

# Investor Presentation

Third Quarter 2023



**FIVE STAR BANCORP**

# Safe Harbor Statement and Disclaimer

## Forward-Looking Statements

In this presentation, “we,” “our,” “us,” “Five Star” or “the Company” refers to Five Star Bancorp, a California corporation, and our consolidated subsidiaries, including Five Star Bank, a California state-chartered bank, unless the context indicates that we refer only to the parent company, Five Star Bancorp. This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements represent plans, estimates, objectives, goals, guidelines, expectations, intentions, projections and statements of the Company’s beliefs concerning future events, business plans, objectives, expected operating results and the assumptions upon which those statements are based. Forward-looking statements include without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and are typically identified with words such as “may,” “could,” “should,” “will,” “would,” “believe,” “anticipate,” “estimate,” “expect,” “aim,” “intend,” “plan” or words or phrases of similar meaning. The Company cautions that the forward-looking statements are based largely on the Company’s expectations and are subject to a number of known and unknown risks and uncertainties that are subject to change based on factors which are, in many instances, beyond the Company’s control. Such forward-looking statements are based on various assumptions (some of which may be beyond the Company’s control) and are subject to risks and uncertainties, which change over time, and other factors which could cause actual results to differ materially from those currently anticipated. New risks and uncertainties may emerge from time to time, and it is not possible for the Company to predict their occurrence or how they will affect the Company. If one or more of the factors affecting the Company’s forward-looking information and statements proves incorrect, then the Company’s actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking information and statements contained in this press release. Therefore, the Company cautions you not to place undue reliance on the Company’s forward-looking information and statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements are set forth in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 and Form 10-Q for the quarter ended June 30, 2023, in each case under the section entitled “Risk Factors,” and other documents filed by the Company with the Securities and Exchange Commission from time to time.

The Company disclaims any duty to revise or update the forward-looking statements, whether written or oral, to reflect actual results or changes in the factors affecting the forward-looking statements, except as specifically required by law.

## Industry Information

This presentation includes statistical and other industry and market data that we obtained from government reports and other third-party sources. Our internal data, estimates, and forecasts are based on information obtained from government reports, trade, and business organizations and other contacts in the markets in which we operate and our management’s understanding of industry conditions. Although we believe that this information (including the industry publications and third-party research, surveys, and studies) is accurate and reliable, we have not independently verified such information. In addition, estimates, forecasts, and assumptions are necessarily subject to a high degree of uncertainty and risk due to a variety of factors. Finally, forward-looking information obtained from these sources is subject to the same qualifications and the additional uncertainties regarding the other forward-looking statements in this presentation.

## Unaudited Financial Data

Numbers contained in this presentation for the quarter ended September 30, 2023 and for other quarterly periods are unaudited. Additionally, all figures presented as year-to-date, except for periods that represent a full fiscal year ended December 31, represent unaudited results. As a result, subsequent information may cause a change in certain accounting estimates and other financial information, including the Company’s allowance for credit losses, fair values, and income taxes.

## Non-GAAP Financial Measures

The Company uses financial information in its analysis of the Company’s performance that is not in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The Company believes that these non-GAAP financial measures provide useful information to management and investors that is supplementary to the Company’s financial condition, results of operations, and cash flows computed in accordance with GAAP. However, the Company acknowledges that its non-GAAP financial measures have a number of limitations. See the appendix to this presentation for a reconciliation of these non-GAAP measures to the most directly comparable GAAP financial measures.



# Agenda

---

- Company Overview
- Financial Highlights
- Loans and Credit Quality
- Deposit and Capital Overview
- Financial Results

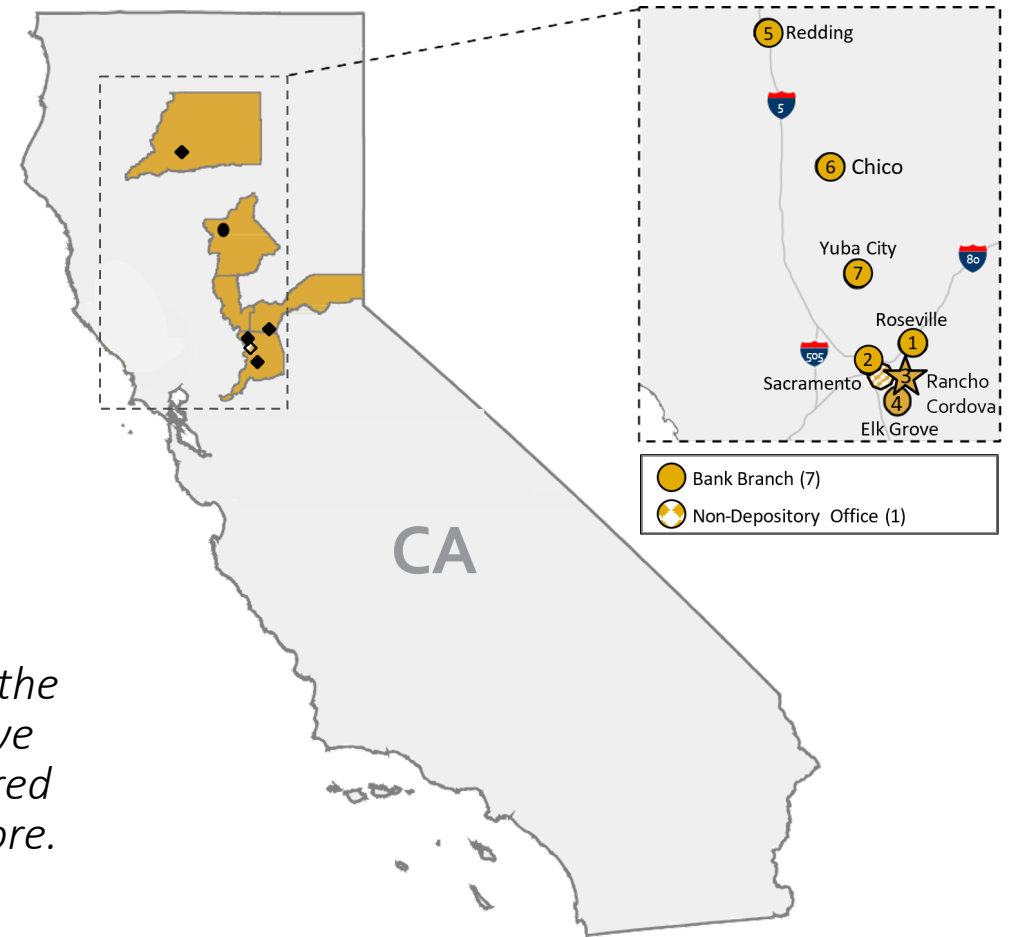
# Company Overview



# Company Overview

Nasdaq:	FSBC
Headquarters:	Rancho Cordova, California
Asset Size:	\$3.5 billion
Loans Held for Investment:	\$3.0 billion
Deposits:	\$3.0 billion
Bank Branches:	7

*Five Star is a community business bank that was founded to serve the commercial real estate industry. Today, the markets we serve have expanded to meet customer demand and now include manufactured housing and storage, faith-based, government, nonprofits, and more.*



# Executive Team



James Beckwith  
President and  
Chief Executive Officer  
*Five Star since 2003*



John Dalton  
Senior Vice President and  
Chief Credit Officer  
*Five Star since 2011*



Mike Lee  
Senior Vice President and  
Chief Regulatory Officer  
*Five Star since 2005*



Heather Luck  
Senior Vice President and  
Chief Financial Officer  
*Five Star since 2018*



Lydia Ramirez  
Senior Vice President and  
Chief Operations and Chief DE&I Officer  
*Five Star since 2017*



Michael Rizzo  
Senior Vice President and  
Chief Banking Officer  
*Five Star since 2005*



Brett Wait  
Senior Vice President and  
Chief Information Officer  
*Five Star since 2011*



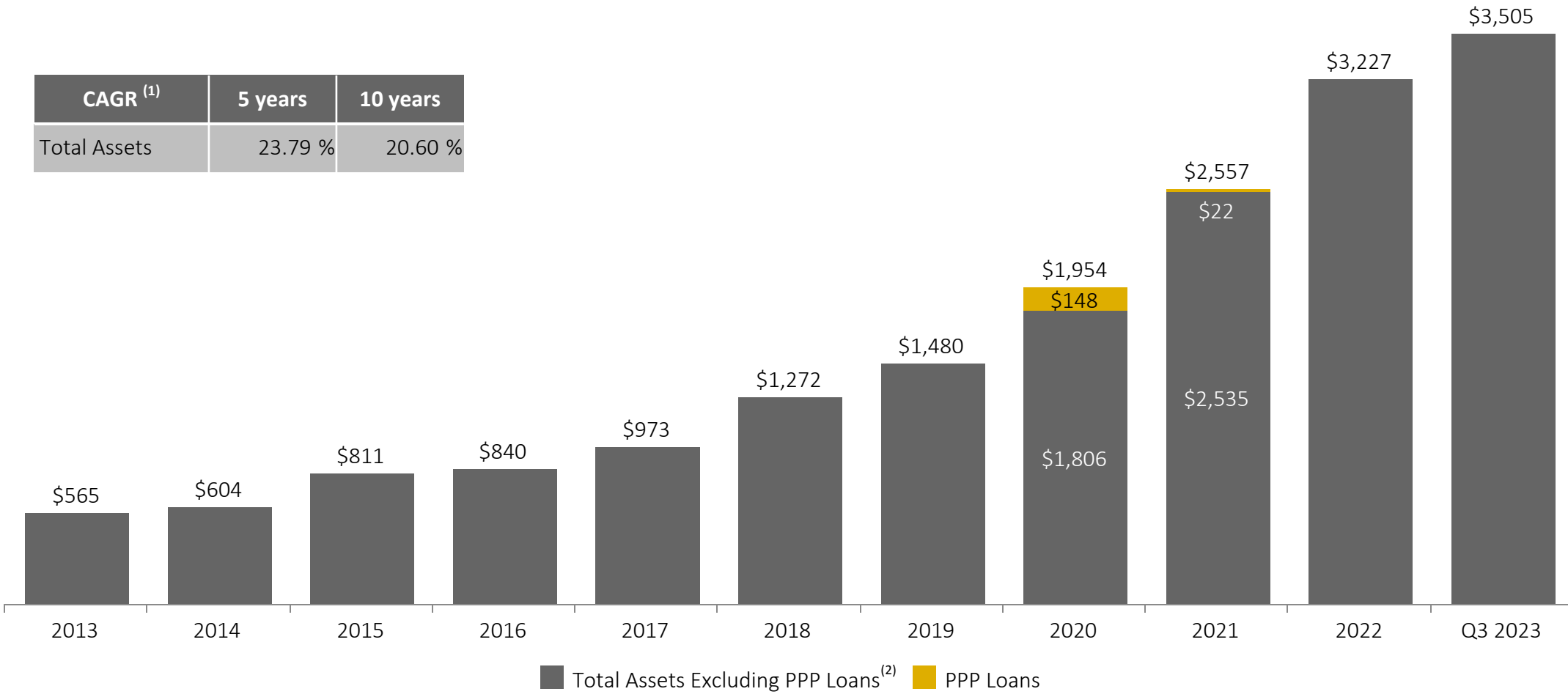
Shelley Wetton  
Senior Vice President and  
Chief Marketing Officer  
*Five Star since 2015*

# Financial Highlights



# Consistent and Organic Asset Growth

CAGR <sup>(1)</sup>	5 years	10 years
Total Assets	23.79 %	20.60 %



Note: Dollars are in millions. Balances are end of period. References to PPP are the Paycheck Protection Program.

1. CAGR is based upon balances as of September 30, 2023.
2. A reconciliation of this non-GAAP measure is set forth in the appendix.

# Financial Highlights

(dollars in thousands)		For the three months ended		
		9/30/2023	6/30/2023	9/30/2022
<b>Profitability</b>	Net income	\$ 11,045	\$ 12,729	\$ 11,704
	Return on average assets ("ROAA")	1.30 %	1.55 %	1.60 %
	Return on average equity ("ROAE")	16.09 %	19.29 %	19.35 %
	Earnings per share (basic and diluted)	\$ 0.64	\$ 0.74	\$ 0.68
<b>Net Interest Margin</b>	Net interest margin	3.31 %	3.45 %	3.86 %
	Average loan yield	5.57 %	5.50 %	4.75 %
	Average cost of interest-bearing deposits	3.01 %	2.69 %	0.73 %
	Average cost of total deposits	2.18 %	1.92 %	0.43 %
	Total cost of funds	2.28 %	2.04 %	0.62 %
<b>Deposits and Securities</b>		<b>9/30/2023</b>	<b>12/31/2022</b>	
	Non-interest-bearing deposits	\$ 833,434	\$ 968,749	
	Interest-bearing deposits	2,198,776	1,813,255	
	Total deposits	3,032,210	2,782,004	
	Total securities	107,190	119,744	
	Total securities to interest-earning assets	3.12 %	3.79 %	
<b>Asset Quality</b>	Nonperforming loans to loans held for investment	0.07 %	0.01 %	
	Allowance for credit losses to loans held for investment	1.13 %	1.02 %	



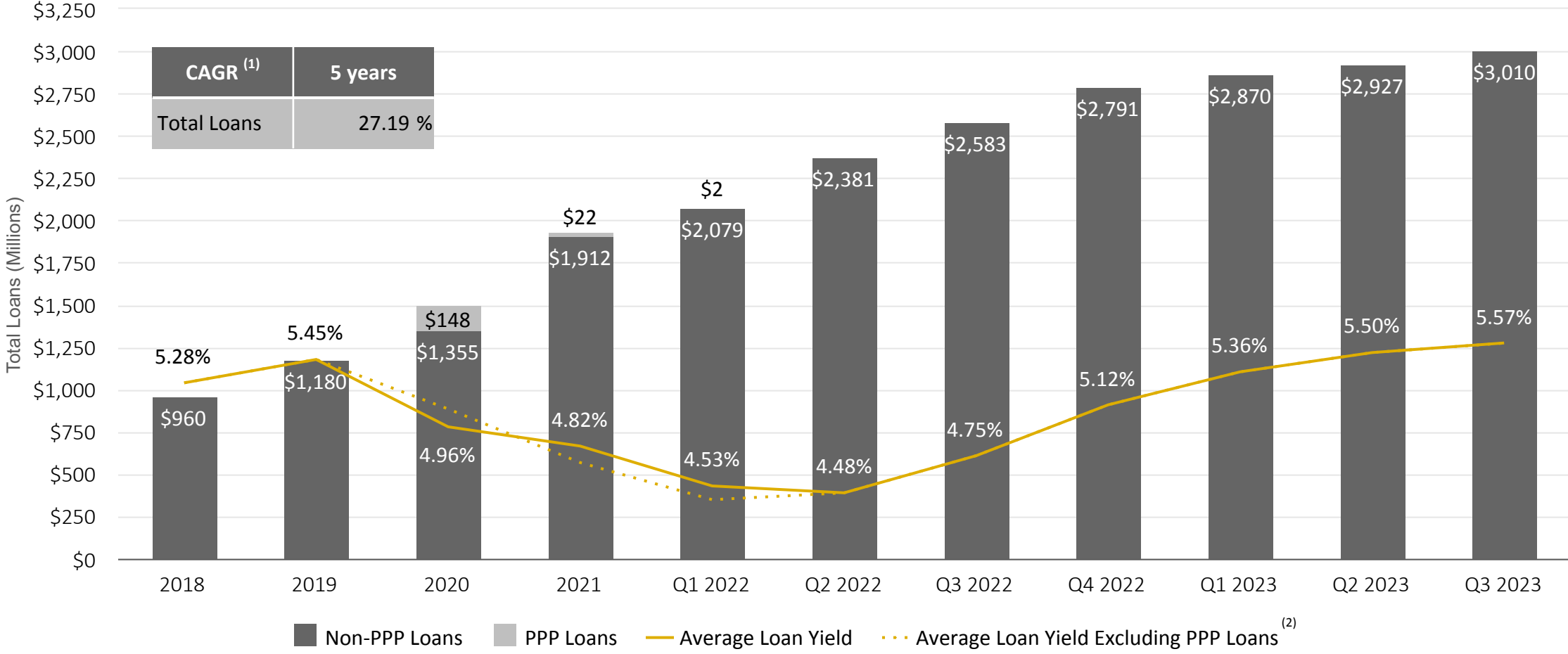
# Financial Highlights - September 30, 2023

Growth	<ul style="list-style-type: none"><li>Continued balance sheet growth with increases in loans held for investment of \$82.5 million and increases in deposits of \$102.5 million since June 30, 2023.</li></ul>
Funding	<ul style="list-style-type: none"><li>Non-interest-bearing deposits comprised 27.49% of total deposits, as compared to 28.42% of total deposits as of June 30, 2023.</li><li>Deposits comprised 93.85% of total liabilities, as compared to 93.50% of total liabilities as of June 30, 2023.</li></ul>
Liquidity	<ul style="list-style-type: none"><li>Insured and collateralized deposits were approximately \$2.0 billion, representing 66.33% of total deposits, compared to 67.34% as of June 30, 2023.</li><li>Cash and cash equivalents were \$323.5 million, representing 10.67% of total deposits, compared to 10.24% as of June 30, 2023.</li></ul>
Capital	<ul style="list-style-type: none"><li>All capital ratios were above well-capitalized regulatory thresholds.</li><li>On July 21, 2023 and October 20, 2023, the Company announced cash dividends of \$0.20 per share for the three months ended June 30, 2023 and September 30, 2023, respectively.</li></ul>



# Loans and Credit Quality

# Consistent Loan Growth



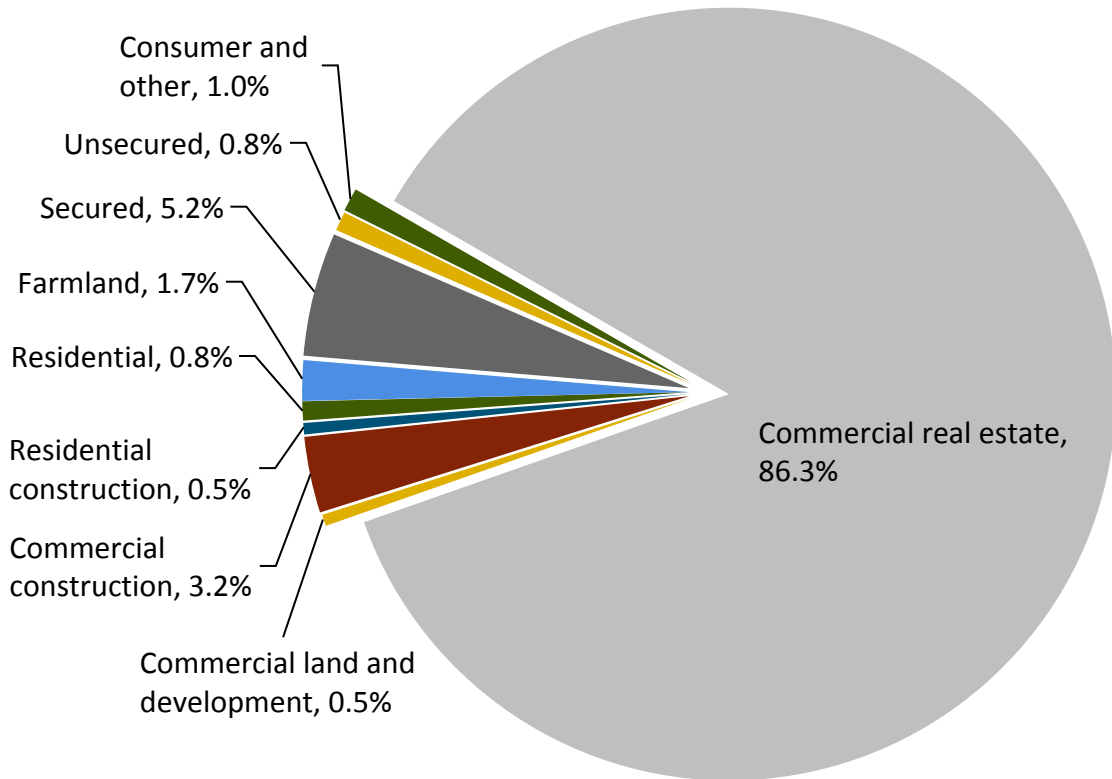
■ Non-PPP Loans   ■ PPP Loans   — Average Loan Yield   - - - Average Loan Yield Excluding PPP Loans <sup>(2)</sup>

Note: Loan balances are end of period loans held for investment. Yields are based on average balance and annualized quarterly interest income.

- 1. CAGR is based upon balances as of September 30, 2023.
- 2. A reconciliation of this non-GAAP measure is set forth in the appendix.



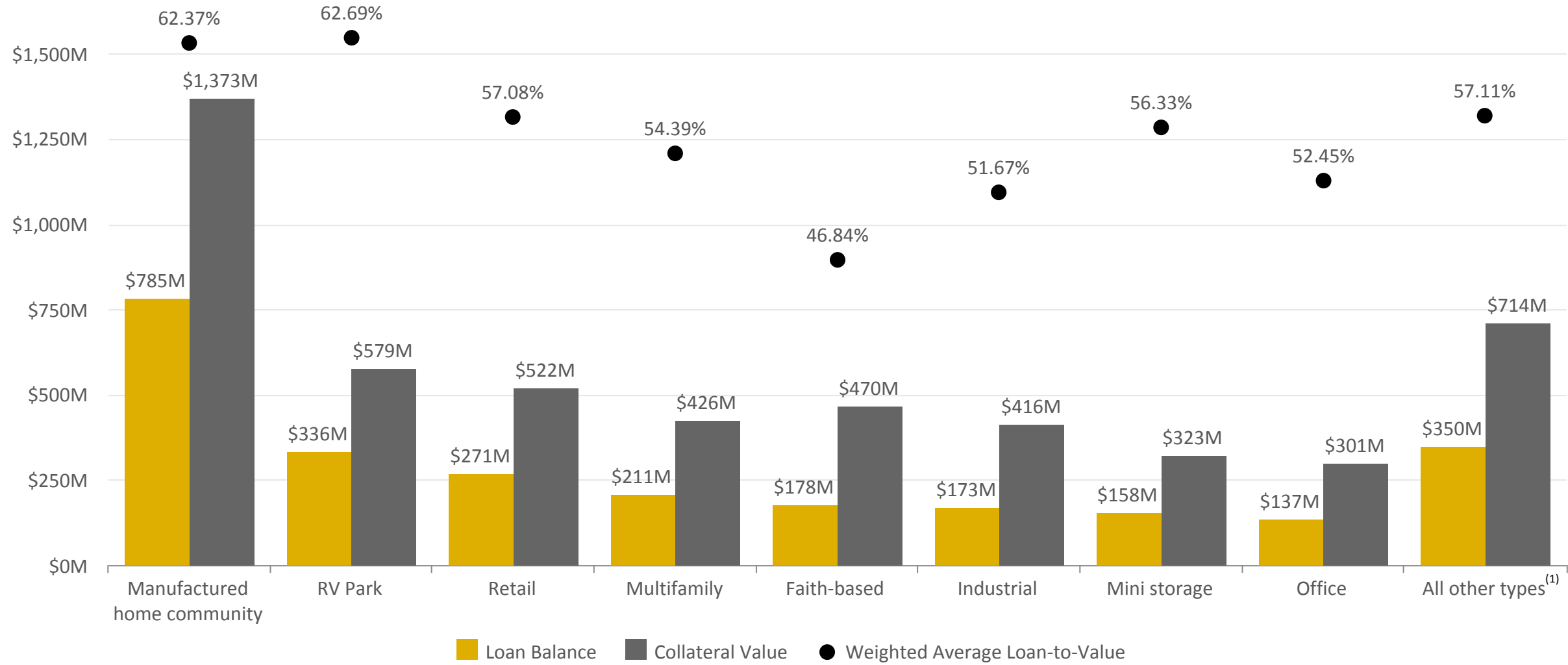
# Loan Portfolio Composition



Types of collateral securing commercial real estate ("CRE") loans	Loan Balance (\$000s)	# of Loans	% of CRE
Manufactured home community	\$ 784,780	370	30.19 %
RV Park	336,158	111	12.93 %
Retail	271,271	88	10.44 %
Multifamily	211,302	94	8.13 %
Faith-based	178,020	97	6.85 %
Industrial	173,036	127	6.66 %
Mini storage	157,724	43	6.07 %
Office	137,256	89	5.28 %
All other types <sup>(1)</sup>	350,069	161	13.45 %
<b>Total</b>	<b>\$ 2,599,616</b>	<b>1,180</b>	<b>100.00 %</b>



# CRE Collateral Values



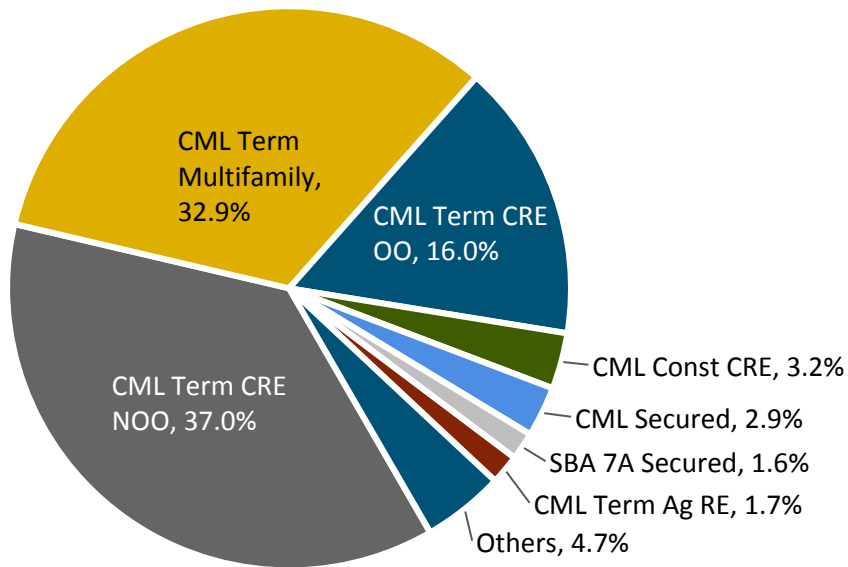
Note: Balances are net book value as of September 30, 2023, before allowance for credit losses, before deferred loan fees, and exclude loans held for sale.

1. Types of collateral in “all other types” are those that individually make up less than 5% CRE concentration.

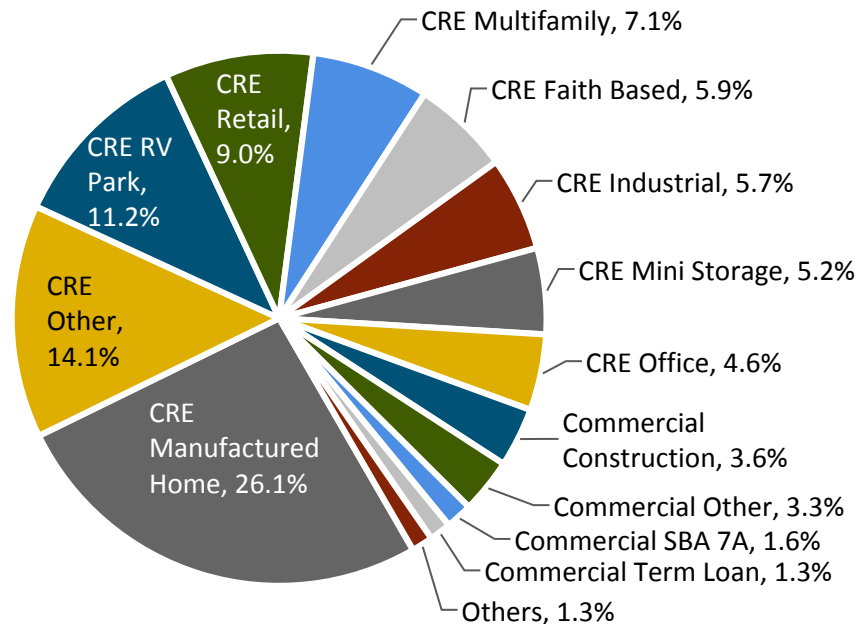
# Loan Portfolio Diversification

We focus primarily on commercial lending, with an emphasis on commercial real estate. We offer a variety of loans to small and medium-sized businesses, professionals, and individuals, including commercial real estate, commercial land and construction, and farmland loans. To a lesser extent, we also offer residential real estate, construction real estate, and consumer loans.

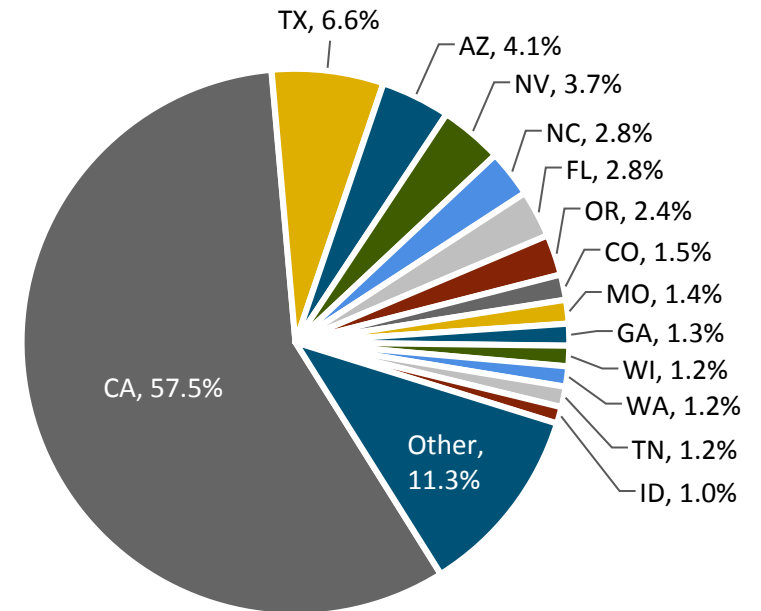
Loans by Type



Loans by Purpose



Real Estate Loans by Geography



# Loan Rollforward

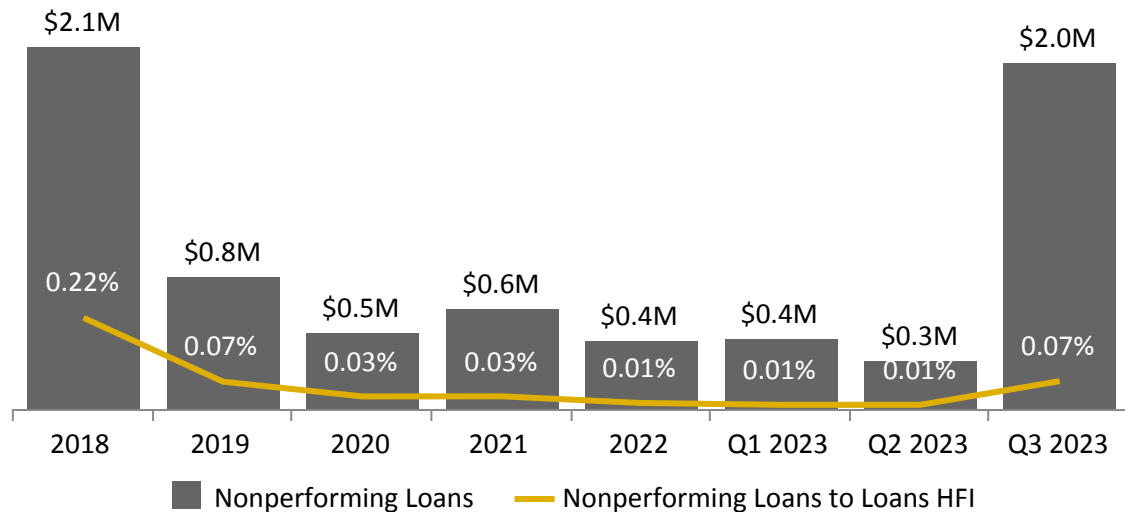
	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Beginning Balance	\$ 2,583	\$ 2,791	\$ 2,870	\$ 2,927
Originations	295	135	254	135
Payoffs and Paydowns	(87)	(56)	(197)	(52)
Ending Balance	\$ 2,791	\$ 2,870	\$ 2,927	\$ 3,010

# Asset Quality

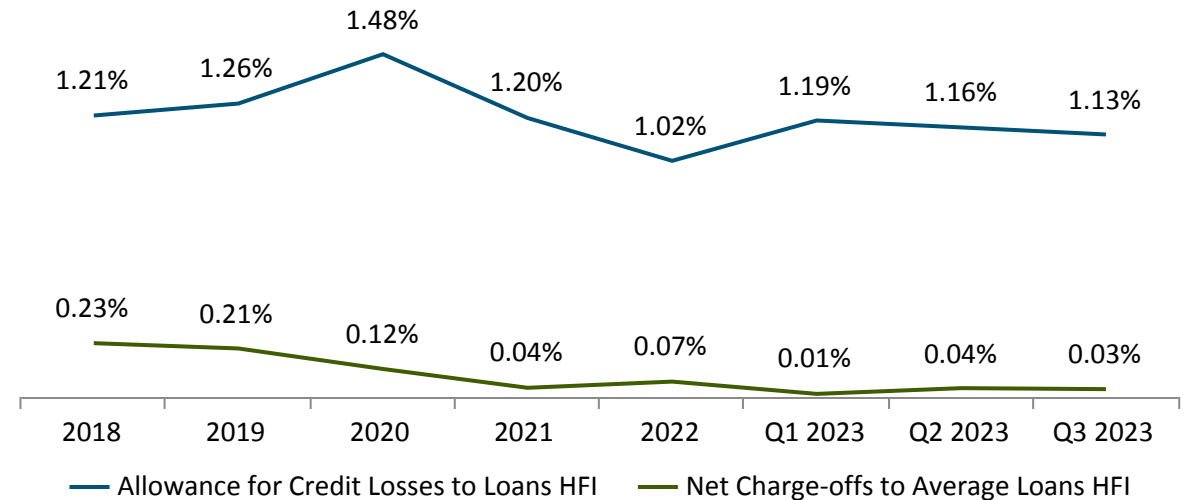
Our primary objective is to maintain a high level of asset quality in our loan portfolio. Therefore, we:

- Place emphasis on our commercial portfolio, where we reevaluate risk assessments as a result of reviewing commercial property operating statements and borrower financials
- Monitor payment performance, delinquencies, and tax and property insurance compliance
- Design our practices to facilitate the early detection and remediation of problems within our loan portfolio
- Employ the use of an outside, independent consulting firm to evaluate our underwriting and risk assessment process

### Nonperforming Loan Trend



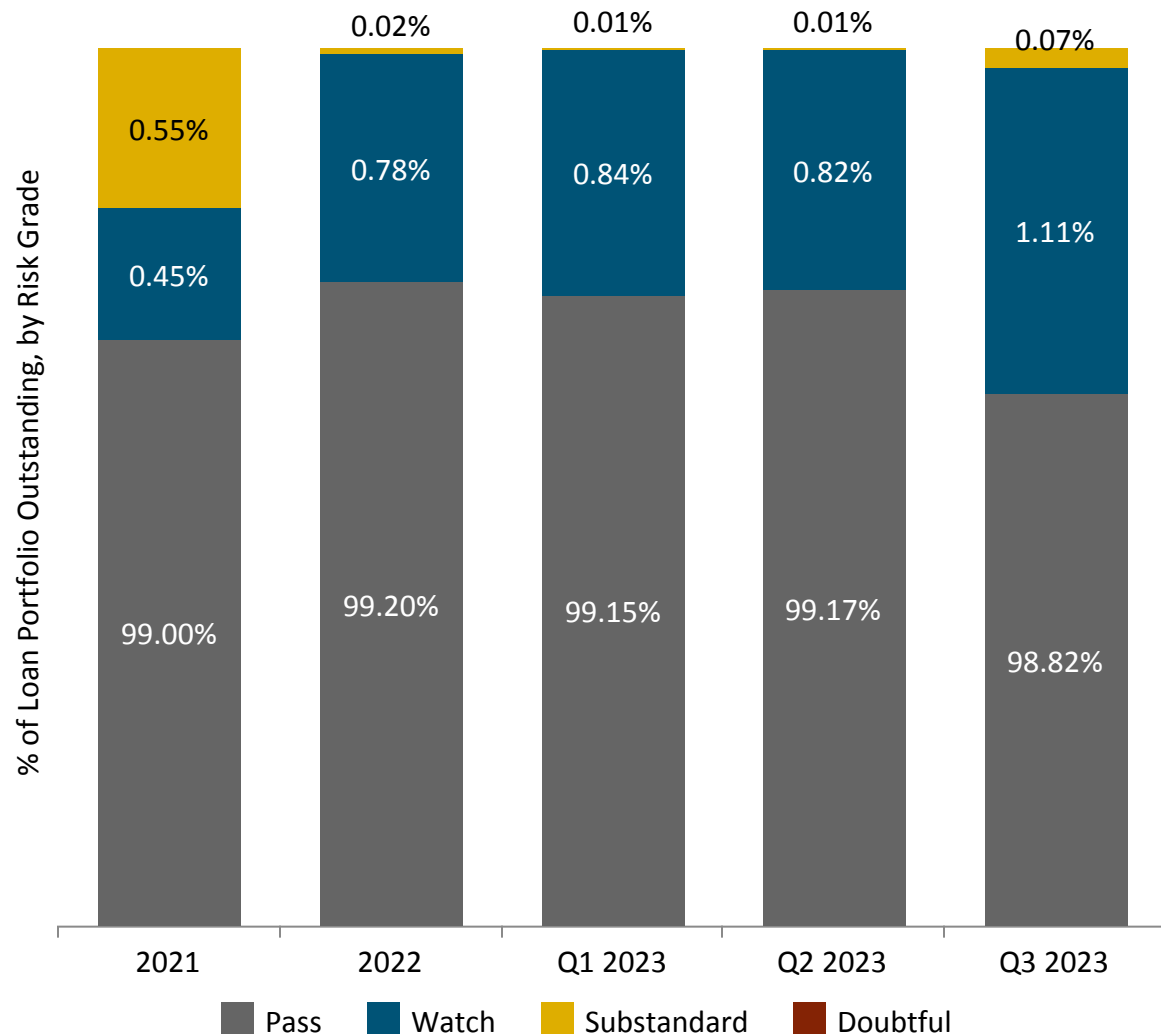
### Allowance for Credit Losses and Net Charge-off Trend



# Allocation of Allowance for Credit Losses

(dollars in thousands)	December 31, 2022		March 31, 2023		June 30, 2023		September 30, 2023	
Allowance for Credit Losses	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
<b>Real estate:</b>								
Commercial	\$ 19,216	67.69 %	\$ 27,119	79.37 %	\$ 27,553	81.08 %	\$ 27,901	82.00 %
Commercial land & development	54	0.19 %	226	0.66 %	184	0.54 %	198	0.58 %
Commercial construction	645	2.27 %	1,438	4.21 %	1,212	3.57 %	1,220	3.59 %
Residential construction	49	0.17 %	175	0.51 %	217	0.64 %	115	0.34 %
Residential	175	0.62 %	181	0.53 %	152	0.45 %	151	0.44 %
Farmland	644	2.27 %	219	0.64 %	236	0.69 %	393	1.15 %
<b>Total real estate loans</b>	<b>20,783</b>	<b>73.21 %</b>	<b>29,358</b>	<b>85.92 %</b>	<b>29,554</b>	<b>86.97 %</b>	<b>29,978</b>	<b>88.10 %</b>
<b>Commercial:</b>								
Secured	7,098	25.00 %	4,258	12.46 %	3,751	11.04 %	3,461	10.17 %
Unsecured	116	0.41 %	152	0.44 %	209	0.61 %	213	0.63 %
<b>Total commercial loans</b>	<b>7,214</b>	<b>25.41 %</b>	<b>4,410</b>	<b>12.90 %</b>	<b>3,960</b>	<b>11.65 %</b>	<b>3,674</b>	<b>10.80 %</b>
Consumer and other	347	1.22 %	404	1.18 %	470	1.38 %	376	1.10 %
Unallocated	45	0.16 %	—	— %	—	— %	—	— %
<b>Total allowance for credit losses</b>	<b>\$ 28,389</b>	<b>100.00 %</b>	<b>\$ 34,172</b>	<b>100.00 %</b>	<b>\$ 33,984</b>	<b>100.00 %</b>	<b>\$ 34,028</b>	<b>100.00 %</b>

# Risk Grade Migration



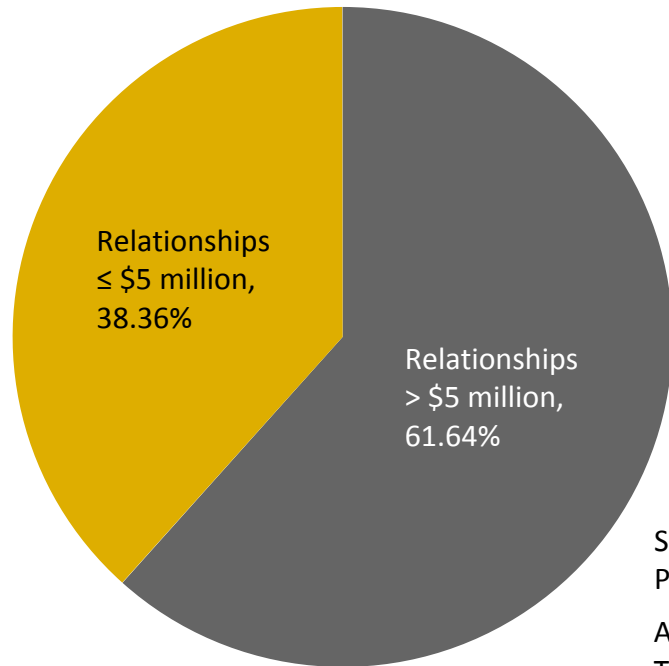
Classified Loans (Loans Rated Substandard or Doubtful)					
(dollars in thousands)	2021	2022	Q1 2023	Q2 2023	Q3 2023
<b>Real estate:</b>					
Commercial	\$ 9,256	\$ 106	\$ 102	\$ —	\$ 1,923
Commercial land & development	—	—	—	—	—
Commercial construction	—	—	—	—	—
Residential construction	—	—	—	—	—
Residential	178	175	175	175	—
Farmland	—	—	—	—	—
<b>Commercial:</b>					
Secured	1,180	123	118	112	79
Unsecured	—	—	—	—	—
<b>Consumer and other</b>					
	—	26	23	22	21
<b>Total</b>	<b>\$ 10,614</b>	<b>\$ 430</b>	<b>\$ 418</b>	<b>\$ 309</b>	<b>\$ 2,023</b>

# Deposit and Capital Overview



# Deposit Composition

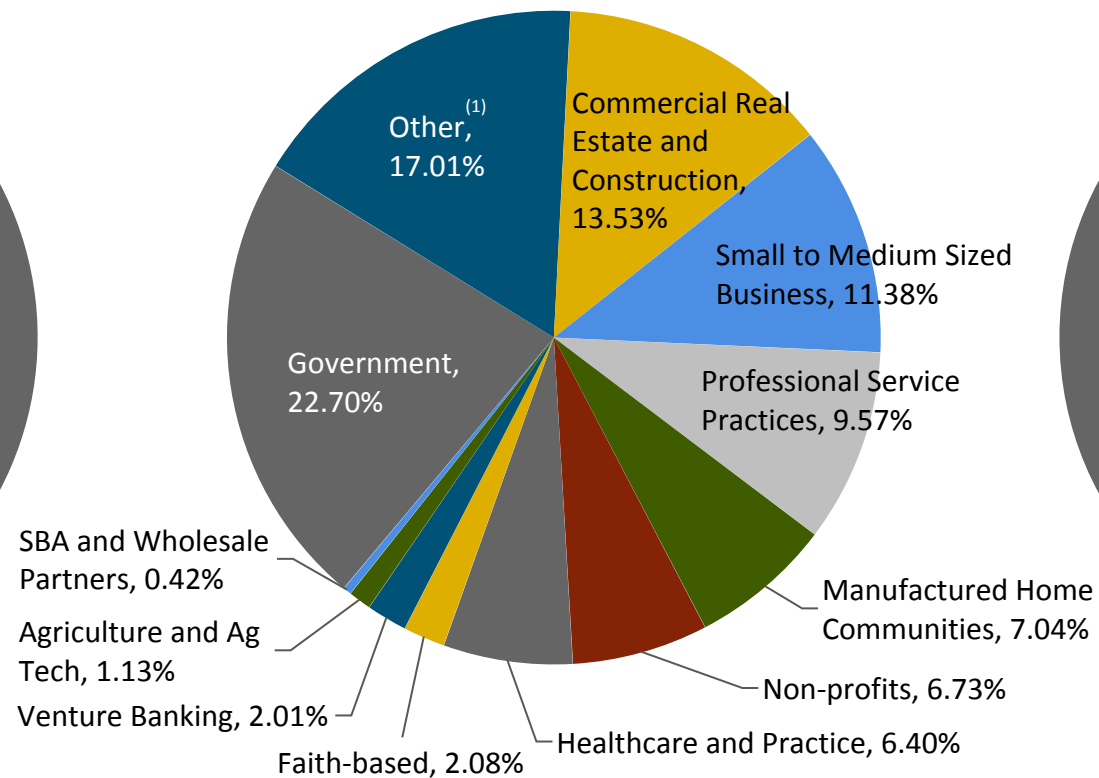
Total Deposits by Relationship Size



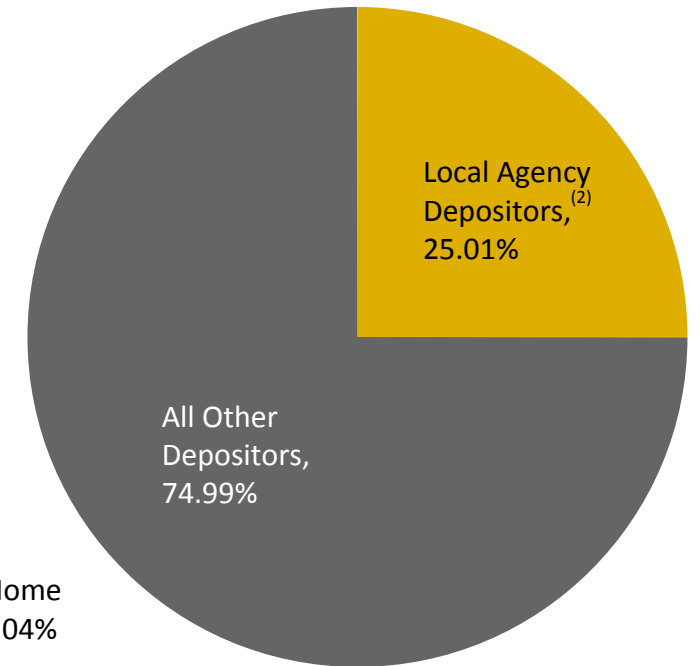
**8.68 Years**

Average Age of Relationships > \$5 million

Total Deposits by Market Vertical



Local Agency Breakout



**\$266,000**

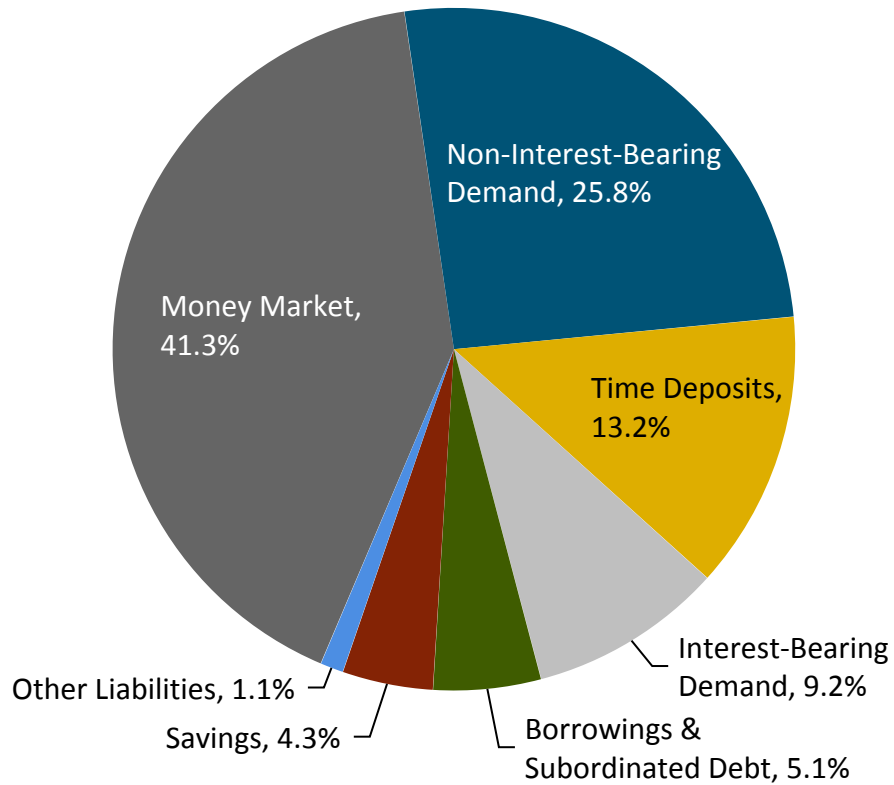
Average Deposit Account Balance

Note: Balances are as of September 30, 2023 and include time and wholesale deposits.

- Types of accounts in "Other" are individuals, trusts, estates, and market verticals that individually make up less than 0.4% of all deposits.
- Local Agency Depositors includes State of California.

# Diversified Funding

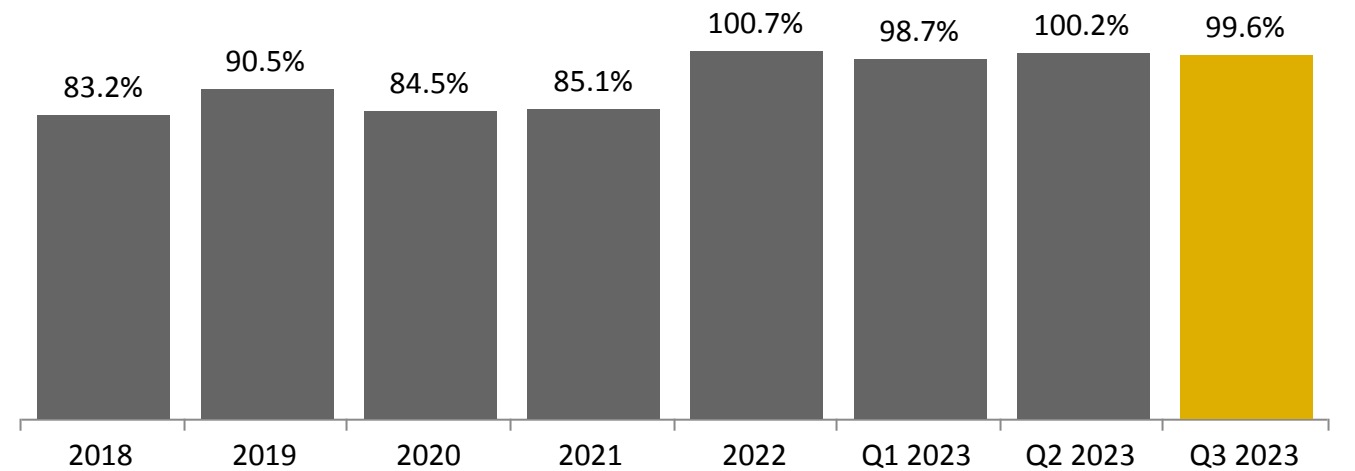
Liability Mix



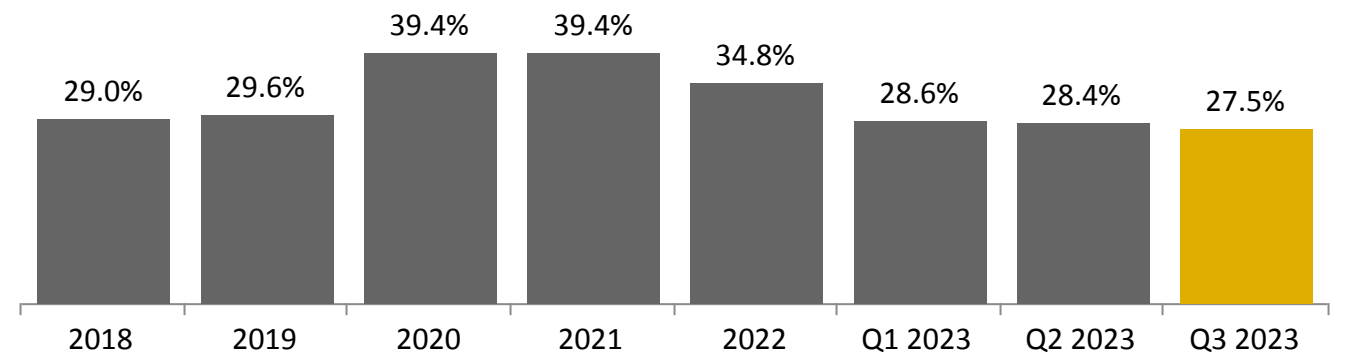
Total Deposits<sup>(1)</sup> = \$3.0 billion

93.8% of Total Liabilities

Loan<sup>(2)</sup> to Deposit Ratio



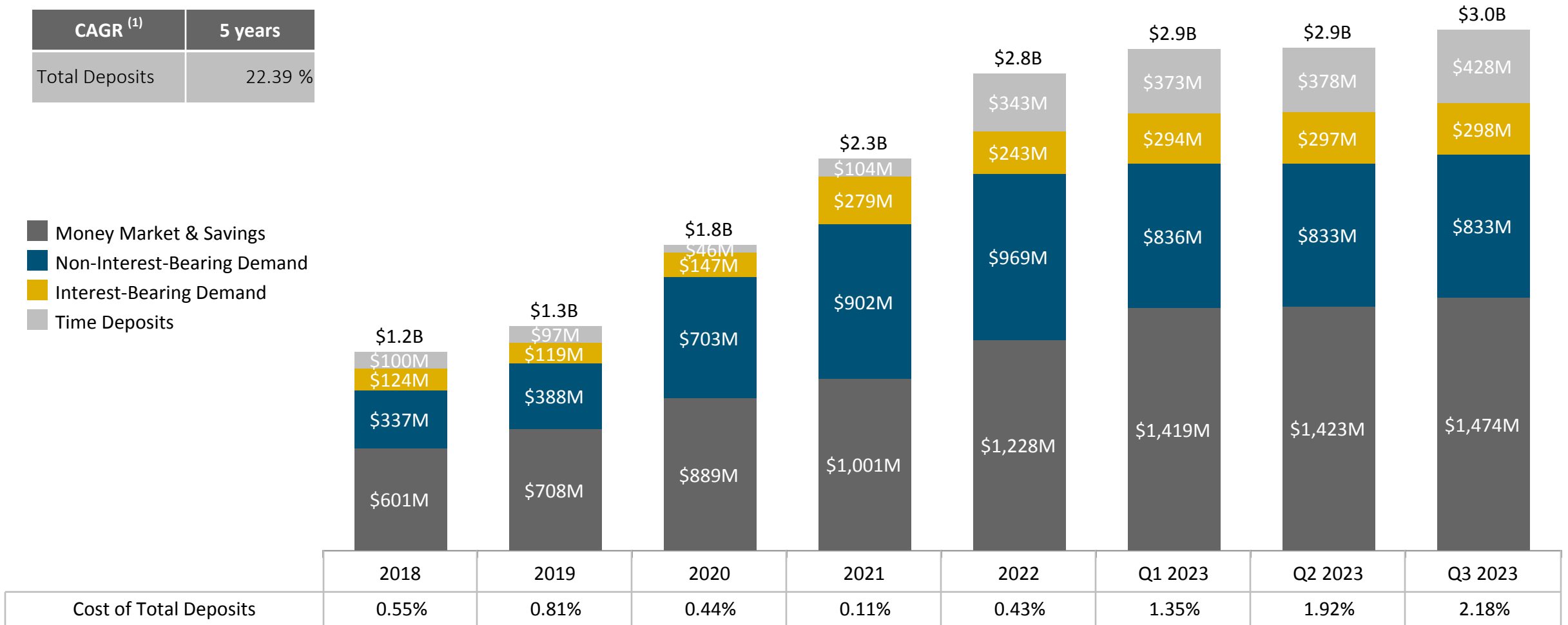
Non-Interest-Bearing Deposits to Total Deposits



# Strong Deposit Growth

CAGR <sup>(1)</sup>	5 years
Total Deposits	22.39 %

- Money Market & Savings
- Non-Interest-Bearing Demand
- Interest-Bearing Demand
- Time Deposits

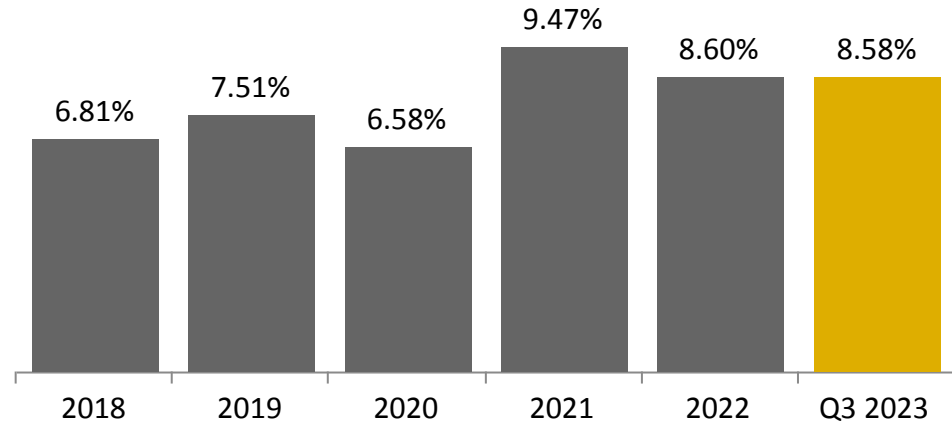


Note: Balances are end of period. Cost of total deposits is based on total average balance of interest-bearing and non-interest-bearing deposits and annualized quarterly deposit interest expense.

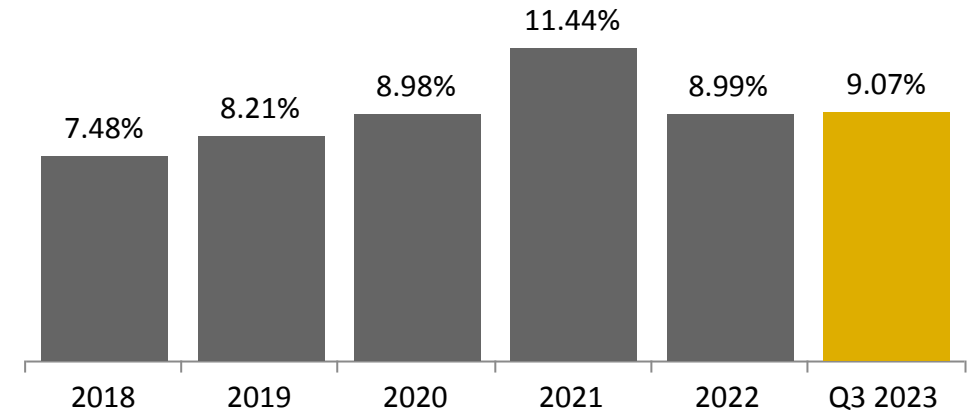
1. CAGR is based upon balances as of September 30, 2023.

# Capital Ratios

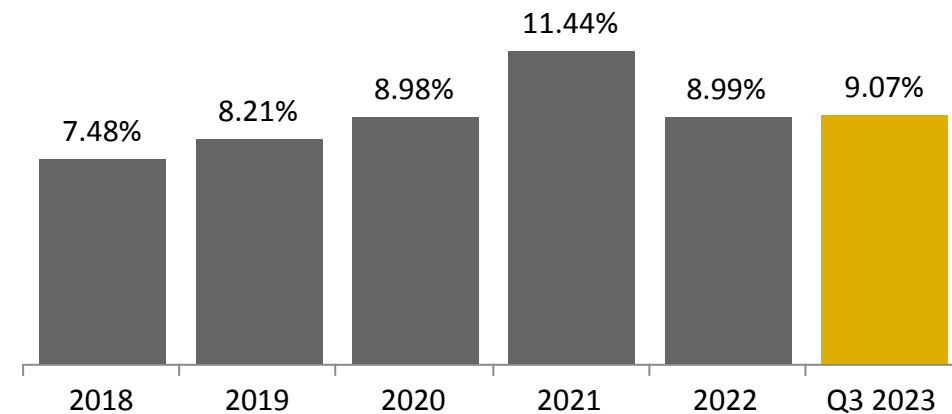
Tier 1 Leverage Ratio



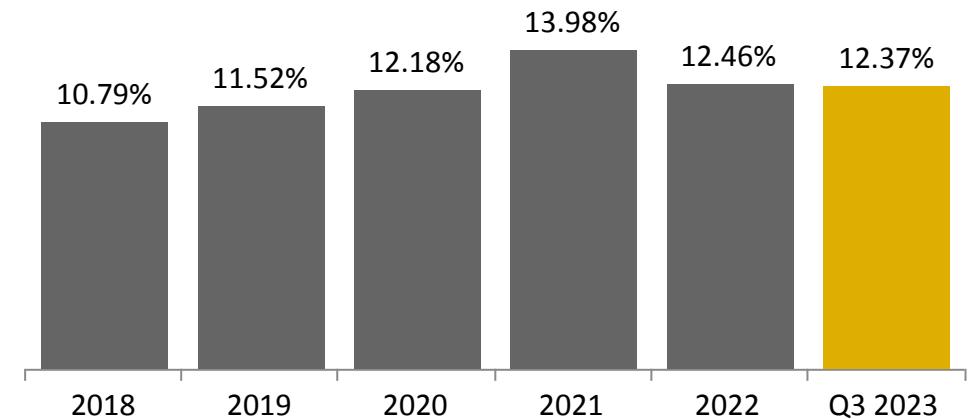
Common Equity Tier 1 to RWA



Tier 1 Capital to RWA

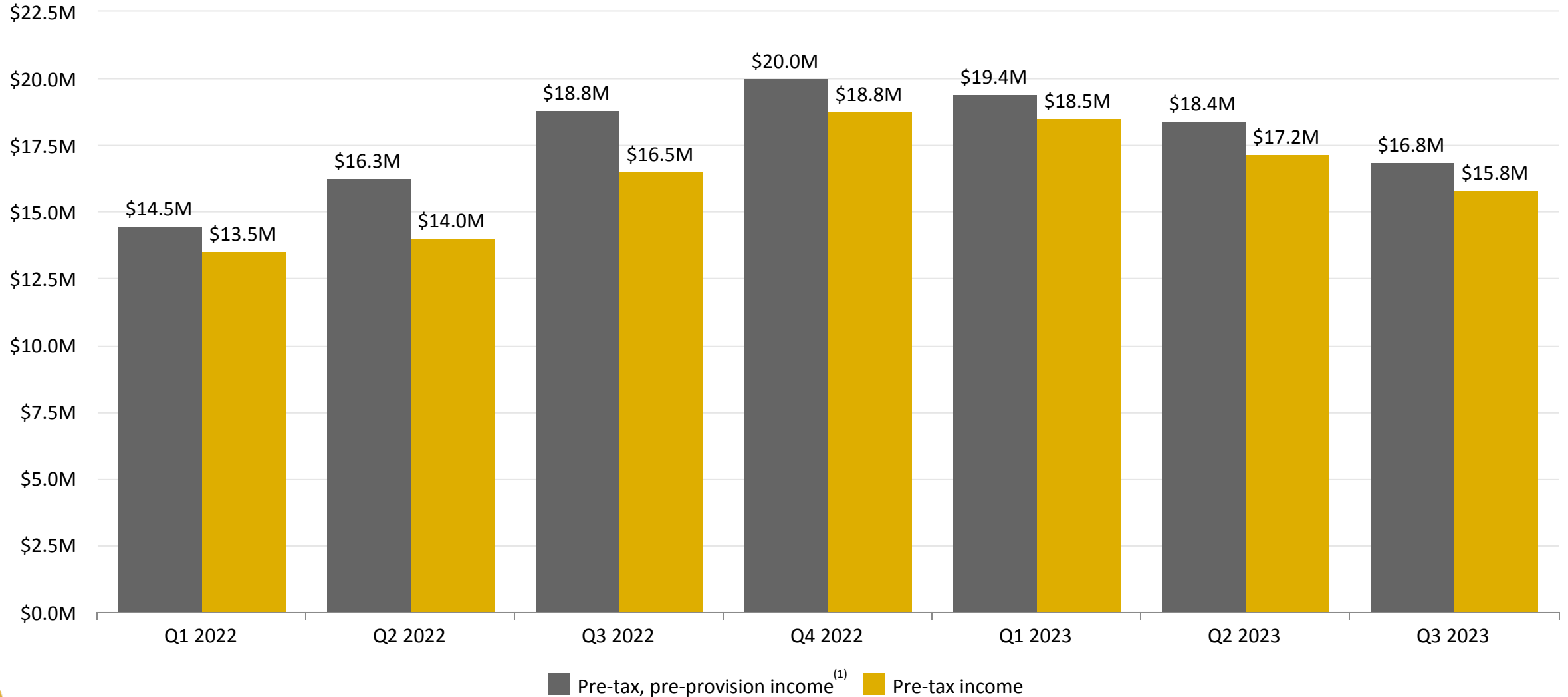


Total Capital to RWA



# Financial Results

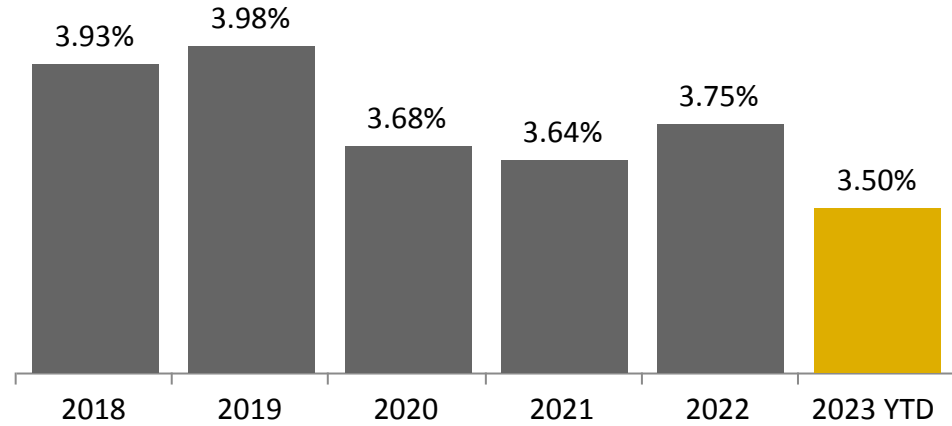
# Earnings Track Record



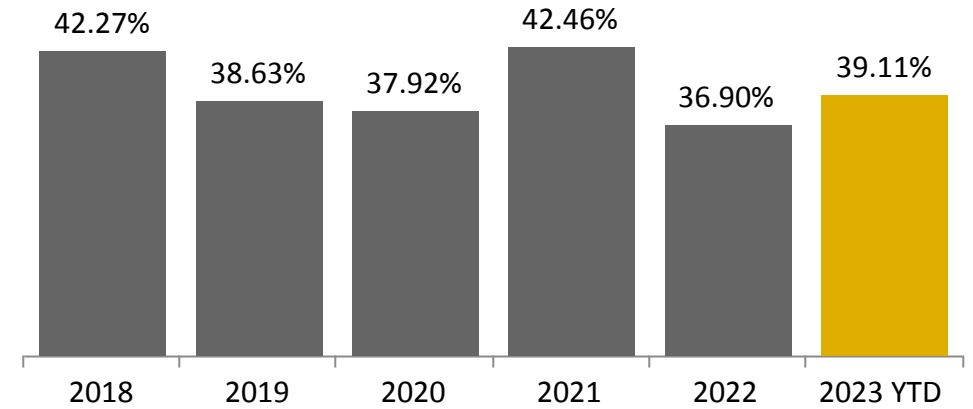
1. A reconciliation of this non-GAAP measure is set forth in the appendix.

# Operating Metrics

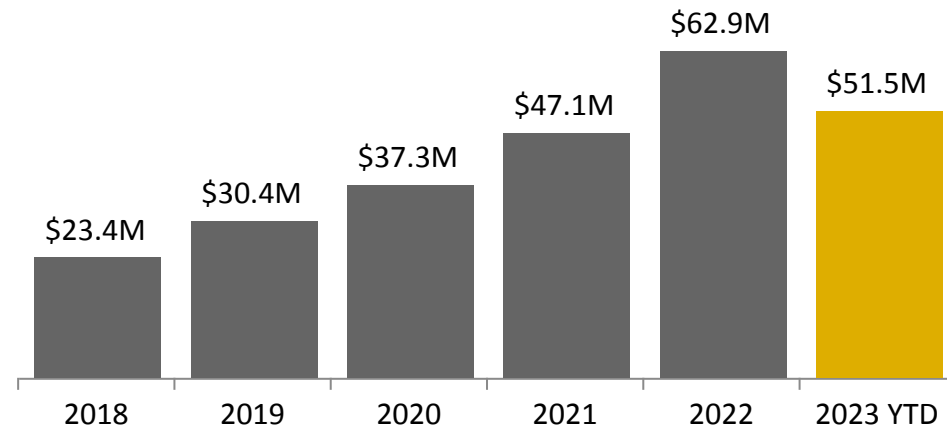
Net Interest Margin



Efficiency Ratio



Total Income Before Taxes



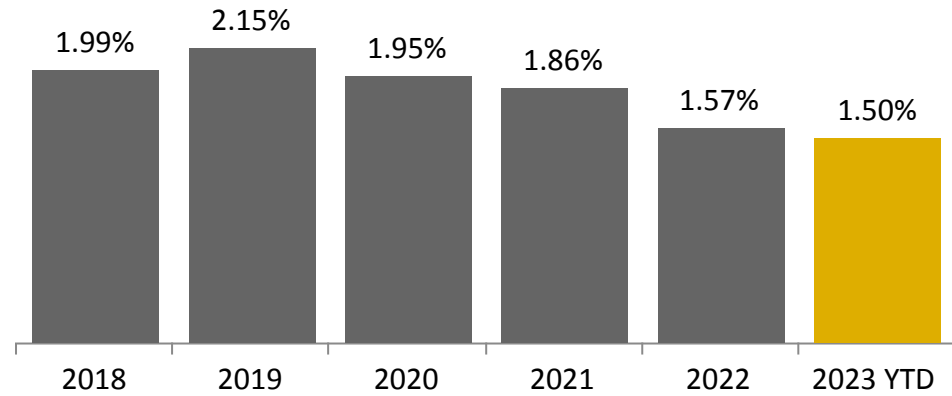


# Non-interest Income and Expense Comparison

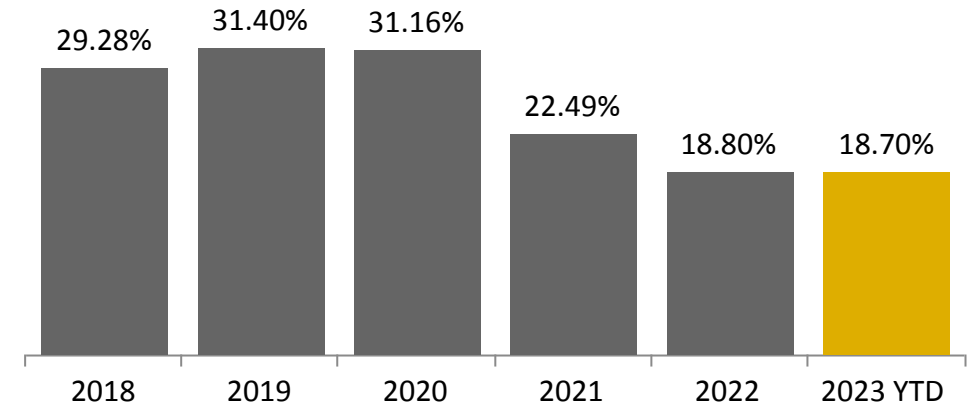
(dollars in thousands)		For the three months ended		
		9/30/2023	6/30/2023	9/30/2022
<b>Non-interest Income</b>	Service charges on deposit accounts	\$ 158	\$ 135	\$ 132
	Gain on sale of loans	396	641	548
	Loan-related fees	355	389	447
	FHLB stock dividends	274	189	152
	Earnings on bank-owned life insurance	127	126	102
	Other income	74	1,340	52
	<b>Total non-interest income</b>	<b>\$ 1,384</b>	<b>\$ 2,820</b>	<b>\$ 1,433</b>
<b>Non-interest Expense</b>	Salaries and employee benefits	\$ 6,876	\$ 6,421	\$ 5,645
	Occupancy and equipment	561	551	515
	Data processing and software	1,020	1,013	797
	Federal Deposit Insurance Corporation insurance	375	410	195
	Professional services	700	586	792
	Advertising and promotional	535	733	512
	Loan-related expenses	345	324	262
	Other operating expenses	1,603	1,941	1,454
	<b>Total non-interest expense</b>	<b>\$ 12,015</b>	<b>\$ 11,979</b>	<b>\$ 10,172</b>

# Shareholder Returns

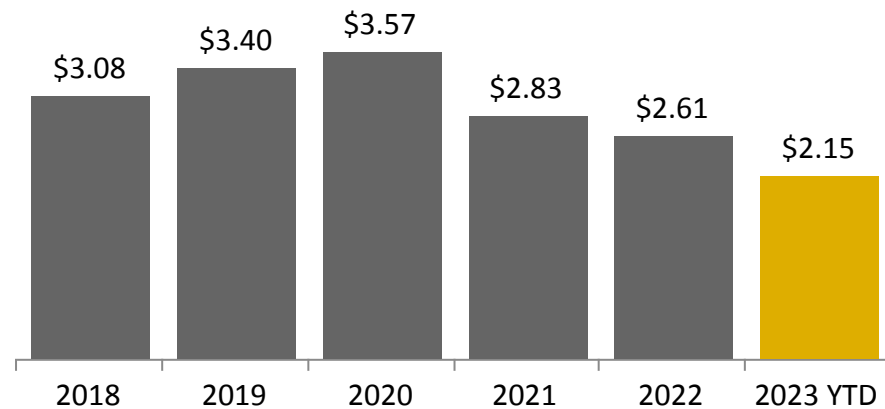
ROAA



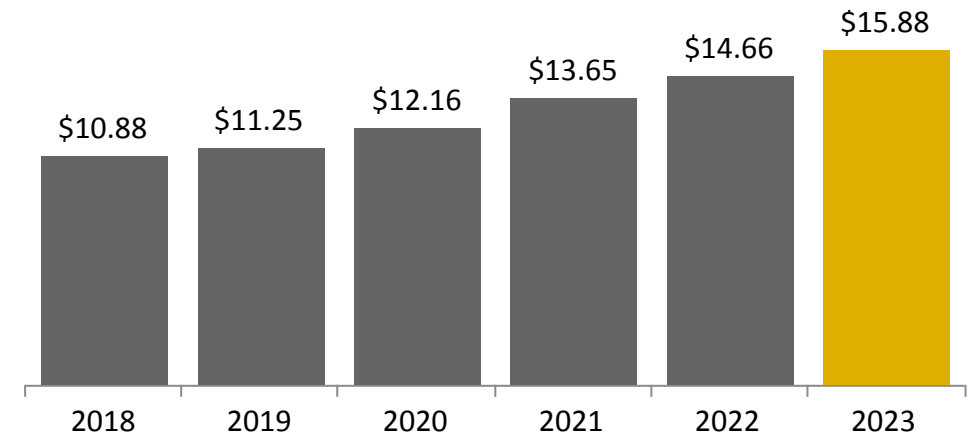
ROAE



EPS (basic and diluted)



Value per Share (book and tangible book<sup>(1)</sup>)





**Five Star Bank proudly supports women in business and those serving our region's most vulnerable. Our customers advocate for communities, drive collaboration, and foster responsive, community-based programs that promote healthy relationships while supporting survivors of sexual assault, domestic violence, and human trafficking. Our clients are change-agents who inspire, motivate, and uplift those who need us most.**

Ashlie Bryant, Co-Founder and CEO, 3Strands Global Foundation  
 Beth Hassett, CEO and Executive Director, WEAVE  
 Staci Anderson, President and CEO, PRO Youth and Families



We strive to become the top business bank in all markets we serve through exceptional service, deep connectivity, and customer empathy. We are dedicated to serving real estate, agricultural, faith-based, and small to medium-sized enterprises. We aim to consistently deliver value that meets or exceeds the expectations of our shareholders, customers, employees, business partners, and community.



**Five Star Bank customer Capital College & Career Academy ("CCCA") provides real-world learning opportunities, ensuring students graduate with the skills and certifications needed to become change-makers in their communities. Together, we can make a difference in the lives of the next generation of leaders in the Sacramento region.**

Anamanu Fotofili, Student, CCCA  
 Kevin Dobson, Founder and Executive Director, CCCA  
 Dylan Newman, Student, CCCA



**Five Star Bank supports our customer, Street Soccer USA ("SSUSA") and their mission to fight poverty and strengthen communities through soccer. SSUSA serves youth and special needs populations including families experiencing homelessness, adults recovering from addiction/substance abuse, and mental health diagnoses. SSUSA is the official partner of the Homeless World Cup and Street Child World Cup. We share their mission to fight poverty and strengthen others as they encourage positive changes in their players' lives.**

Sienna Jackson, Homeless World Cup 2023 Sacramento, California – Team USA  
 Lisa Wrightsman, Managing Director, SSUSA and Homeless World Cup 2010 Rio De Janeiro, Brazil – Team USA  
 Angela Draws, Homeless World Cup 2014 Santiago, Chile – Team USA

# Appendix: Non-GAAP Reconciliation (Unaudited)

The Company uses financial information in its analysis of the Company's performance that is not in conformity with GAAP. The Company believes that these non-GAAP financial measures provide useful information to management and investors that is supplementary to the Company's financial condition, results of operations, and cash flows computed in accordance with GAAP. However, the Company acknowledges that its non-GAAP financial measures have a number of limitations. As such, investors should not view these disclosures as a substitute for results determined in accordance with GAAP. Additionally, these non-GAAP measures are not necessarily comparable to non-GAAP financial measures that other banking companies use. Other banking companies may use names similar to those the Company uses for the non-GAAP financial measures the Company discloses but may calculate them differently. Investors should understand how the Company and other companies each calculate their non-GAAP financial measures when making comparisons.

Average loan yield, excluding PPP loans, is defined as the daily average loan yield, excluding PPP loans, and includes both performing and nonperforming loans. The most directly comparable GAAP financial measure is average loan yield.

Total assets, excluding PPP loans, is defined as total assets less PPP loans. The most directly comparable GAAP financial measure is total assets.

Pre-tax, pre-provision income is defined as net income plus provision for income taxes and provision for credit losses. The most directly comparable GAAP financial measure is pre-tax net income.

Tangible book value per share is defined as total shareholders' equity less goodwill and other intangible assets, divided by the outstanding number of common shares at the end of the period. The most directly comparable GAAP financial measure is book value per share. We had no goodwill or other intangible assets at the end of any period indicated. As a result, tangible book value per share is the same as book value per share at the end of each of the periods indicated.

(dollars in thousands)	For the year ended		For the three months ended						
	12/31/2020	12/31/2021	3/31/2022	6/30/2022	9/30/2022	12/31/2022	3/31/2023	6/30/2023	9/30/2023
<b>Average loan yield, excluding PPP loans</b>									
Interest and fee income on loans	\$ 71,405	\$ 78,894	\$ 22,112	\$ 24,879	\$ 29,886	\$ 34,918	\$ 37,494	\$ 39,929	\$ 41,861
Less: interest and fee income on PPP loans	6,535	7,417	610	25	—	—	—	—	—
Interest and fee income on loans, excluding PPP loans	64,870	71,477	21,502	24,854	29,886	34,918	37,494	39,929	41,861
Annualized interest and fee income on loans, excluding PPP loans (numerator)	64,870	71,477	87,200	99,689	118,569	138,533	152,059	160,155	166,079
Average loans held for investment and sale	1,439,380	1,637,280	1,977,509	2,227,215	2,494,468	2,703,865	2,836,070	2,914,388	2,982,140
Less: average PPP loans	165,414	116,652	8,886	427	—	—	—	—	—
Average loans held for investment and sale, excluding PPP loans (denominator)	1,273,966	1,520,628	1,968,623	2,226,788	2,494,468	2,703,865	2,836,070	2,914,388	2,982,140
<b>Average loan yield, excluding PPP loans</b>	5.09 %	4.70 %	4.43 %	4.48 %	4.75 %	5.12 %	5.36 %	5.50 %	5.57 %

# Appendix: Non-GAAP Reconciliation (Unaudited)

(dollars in millions)				
<b>Total assets, excluding PPP loans</b>	<b>12/31/2020</b>	<b>12/31/2021</b>	<b>12/31/2022</b>	<b>9/30/2023</b>
Total assets	\$ 1,954	\$ 2,557	\$ 3,227	\$ 3,505
Less: PPP loans	148	22	—	—
<b>Total assets, excluding PPP loans</b>	<b>\$ 1,806</b>	<b>\$ 2,535</b>	<b>\$ 3,227</b>	<b>\$ 3,505</b>

(dollars in millions)							
	Three months ended						
<b>Pre-tax, pre-provision income</b>	<b>3/31/2022</b>	<b>6/30/2022</b>	<b>9/30/2022</b>	<b>12/31/2022</b>	<b>3/31/2023</b>	<b>6/30/2023</b>	<b>9/30/2023</b>
Net income	\$ 9,862	\$ 9,953	\$ 11,704	\$ 13,282	\$ 13,161	\$ 12,729	\$ 11,045
Add: provision for income taxes	3,660	4,080	4,830	5,487	5,340	4,440	4,750
Add: provision for credit losses	950	2,250	2,250	1,250	900	1,250	1,050
<b>Pre-tax, pre-provision income</b>	<b>\$ 14,472</b>	<b>\$ 16,283</b>	<b>\$ 18,784</b>	<b>\$ 20,019</b>	<b>\$ 19,401</b>	<b>\$ 18,419</b>	<b>\$ 16,845</b>