

# Five Star Bancorp

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## Third Quarter 2025 Earnings Webcast

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Tuesday, October 28, 2025, 1:00 PM ET

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### **CORPORATE PARTICIPANTS**

**James Beckwith**--*President and Chief Executive Officer*

**Heather Luck**--*Executive Vice President and Chief Financial Officer*

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## PRESENTATION

### Operator

Welcome to the Five Star Bancorp Third Quarter Earnings Webcast. Please note, this is a closed conference call, and you are encouraged to listen via the webcast. [Operator Instructions].

Before we get started, we would like to remind you that today's meeting will include some forward-looking statements within the meaning of applicable securities laws. These forward-looking statements relate to, among other things, current plans, expectations, events and industry trends that may affect the company's future operating results and financial position. Such statements involve risks and uncertainties, and future activities and results may differ materially from these expectations.

For a more complete discussion of the risks and uncertainties that may cause actual results to differ materially from the company's forward-looking statements, please see the company's annual report on Form 10-K for the year ended December 31, 2024, and quarterly reports on Form 10-Q for the three months ended March 31, 2025, and June 30, 2025, and in particular, the information set forth in Item 1A, Risk Factors in those reports.

Please refer to Slide 2 of the presentation, which includes disclaimers regarding forward-looking statements, industry data, unaudited financial data and non-GAAP financial information included in this presentation. Reconciliations of non-GAAP financial measures to their most directly comparable GAAP figures are included in the appendix to the presentation. The presentation will be referenced during this call, but not followed exactly and is available for close reviewing on the company's website under the Investor Relations tab. Please note, this event is being recorded.

I would now like to turn the presentation over to James Beckwith, Five Star Bancorp President and CEO. Please go ahead.

### James Beckwith

Thank you for joining us to review Five Star Bancorp's financial results for the third quarter of 2025, which were released yesterday. The release is available on our website at [fivestarbancorp.com](http://fivestarbancorp.com), under the Investor Relations tab. Joining me today is Heather Luck, Executive Vice President and Chief Financial Officer.

Our third quarter results include outstanding growth in loans and core deposits attributable to our differentiated client experience and organic growth strategy. We maintain our unwavering commitment to clients and community partners throughout Northern California.

Financial highlights during the third quarter include 16.3 million of net income, earnings per share of \$0.77, return on average assets of 1.44% and return on average equity of 15.35%. Our net interest margin expanded 3 basis points to 3.56% and our cost of total deposits declined by 2 basis points to 2.44%. Our efficiency ratio was 40.13% for the third quarter.

During the third quarter, we saw continued balance sheet growth as loans held for investment grew by 129.2 million or 14% on an annualized basis. Total deposits increased by approximately 208.8 million or 21% on an annualized basis. During the quarter, non-wholesale deposits increased by 359 million or 11%, while wholesale deposits decreased by 150.2 million or 23%.

Our asset quality remains strong with non-performing loans representing only 5 basis points of total loans held for investment. We continue to be well capitalized, with all capital ratios well above regulatory thresholds for the quarter. On October 16, our Board declared a cash dividend of \$0.20 per share on the company's common stock, expected to be paid in November. We continue to deliver value to our shareholders.

Our total assets increased during the third quarter by 228.3 million, largely driven by loan growth within the commercial real estate portfolio, which grew by 77.7 million. Our loan pipeline remains strong. The credit quality of loans remained strong due to our conservative underwriting practices, robust monitoring throughout the life of a loan and our relationship-based approach to lending. As a result, we have a very low volume of non-performing loans, which declined by 149,000 during the third quarter. We recorded a 2.5 million provision for credit losses during the quarter, primarily due to loan growth.

The increase of our total liabilities during the third quarter was a result of growth in interest-bearing and non-interest-bearing deposits related to new accounts. The new interest-bearing deposit accounts contributed to 171.6 million of overall growth. New non-interest-bearing deposits contributed to 28.8 million of overall growth.

Non-interest-bearing deposits remained consistent at 26% of total deposits as of September 30, 2025. Approximately 60% of our deposit relationships totaled more than \$5 million. These deposits have a long tenure with the bank with an average age of eight years. We believe our deposit portfolio to be stable funding base for our future growth.

And now I will hand it over to Heather to present the results of operations. Heather?

#### **Heather Luck**

Thank you, James, and hello, everyone. Net interest income increased \$2.8 million from the previous quarter, primarily due to a \$4.3 million increase in interest income, driven by new loan production at higher rates, contributing to overall improvement in the average yield on loans. This was partially offset by a \$1.4 million increase in interest expense related to core deposit growth during the quarter of 359 million, which exceeded the 150.2 million of higher-cost wholesale deposits maturing during the quarter.

Non-interest income increased to 2 million in the third quarter from 1.8 million in the previous quarter primarily due to an increase in swap referral fees recognized during the three months ended September 30, 2025, partially offset by no gain on sale of loans recognized during the quarter in connection with our strategic shift to reduce wholesale SBA loan production and sales.

Non-interest expense grew by 900,000 in the three months ended September 30, 2025. This is primarily due to an increase in salaries and employee benefits related to increased headcount to support customer-facing and back-office operations. We continue to invest in our Bay Area expansion, evidenced by the opening of our newest full-service office in Walnut Creek, contributing to a slight increase in occupancy and equipment.

And now I'll hand it back to James for closing remarks. James?

#### **James Beckwith**

Thank you, Heather. During the quarter, we opened our ninth full-service office in Walnut Creek in response to the demand for our services in the San Francisco Bay Area. Our presence in the San Francisco Bay Area continues to grow with 36 employees and 548.9 million in deposits as of September 30, 2025.

In addition to the new Walnut Creek office, we are pleased with the growth of our previously announced Food, Agribusiness, and Diversified Industries business, where clients benefit from our global trade services and exceptional treasury management tools.

Five Star Bank's success serves as a strong testimony to clients who value our team of committed professionals who provide authentic relationship-based service. We continue to ensure our technology stack, operating efficiencies, conservative underwriting practices, exceptional credit quality and a prudent approach to portfolio management will benefit our customers, employees, community and shareholders.

As we look to the fourth quarter of 2025, we thank our employees for their outstanding commitment to ensuring Five Star Bank remains a safe, trusted and steadfast banking partner. We are confident in the company's resilience and demonstrated ability to adapt to changing economic conditions while remaining focused on the future and execution of our long-term strategy. The beneficiaries of our focused business approach are our clients, employees and community. We believe that if we support these constituents well, our shareholders will realize the benefits.

We appreciate your time today. This concludes today's presentation. Now we will be happy to take questions you might have.

## **QUESTION AND ANSWER**

### **Operator**

[Operator Instructions]. Our first question today is from David Feaster with Raymond James. Please go ahead.

### **David Feaster**

Hi. Good morning, everybody.

### **James Beckwith**

Hey, David. How are you doing?

### **David Feaster**

I am great. I wanted to start on the deposit front. I mean, perhaps in my mind, perhaps the core deposit growth that you saw was one of the most impressive parts about the quarter. You decreased wholesale funding. Just kind of curious where you're having the most success driving core deposit growth and how you think about that opportunity to continue to optimize the funding base a bit as you do that?

### **James Beckwith**

Well, certainly, third quarter, David, was exceptional. And it was, a lot of things went our way in terms of new clients which we're very excited about. And we saw growth across our platforms in all of our geographies. So that was very exciting. I think that to replicate that type of quarter, again, David, it's going to be pretty difficult when we say that. But we were pretty happy about where we ended up.

Now our deposit pipeline, just like our loan pipeline, remains strong across all of our platforms and geographies. And so we don't anticipate that type of growth on a go-forward basis. We're looking for deposit growth on an absolute basis, not annualized between, probably anywhere between 1% to 2% in the fourth quarter. So I think the third quarter was very strong. And I say that because we're still trying to deal with our broker deposits that we have.

We have a long-term desire to eliminate those, and we're making progress. We made very substantial progress in the third quarter, and we'll just have to see how the fourth quarter goes. So that probably will have an impact in terms of limiting overall deposit growth to the extent that we pay any of those off and don't renew. But we are anticipating some growth but not to the same extent that we saw in the third quarter on the deposit side.

**David Feaster**

Okay. But, and the reason for that is just the continued optimisation of the deposit base. Because you're still going to be driving core deposits. I just want to make sure that I'm understanding that right, still driving core deposit growth, but using that to pay down brokers?

**James Beckwith**

Yes.

**David Feaster**

Okay. And then...

**James Beckwith**

Go ahead.

**David Feaster**

Yes. Perfect. And then maybe switching gears to the loan side. I mean originations were strong, the pipeline is still robust. But payoffs and paydowns are still a pretty material headwind. I think it's the second highest level that, as far as I can see back over the past several years. I guess I wanted to first get a sense of what's driving these payoffs and paydowns?

How much is it losing deals to competitors through refis or whatever asset sales or just deleveraging? And then how do you think about payoff and paydown activity going forward as rates continue to decline? Is that going to remain a pretty material headwind?

**James Beckwith**

Well, in part, it's our business model with respect to our MHC and RV business, David. We anticipated being in these deals three to four years before our clients will either sell the properties or take their long-term financing to agency. And we saw a lot of that in the third quarter, and we expect that will continue to happen. Having said that, we also retained a lot of these notes that were maturing, not necessarily maturing, but having their rates reset because we're typically, we lend on a five year fixed rate basis, and it will adjust after this, the rate, the yield will adjust after the 60th month.

And so a lot of that is starting to come through on those originations were done particularly in '20, and we'll see some more of that in '21, '26 and '27 for originations in '21 and '22. So it's just really the nature of our business. There's nothing that we think is unusual about it. We recognize that we have to stay ahead of it. We've got the horses to do that. So that's why those, we will continue to build our balances. So we're not necessarily losing deals to anybody.

We like to think that we're the quickest know in town. If somebody else wants to do a deal, that's fine. But we're, we like the model. The model is working exactly as like, as we thought it was going to work. It's just David, fundamentally, the nature of our business and the types of credits that we make.

**David Feaster**

And that makes sense. And so with that, I mean, you talked about having the team and the horsepower to continue to outpace payoffs and paydowns. You've been really active hiring. You recently hired the ag team. I guess, first, I wanted to just get an update on, as you think about growth, where are you seeing the growth opportunities today? Kind of an update on the ag team, what they're seeing? And are there any other segments like that, that you might be interested in expanding into organically and hire or lift out a team? Just kind of curious what you're seeing on that front?

**James Beckwith**

Yes. Let's just talk about the ag team. We booked some good credits. We're anticipating booking some very large credits in the fourth quarter, very active in the market. We're excited where that business is going. The credits and the relationships are quite substantial. To call them granular would be a complete misnomer. And when we, when we board them, they do move the needle because they're larger deals, both on the deposit side and on the loan side. But we like where we're doing that.

We're making some penetration in markets. People know, are beginning to know that we're serious and we're excited about where we stand in that. And the sales cycle in that business is, it can be long sometimes, over two years, two or three seasons. So we're very committed to it, number one.

We continue to see growth in our MHC and RV business. And where we continue to add core clients in the space. And our clients are still, our existing clients are still buying parks and so we're excited about where that business is going. And our storage business seems to be very strong also. RV, MHC storage is really a national platform and we're doing business across the United States. In fact, Heather, we filed what tax returns in 27 different states?

**Heather Luck**

We do. That's correct.

**James Beckwith**

So we have nexus in all these states. So it's truly geographically diversified. So David, we expect to see continued growth in that particular segment. From a geographic perspective, our Bay Area loan pipeline remains very strong, and that's made up of C&I and also CRE lending. We've done a lot of student housing deals in the Berkeley area, and we will continue to look for opportunities there. So that's strong.

Our Construction Industries group continues to perform well and that's primarily a deposit play. So we're excited where that business is going. Our faith-based business is having a good year, a very good year. We expect that to continue to grow. Our non-profit business is very robust, particularly in the Bay Area. So we like where that's going.

And then, of course, our government book and which, David, we focus on small districts, small special districts, if you will. And we've seen a lot of success in that space. And again, that's

primarily deposit driven. So across the platform, we seem to be, and geographies, our verticals and our geographies seem to be performing very well, and their prospects are strong.

**David Feaster**

That's very helpful. Thank you.

**Operator**

The next question is from Woody Lay with KBW. Please go ahead.

**Woody Lay**

Hey, thanks for taking my question. Wanted to start, I wanted to start on the net interest margin outlook. If I just look at your balance sheet, it would seem that you are set up pretty well for a down rate environment. So how should we think, you know based on the most recent cut and the expectation for additional cuts from here, how should we think about the earnings power there?

**James Beckwith**

Well, we think it's pretty good. We recognize we have a near-term liability sensitive, and that could, 125 basis point cut, Heather, over a quarter would mean what?

**Heather Luck**

About 850,000 of improvement.

**James Beckwith**

So we see some expansion in our margin that's potential in the fourth quarter, one to three basis points, pretty consistent with what we've seen in the second or the third quarter. Maybe we can do a little bit better than that, but that's kind of what our sense of it is right now. We continue to see loan repricing in our loan portfolio. Sooner or later, we're going to run out of that as those -- all those loans reset. But near term, it looks pretty decent for us. So we see continued margin expansion with these rate cuts.

You could tell, Woody, that our cost of funds is noticeably higher than our peers, and that's because we do pay up for deposits. In a downgrade environment, that's going to be our benefit - - to our benefit, not only in our money market book, but also in our government book and some extent in our wholesale CD book. So we like the way that our balance sheet is constructed in a slight down rate environment.

**Woody Lay**

Yes, it definitely seems like a benefit. To the extent we get these additional rate cuts, get the NIM benefit, do you think it drives positive operating leverage, or does it give an opportunity to keep reinvesting in some of the -- in the Bay Area expansion market in some of these new business lines? How do you think about the toggle there?

**James Beckwith**

Well, we've been pretty active in terms of bringing on very talented yet high-priced bankers. And we -- our plans on a go-forward basis -- right now, we're -- Heather, we've got 41 biz dev people right now?

**Heather Luck**

Yes.

**James Beckwith**

We're going to have a new one join us next week. So we're going to continue to look for opportunities to get talent. Because it's out there, it's still out there, maybe not out there to the same extent as it was two years or even a year ago. But we like to think we've got this balance between earnings growth and reinvesting back into our business. It's -- the toggle is not one way or the other. We like to think we can do both.

We recognize that if we didn't continue to invest, our earnings would probably be bigger, larger, but we're playing the long game here in terms of growing the franchise and taking advantage of opportunities as we see them when they come up. We've always been opportunistic, and I don't see us changing that way of doing business.

**Woody Lay**

No, that's really helpful. And then just last for me. Can you just remind me longer term how you think about the loan-to-deposit ratio? I mean, it's down from 104% last year. There's some broker deposit remix opportunities. So could you just remind us sort of where you aim to target that longer term?

**James Beckwith**

Well, I think that we're comfortable at 95%. That's kind of a line that we all look at every month with our Board. And that's a good target for us. Sometimes it might be higher, sometimes might be less. I don't know how far less. But if there is a bias, it'd probably be higher. But we do target 95%, is something where we're comfortable at. Running -- you can run hot at 100 -- north of 100. But that's nothing that we think that we'd want to do year in and year out.

**Woody Lay**

Got it. All right, well, thanks for taking my questions. Congrats on the good quarter.

**James Beckwith**

Thanks so much.

**Operator**

The next question is from Andrew Terrell with Stephens. Please go ahead.

**Andrew Terrell**

Hi, good morning.

**James Beckwith**

Hi, Andrew.

**Andrew Terrell**

Maybe, Heather, I wanted to go back to some of the margin really quick. I think -- did you say \$850,000 positive pickup for each 25 basis point cut, was that right?

**Heather Luck**

Yes. For the full quarter, though, because it will take some time for our wholesale book to reprice. So it will take a full quarter to see full effect, yes.

**Andrew Terrell**

It's more like...

**Heather Luck**

200 for immediate repricing net.

**Andrew Terrell**

Yes. I guess I'm just trying to think through the -- you mentioned margin of 1 to 3 in the fourth quarter, 850,000 is 7, 8 basis points of margin. We'll get the full quarter of the September cut in the fourth quarter and then it looks like in October and maybe a December cut as well that -- I feel like the margin should be up more than 1 to 3 basis points. So I guess I'm trying to ask what are maybe some of the puts and takes to the margin in the fourth quarter that could limit what it feels like it should be a decent bias higher?

**James Beckwith**

So I'm going to weigh in on that, so you don't mind, Heather. So Andrew, in our government deposit book, it's driven by LAIF, local area investment fund rates, and those change every month. So you really don't see an impact of a Fed move until 90 days. You probably get the whole impact at the end of the -- that quarter or those 90 days. On our -- so that's a lagging index, okay? This is why we came up with what our sense of the margin improvement might be.

Then on our wholesale CD book, which is around \$0.5 billion, those usually are 90-day resets. So you're not going to see the impact of that -- until the full impact, but quarterly impact, if you will, for 90 days. But they're all kind of -- they're not all maturing at the same time. So that impact kind of rolls in during the quarter. So the number -- or the guidance that we gave you -- that Heather gave you is really like a clean, okay, what happens at this cut, maybe a quarter down the road, what's the impact going to be. Does that make sense?

**Andrew Terrell**

Yes, I understand. So just -- it's based on the maturity of the deposits and once you kind of fully get those through, that would get to the 850,000?

**James Beckwith**

Correct. Yes, sir.

**Andrew Terrell**

Got it. Do you have handy just the spot interest-bearing deposit costs at 930?

**Heather Luck**

Yes. That was at 240.

**Andrew Terrell**

Okay, 240 total. Got you. And then -- on the Page 22 disclosure around the adjustable rate repricing, I appreciate you guys adding that in there. Just the 363 million of adjustables that come up in 2026, they're at a 4.35 rate today. If those were to reprice in today's rate environment, where would the new yields be at? I'm just trying to gauge that repricing benefit to the margin, James, that we've talked about? It seems like it'd be a pretty decent tailwind?

**James Beckwith**

Yes. It's probably around 180 to 200 over that. So it's really -- our spreads are usually 2.75 to 3.25. So you look at the five-year today, it's 3 and -- what was it, 3.50?

**Andrew Terrell**

3.61.

**James Beckwith**

3.61 and add that on top of it. That's kind of where I think it would end up. There's a pretty decent pickup -- pretty decent pickup.

**Andrew Terrell**

Okay. And then last one for me. James, we're seeing quite an acceleration in M&A, maybe not as much in California as in other geographies. But you've got -- it's a pretty strong currency now with the stock prices trading. Just talk about your views on M&A. And I know you've obviously got a very healthy organic growth engine, probably not press for M&A, but just talk about your views on the landscape right now?

**James Beckwith**

Well, it was a pretty active Monday, I'll say that much, with first foundation trading. They have some operations up and around us. And then the big deal when Cadence sold out. So those are -- I go to these conferences, Andrew and I know these CEOs, and so they're -- they made a decision to sell. So from an M&A perspective, where we sit, we've grown, I don't know, 600 million so far this year, Andrew. That used to be a size of a bank in California. And I think the average size in California is probably 1 billion now.

But so we've been pretty -- we don't need to buy anybody per se. And there are -- there could be opportunities that are out there and we always want to be able to take advantage of something that comes up. And is it -- we lean organic, most definitely. We lean organic. And as we continue to grow and develop, we become especially where our valuation is right now, the more fit, more able acquirer.

So there's nothing on the horizon for us right now. We're going into our planning session here in November. And certainly, this is always a topic of conversation. So where we sit on it is that we could be -- we could do something, but it have to be just a great deal for us and very opportunistic and deal with something that we feel like we need maybe to a little help on. And if we need a little help with anything, it's probably on our -- the granularity on our deposit side.

But -- and then a lower cost of funds, if you will, somebody who's got a lot of noninterest-bearing deposits. But we're doing fine there. We're seeing very solid growth in that particular line item in our liabilities. So I'm all over the map on this response, but we're really driving what we're doing right now organically. But like you never -- and none of our Board wants to roll out an M&A deal. But that's kind of where we -- that's where we sit.

**Andrew Terrell**

Yes. Great. I appreciate the color. And high bar, growing 600 million this year. Great work and thanks for taking the questions.

**James Beckwith**

Thank you.

**Operator**

[Operator Instructions] The next question is from Gary Tenner from D.A. Davidson. Please go ahead.

**Gary Tenner**

Thanks. Good morning. I had another question just on the -- as you were going through some of the deposit buckets and so forth. Just on the money market book, what type of beta were you able to push through when we had the September cut and what are your expectations, I guess, for cut this week?

**Heather Luck**

Yes. When we did that, we were about 30% beta.

**James Beckwith**

Overall.

**Heather Luck**

Yes, overall. And then 25% yes.

**James Beckwith**

So we'll tell you, Gary, so we're going to take any deposit relationship that's -- that is outside of our CD book that's priced 225 basis points and higher, we're going to take -- on that day, we're going to take 100% cut on those deposits. And that equates to around.

**Heather Luck**

1.4 billion.

**James Beckwith**

1.4 billion. So, you know, certain type of accounts like high-yield money market accounts are going to have 100% beta. But overall, it's...

**Heather Luck**

About 30.

**James Beckwith**

About 30?

**Heather Luck**

Yes.

**Gary Tenner**

Okay. But like, for instance, in that money market book then, about 75% beta, I guess, effectively. Because most of that 1.4 billion of higher yielding non-CDs would be in that book, right?

**James Beckwith**

Yes, sir.

**Gary Tenner**

Okay. Okay. Great. And then just on the topic of expansion and hiring, are you seeing it becoming more competitive and more challenging to recruit? Are there more banks in your footprint following that playbook now? I mean we're seeing it in other regions of the country where like every bank in the Southeast is on these massive recruiting strategies. Are you seeing that pick up and become more competitive value?

**James Beckwith**

Yes, we are. And so, you know, it all depends on what -- whose platform is out there recruiting. A lot of the folks that we compete against don't have our performance, don't have our reputation in the marketplace. So we think we've got a competitive edge there when we do go up against people and folks and for bringing on experienced bankers.

So, we think if we really want somebody, we'll be able to get them, but it is more competitive, most certainly. There are options. And if people are looking to grow, and if they can pick up a team, it seems like more folks are doing it.

Now having said that, these bankers, and this is a phenomenon that is not unique to California, are very expensive. And especially with folks that have been through a process for the last 2, 3 years that have banks that either have been taken over -- excuse me, failed or taken over or just flat struggling in terms of trying to rationalize the investments they're making in these folks here in California.

And so, we see some opportunity coming out of that space. But what's happened is that these bankers have been bid up. So you have to be very careful of how much you want to pay, and you have to rationalize what are they going to be able to do for you? And so those are the equations or the economics that we go through when we're thinking about picking up a team. But to answer your basic question, the answer is yes. It is more competitive.

**Gary Tenner**

All right. Well, I appreciate the extended thoughts on that. Thank you.

**Conclusion****Operator**

This concludes our question-and-answer session. I would like to turn the conference back over to management for any closing remarks.

**James Beckwith**

Thank you. It is with deep appreciation and gratitude that we have advocated for our clients and champion the communities we serve. We always will. As our expansion in the San Francisco Bay Area continues and as we build upon a legacy of superior community banking in the capital region and North State, we answer the call of businesses and organizations who desire a time-honored banking partner.

Five Star Bancorp is here to stay. We are proud to have experienced another quarter of significant organic growth built upon a sturdy foundation of client service, expanded relationships and products and the loyalty of our exceptional clients. We will always remember that we exist because our clients trust us and we believe in them.

It is our privilege to continue as a driving force of economic development, a trusted resource for our clients and a committed advocate for our communities. We look forward to speaking with you again in January to discuss earnings for the fourth quarter of 2025. Have a great day, and thank you for listening.

**Operator**

The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.