,589

	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	$ (1,339)	$ -	$ -	$ 1,181,056	$ 1,277,440	$ -	$ 2,457,157
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total Consumer	$ (1,339)	$ -	$ -	$ 1,181,056	$ 1,277,440	$ -	$ 2,457,157

	Term Loans Amortized Cost Basis by Origination Year				Revolving Loans Amortized Costs Basis	Revolving Loans Converted to Term	Total
	2023	2022	2021	Prior			
Residential Real Estate							
Risk rating							
Pass	$ 12,848,197	$ 3,881,717	$ 9,737,154	$ -	$11,948,083	$ -	$ 38,415,151
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	2,186,465	-	2,186,465
Doubtful	-	-	-	-	-	-	-
Total Residential RE	$ 12,848,197	$ 3,881,717	$ 9,737,154	$ -	$ 14,134,548	$ -	$ 40,601,616

The risk category by class of loans, net of deferred fees and costs for December 31, 2022 is as follows:

	Pass	Special Mention	Substandard	Doubtful	Total
Real Estate					
Construction	$ 14,641,660	$ -	$ -	$ -	$ 14,641,660
Commercial	210,634,183	-	2,046,377	-	212,680,560
Residential	31,077,883	-	2,184,838	-	33,262,721
Commercial	107,935,974	2,122,998	6,498,306	572,772	117,130,050
Consumer	2,737,474	-	-	-	2,737,474
	$ 367,027,174	$ 2,122,998	$ 10,729,521	$ 572,772	$ 380,452,465

The balance of unamortized loan fees, net of loan origination costs included in total loans was $1.5 million and $1.4 million as of December 31, 2023 and 2022, respectively. Included in unamortized loan fees were unamortized net PPP loan fees and costs totaling $28,840 and $50,503 as of December 31, 2023 and 2022, respectively.

Prior to January 1, 2023 non-accrual loans and loans past due over 89 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. Impaired loans include commercial loans that are evaluated for impairment and deemed impaired (i.e., individually classified impaired loans) as well as TDRs for all loan portfolio segments. The sum of non-accrual loans and loans past due over 89 days still on accrual will differ from the total impaired loan amount.

There were no modifications to borrowers in financial difficulty resulting in a troubled loan modification as of December 31, 2023 and 2022.

Note 4 - Premises and Equipment

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

	2023	2022
Leasehold improvements	$ 224,424	$ 159,642
Furniture, fixtures, and equipment	724,575	497,998
	948,999	657,640
Less accumulated depreciation and amortization	(629,880)	(532,179)
	$ 319,119	$ 125,461

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:

	2023	2022
Operating lease expense	$ 461,751	$ 369,151
Variable lease expense	6,919	8,604
Total lease expense	$ 468,670	$ 377,755

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

	2023	2022
Cash Paid for Amounts Included in the Measurement of Lease Liabilities	$ 469,813	$ 352,265
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:

	2023	2022
Operating Lease Right-of-Use Assets	$ 1,459,943	$ 1,281,899
Operating Lease Liabilities	$ 1,602,740	$ 1,434,255
Weighted Average Remaining Lease Term	3.43 Years	3.87 Years
Weighted Average Discount Rate	3.66%	3.56%

Maturities of operating lease liabilities as of December 31, 2023, were as follows:

Year Ending	
2024	504,275
2025	522,077
2026	455,745
2027	151,478
2028	67,472
Thereafter	-
Total lease payments	1,701,047
Less imputed interest	(98,307)
Total operating lease liability	$ 1,602,740

Note 6 - Deposits

At December 31, 2023, all of the Company's outstanding time deposits from clients mature during 2024.

As of December 31, 2023, the Company had 7 deposit relationships that exceeded 2.00% of total deposits, collectively aggregating approximately $130,391,000 and representing 25.68% 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, 2023. There were no outstanding advances under these line as of December 31, 2023 and 2022.

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 $100.2 million at December 31, 2023 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, 2023 and 2022, 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 $20.2 million at December 31, 2023 subject to providing adequate collateral. The Company has pledged loans of approximately $25.3 million as collateral for this line. As of December 31, 2023 there were no advances under this line.

As of December 31, 2023 and 2022, the Company had loan advances of $1.5 million and $1.8 million, respectively, 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, 2023, the maturity of the PPPLF Borrowings are as follows:

Year Ending		
2024	$	-
2025		-
2026		1,523,170
2027		-
2028		-
Thereafter		-
Total Other Borrowings Outstanding	$	1,523,170

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, 2023 and 2022 respectively were $402,104 and $450,844. At December 31, 2023, the Company was in compliance with all covenants and terms of the Notes.

Note 8 - Income Taxes

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

	2023	2022
Current		
Federal	$ 1,101,740	$ 1,344,100
State	623,723	179,000
	1,725,463	1,523,100
Deferred	(45,000)	(196,000)
Valuation Allowance	-	(2,515,000)
	$ 1,680,463	(1,187,900

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

	2023		2023	
	Amount	Rate	Amount	Rate
Statutory Federal Tax	$ 1,165,000	21.0%	$ 922,000	21.0%
State Franchise Tax, net of Federal Benefit	482,000	8.7%	380,000	8.7%
Valuation allowance	-	-	(2,515,000)	(57.3%)
Stock-Based Compensation	-	-	1,000	-
Other Items, net	33,463	0.6%	24,100	0.5%
(Benefit) provision for income taxes	$ 1,680,463	30.3%	$ (1,187,900)	(27.1%)

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:

	2023	2022
Deferred Tax Assets		
Organization expenses	$ 410,000	$ 453,000
Allowance for credit losses due to tax limitations	1,650,000	1,593,000
Stock-based compensation	712,000	640,000
Net operating loss carryovers	-	-
Operating lease liability	474,000	424,000
Available for Sale	166,000	198,000
Other items	110,000	131,000
	3,522,000	3,439,000
Valuation Allowance	-	-
Deferred Tax Liabilities		
Right of use asset	(432,000)	(379,000)
Accrual to cash	(146,000)	(149,000)
State Taxes Current	(22,000)	(2,000)
	(600,000)	(530,000)
Net deferred tax assets	$ 2,922,000	$2,909,000

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, 2023 and 2022. 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, 2018, are open to audit by the federal authorities and for the years ending after December 31,2017 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:

	2023	2022
Data processing	$ 1,556,207	$ 1,216,963
Legal and professional	563,208	805,548
Advertising and business development	384,023	334,700
Regulatory assessments	403,505	305,447
Director stock-based compensation and other	424,191	322,535
Loan expenses	45,062	60,006
Office and telephone expense	160,246	109,689
Insurance	77,784	75,092
Other	871,998	436,026
	$ 4,486,224	$ 3,666,006

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:

	2023		2023	
	Amount	Rate	Amount	Rate
Net Income as Reported	$ 3,868,643		$ 5,577,585	
Less earnings allocated to participating securities	(20,445)		(3,003)	
Shares Outstanding at Year End		3,394,923		3,380,543
Impact of Weighting Shares repurchased during the year		-		-
Less weighted average shares of participating securities		(17,927)		(1,820)
Impact of weighting shares Issued During the Year		(2,739)		(1,048)
Used in Basic EPS	3,848,198	3,374,257	5 ,574,582	3,377,675
Dilutive Effect of Outstanding Stock Options		62,110		55,865
Used in Diluted EPS	$ 3,848,198	3,436,367	$ 5 ,574,582	3,433,540

At December 31, 2023 and 2022, 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 clients. These financial commitments include commitments to extend credit and standby letters of credit. Those instruments involve to 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 client 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 client. 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:

	2023	2022
Commitments to Extend Credit	$ 177,503,000	$ 151,710,000
Standby Letters of Credit	86,000	86,000
	$ 177,589,000	$ 151,796,000

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, 2023 and 2022, there were zero and a de minimus amount in outstanding balances of related party loans respectively, and related party deposits were approximately $31.1 million and $34.5 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 nonqualified and incentive stock options, and directors and other consultants, who are not also an officer or employee, may only be granted nonqualified 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 $382,206 and $273,850 for the years ended December 31, 2023 and 2022, respectively.

The fair value of stock options issued in 2023 and 2022, was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2023	2022
Expected volatility	30.0%	30.0%
Expected term	7.5 years	7.5 years
Expected dividends	0.00%	0.00%
Risk free rate	4.03%	2.33%
Grant date fair value	$5.06	$3.81

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 riskfree 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, 2023 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	722,161	$ 9.78		
Granted	47,434	$ 11.90		
Exercised	-	$ -		
Forfeited or expired	-	$ -		
Outstanding at end of year	769,595	$ 9.91	5.72	$ 879,231
Options exercisable	769,595	$ 9.91	5.72	$ 879,231

As of December 31, 2023, 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, 2023, follows:

	Unvested Shares	Weighted-Average Grant Date Fair Value
Balance, Beginning of Period	13,193	$ 9.74
Granted	14,524	11.74
Shares Vested	9,845	10.41
Forfeited or Expired	-	$ -
Balance, End of Year	17,872	$ 11.07

As of December 31, 2023, there was $83,363 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 0.97 years. The total fair value of restricted stock vested during the year ended December 31, 2023, was $102,486 and was $80,764 during the year ended December 31, 2022.

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 $244,797 for the year ended December 31, 2023 and $211,728 for the year ended December 31, 2022.

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, 2023 and December 31, 2022:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
December 31, 2023				
Assets Measured at Fair Value on a Recurring Basis				
Debt securities available for sale	$ -	$ 5,063,924	$ -	$ 5,063,924
December 31, 2022				
Assets Measured at Fair Value on a Recurring Basis				
Debt securities available for sale	$ -	$ 5,194,611	$ -	$ 5,194,611

Note 16 - Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the asset or obligation could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the entire holdings of a particular financial instrument. Because no market value exists for a significant portion of the financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature, involve uncertainties and matters of judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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

	Fair Value Hierarchy	2023		2022	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets					
Cash and cash equivalents	Level 1	$ 120,799	$ 120,799	$ 89,908	$ 89,908
Time deposits in other banks	Level 2	3,473	3,510	1,984	1,978
Investment securities	Level 2	6,055	5,961	6,195	6,195
Loans, net	Level 3	430,271	408,670	374,676	365,507
FHLB stock	Level 1	1,823	1,823	1,487	1,487
Accrued interest	Level 2	1,596	1,596	1,239	1,239
Financial Liabilities					
Demand and other non-maturity deposits	Level 3	500,565	500,565	419,739	419,739
Time deposits	Level 3	6,993	6,928	3,181	3,155
Federal Home Loan Bank Borrowing	Level 3	-	-	-	-
Long term notes payables	Level 3	14,598	13,859	14,549	13,633
Other Borrowing	Level 3	1,523	1,480	1,769	1,762

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, 2023 and 2022, that the Bank meets all capital adequacy requirements to which it is subject.

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

			Amount of Capital Required			
	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$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 following table also sets forth the Bank's actual capital amounts and ratios at December 31, 2022 (dollar amounts in thousands):

			Amount of Capital Required			
	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$56,535	12.7%	$35,718	8.0%	$44,648	10.0%
Tier 1 capital (to risk-weighted assets)	$50,951	11.4%	$26,789	6.0%	$35,718	8.0%
CET1 capital (to risk-weighted assets)	$50,951	11.4%	$20,092	4.5%	$29,021	6.5%
Tier 1 capital (to average assets)	$50,951	11.2%	$18,197	4.0%	$22,747	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, 2023 was 3,394,923. 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, (323) 370-1360

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

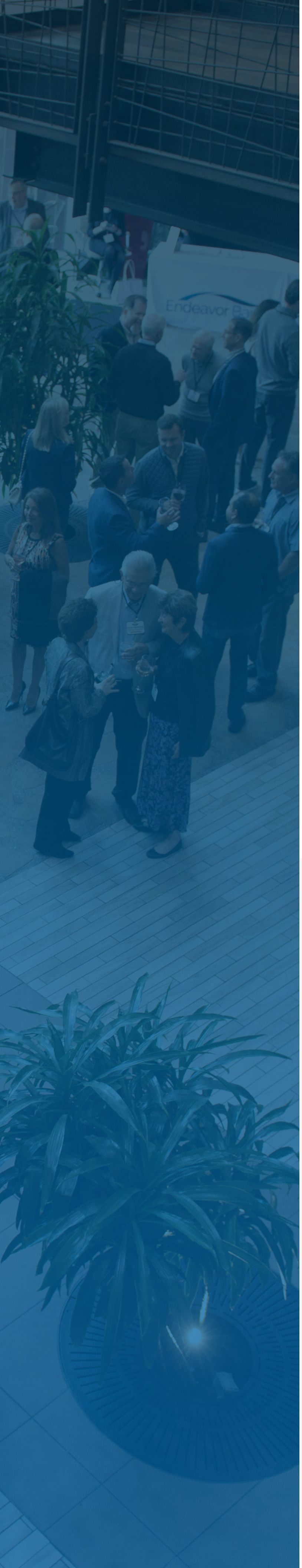
If you have questions concerning your stock account, please call our transfer agent:

Computershare Trust Company, N.A.
150 Royall Street, Suite 101, Canton, Massachusetts 02021
(800) 736-3001, www.computershare.com/investor

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

Resilience is *accountability*.



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.

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, plans and objectives of Management of the Company for future operations, are forward-looking statements. When used in this annual report, the words "anticipate," "believe," "estimate," "expect" and "intend" and words or phrases of similar meaning, as they relate to the Company or the Company's Management, are intended to identify forwardlooking 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.

Resilience is *strong governance*.

Our Leaders

Faced with a potential crisis sparked by bank failures, Endeavor Bank's experienced and nimble leadership team moved quickly to assuage concern among the business community by presenting responsive solutions and reinforcing our consultative relationships.

Our Board

Our board of directors is made up of business and community leaders who are committed to Endeavor's stability, growth, and consultative business model. We are grateful for the support, guidance, and enthusiasm of these remarkable professionals.

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

Jillian J. Murrish

Co-Founder and CEO, Pier Asset Management

Lorne R. Polger

Co-Founder, Pathfinder Partners

Vickie E. Turner

Partner Emeritus, Wilson Turner Kosmo LLP

Christopher J. Woolley

Co-Founder, Square 1 Bank

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 | (760) 795-0102

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

www.endeavor.bank