



FIVE STAR BANCORP

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2025

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-40379

FIVE STAR BANCORP

(Exact name of Registrant as specified in its charter)

California

(State or other jurisdiction of incorporation or organization)

75-3100966

(IRS Employer Identification No.)

3100 Zinfandel Drive, Suite 100 Rancho Cordova, CA 95670

(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code: **(916) 626-5000**

Securities registered pursuant to 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common stock, no par value per share	FSBC	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of May 2, 2025, there were 21,360,991 shares of the registrant's common stock, no par value, outstanding.

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Quarterly Report on Form 10-Q
March 31, 2025

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PART I FINANCIAL INFORMATION
ITEM 1. Financial Statements

**FIVE STAR BANCORP AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS**
(Unaudited)

(in thousands, except share amounts)

	March 31, 2025	December 31, 2024
ASSETS		
Cash and due from financial institutions	\$ 42,473	\$ 33,882
Interest-bearing deposits in banks	410,098	318,461
Cash and cash equivalents	452,571	352,343
Time deposits in banks	4,024	4,121
Securities available-for-sale, at fair value, net of allowance for credit losses of \$0 at March 31, 2025 and December 31, 2024 (amortized cost of \$113,642 and \$115,757 at March 31, 2025 and December 31, 2024, respectively)	97,111	98,194
Securities held-to-maturity, at amortized cost, net of allowance for credit losses of \$20 at March 31, 2025 and December 31, 2024 (fair value of \$2,275 and \$2,353 at March 31, 2025 and December 31, 2024, respectively)	2,585	2,720
Loans held for sale	2,669	3,247
Loans held for investment	3,621,819	3,532,686
Allowance for credit losses	(39,224)	(37,791)
Loans held for investment, net of allowance for credit losses	3,582,595	3,494,895
FHLB stock	15,000	15,000
Operating leases, right-of-use asset, net	5,944	6,245
Premises and equipment, net	1,524	1,584
Bank-owned life insurance	23,246	19,375
Interest receivable and other assets	57,788	55,554
Total assets	\$ 4,245,057	\$ 4,053,278
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest-bearing	\$ 933,652	\$ 922,629
Interest-bearing	2,802,702	2,635,365
Total deposits	3,736,354	3,557,994
Borrowings:		
Subordinated notes, net	73,932	73,895
Other borrowings	—	—
Operating lease liability	6,591	6,857
Interest payable and other liabilities	21,729	17,908
Total liabilities	3,838,606	3,656,654
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Preferred stock, no par value; 10,000,000 shares authorized; zero issued and outstanding at March 31, 2025 and December 31, 2024	—	—
Common stock, no par value; 100,000,000 shares authorized; 21,329,235 shares issued and outstanding at March 31, 2025; 21,319,083 shares issued and outstanding at December 31, 2024	302,788	302,531
Retained earnings	115,309	106,464
Accumulated other comprehensive loss, net of taxes	(11,646)	(12,371)
Total shareholders' equity	406,451	396,624
Total liabilities and shareholders' equity	\$ 4,245,057	\$ 4,053,278

See accompanying notes to the unaudited consolidated financial statements.

FIVE STAR BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

<i>(in thousands, except per share amounts)</i>	Three Months Ended March 31,	
	2025	2024
Interest and fee income:		
Loans, including fees	\$ 52,931	\$ 43,786
Taxable securities	407	477
Nontaxable securities	174	176
Interest-bearing deposits in banks	3,575	3,102
Total interest and fee income	<u>57,087</u>	<u>47,541</u>
Interest expense:		
Deposits	21,948	19,511
Subordinated notes	1,162	1,161
Other borrowings	—	125
Total interest expense	<u>23,110</u>	<u>20,797</u>
Net interest income	33,977	26,744
Provision for credit losses	1,900	900
Net interest income after provision for credit losses	<u>32,077</u>	<u>25,844</u>
Non-interest income:		
Service charges on deposit accounts	215	188
Gain on sale of loans	125	369
Loan-related fees	448	429
FHLB stock dividends	331	332
Earnings on BOLI	161	142
Other	79	373
Total non-interest income	<u>1,359</u>	<u>1,833</u>
Non-interest expense:		
Salaries and employee benefits	9,134	7,577
Occupancy and equipment	637	626
Data processing and software	1,457	1,157
FDIC insurance	455	400
Professional services	913	707
Advertising and promotional	522	460
Loan-related expenses	319	297
Other operating expenses	1,608	1,492
Total non-interest expense	<u>15,045</u>	<u>12,716</u>
Income before provision for income taxes	18,391	14,961
Provision for income taxes	5,280	4,330
Net income	<u>\$ 13,111</u>	<u>\$ 10,631</u>
Basic earnings per common share	<u>\$ 0.62</u>	<u>\$ 0.62</u>
Diluted earnings per common share	<u>\$ 0.62</u>	<u>\$ 0.62</u>

See accompanying notes to unaudited consolidated financial statements.

FIVE STAR BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

<i>(in thousands)</i>	Three Months Ended March 31,	
	2025	2024
Net income	\$ 13,111	\$ 10,631
Unrealized gain (loss) on securities:		
Net unrealized holding gain (loss) on securities available-for-sale during the period	1,030	(955)
Less: Income tax expense (benefit) related to items of other comprehensive income (loss)	305	(282)
Other comprehensive income (loss)	725	(673)
Total comprehensive income	\$ 13,836	\$ 9,958

See accompanying notes to the unaudited consolidated financial statements.

FIVE STAR BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the Three Months Ended March 31, 2025 and 2024
(Unaudited)

<i>(in thousands, except per share amounts)</i>	Common Stock		Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount			
Balance at December 31, 2023	17,256,989	\$ 220,505	\$ 77,036	\$ (11,767)	\$ 285,774
Net income	—	—	10,631	—	10,631
Other comprehensive loss	—	—	—	(673)	(673)
Stock issued under stock award plans	96,380	—	—	—	—
Stock compensation expense	—	299	—	—	299
Stock forfeitures	(118)	—	—	—	—
Cash dividends paid (\$0.20 per share)	—	—	(3,451)	—	(3,451)
Balance at March 31, 2024	17,353,251	\$ 220,804	\$ 84,216	\$ (12,440)	\$ 292,580
Balance at December 31, 2024	21,319,083	\$ 302,531	\$ 106,464	\$ (12,371)	\$ 396,624
Net income	—	—	13,111	—	13,111
Other comprehensive income	—	—	—	725	725
Stock issued under stock award plans	10,485	—	—	—	—
Stock compensation expense	—	257	—	—	257
Stock forfeitures	(333)	—	—	—	—
Cash dividends paid (\$0.20 per share)	—	—	(4,266)	—	(4,266)
Balance at March 31, 2025	21,329,235	\$ 302,788	\$ 115,309	\$ (11,646)	\$ 406,451

See accompanying notes to the unaudited consolidated financial statements.

FIVE STAR BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<i>(in thousands)</i>	Three Months Ended March 31,	
	2025	2024
Cash flows from operating activities:		
Net income	\$ 13,111	\$ 10,631
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	1,900	900
Depreciation and amortization	461	472
Amortization of deferred loan fees and costs	51	(127)
Amortization of premiums and discounts on securities	221	246
Amortization of subordinated note issuance costs	36	36
Amortization of low income housing tax credits	354	—
Stock compensation expense	257	299
Earnings on BOLI	(161)	(142)
Deferred tax provision	—	6
Loans originated for sale	(4,390)	(15,453)
Gain on sale of loans	(125)	(369)
Gross proceeds from sale of loans	1,846	5,580
Gain on partial sale of equity investment	—	300
Net changes in:		
Interest receivable and other assets	(1,644)	2,050
Interest payable and other liabilities	3,821	(3,941)
Operating lease liability	(266)	(241)
Net cash provided by operating activities	15,472	247
Cash flows from investing activities:		
Maturities, prepayments, and calls of securities available-for-sale	2,029	1,953
Capital call for equity investment	(1,250)	(1,000)
Proceeds received from equity investment	—	300
Net change in time deposits in banks	97	(20)
Loan originations, net of repayments	(86,404)	(11,498)
Purchase of premises and equipment	(100)	(108)
Purchase of BOLI	(3,710)	(1,550)
Net cash used in investing activities	(89,338)	(11,923)
Cash flows from financing activities:		
Net change in deposits	178,360	(71,124)
Advances (payments) on other borrowings	—	(50,000)
Cash dividends paid	(4,266)	(3,451)
Net cash provided by (used in) financing activities	174,094	(124,575)
Net change in cash and cash equivalents	100,228	(136,251)
Cash and cash equivalents at beginning of period	352,343	321,576
Cash and cash equivalents at end of period	\$ 452,571	\$ 185,325
Supplemental disclosure of cash flow information:		
Interest paid	\$ 23,044	\$ 22,568
Income taxes paid	26	144
Supplemental disclosure of noncash items:		
Transfer from loans held for sale to loans held for investment	3,247	11,464
Unrealized gain (loss) on securities	1,030	(955)
Operating lease liabilities exchanged for ROUA	—	1,958
ROUA acquired	—	(1,958)

See accompanying notes to the unaudited consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1: Basis of Presentation and Summary of Significant Accounting Policies

(a) Organization

Five Star Bank (the “Bank”) was chartered on October 26, 1999 and began operations on December 20, 1999. Five Star Bancorp (“Bancorp” or the “Company”) was incorporated on September 16, 2002 and subsequently obtained approval from the Federal Reserve to become a bank holding company in connection with its acquisition of the Bank. The Company became the sole shareholder of the Bank on June 2, 2003 in a statutory merger, pursuant to which each outstanding share of the Bank’s common stock was exchanged for one share of common stock of the Company.

The Company, through the Bank, provides financial services to customers who are predominately small and middle-market businesses, professionals, and individuals residing in the Northern California region. The Company’s primary loan products are commercial real estate loans, land development loans, construction loans, and operating lines of credit, and its primary deposit products are checking accounts, savings accounts, money market accounts, and term certificate accounts. The Bank currently has eight branch offices in Roseville, Natomas, Rancho Cordova, Redding, Elk Grove, Chico, Yuba City, and San Francisco.

(b) Basis of Financial Statement Presentation and Consolidation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) as contained within the Financial Accounting Standards Board’s (“FASB”) ASC and the rules and regulations of the SEC, including the instructions to Regulation S-X. These interim unaudited consolidated financial statements reflect all adjustments (consisting solely of normal recurring adjustments and accruals) which, in the opinion of management, are necessary for a fair presentation of financial position, results of operations and comprehensive income, changes in shareholders’ equity, and cash flows for the interim periods presented. These unaudited consolidated financial statements have been prepared on a basis consistent with, and should be read in conjunction with, the audited consolidated financial statements as of and for the year ended December 31, 2024, and the notes thereto, included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2024 (the “2024 Annual Report on Form 10-K”), which was filed with the SEC on February 28, 2025.

The unaudited consolidated financial statements include Bancorp and its wholly owned subsidiary, the Bank. All significant intercompany transactions and balances are eliminated in consolidation.

The results of operations for the three months ended March 31, 2025 are not necessarily indicative of the results of operations that may be expected for any other interim period or for the year ending December 31, 2025.

The Company’s accounting and reporting policies conform to GAAP and to general practices within the banking industry.

(c) Segments

The Company has one reportable operating segment: banking. The banking segment derives its revenues through the Bank, which provides a broad range of banking products and services to customers who are predominantly small to medium-sized businesses, professionals, and individuals primarily in Northern California. The Company manages the business activities on a consolidated basis.

The Company’s chief operating decision maker (“CODM”) is its Chief Executive Officer, who reviews financial information presented on a consolidated basis. The CODM assesses performance for the operating segment and decides how to allocate resources based on net income that also is reported on the income statement as consolidated net income. The measure of segment assets is reported on the balance sheet as total consolidated assets.

These financial metrics are used by the CODM to make key operating decisions, such as determination of the rate at which the Company seeks to grow, loan and deposit pricing, and the allocation of budget for non-interest expenses. Net income is used to monitor budget versus actual results. Discrete financial information is not available other than on a Company-wide basis.

(d) Emerging Growth Company

The Company qualifies as an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012, and, as such, may take advantage of specified reduced reporting requirements and deferred adoption dates for accounting standards, and is relieved of other significant requirements that are otherwise generally applicable to other public companies. The Company will remain an emerging growth company for five years after its IPO date of May 5, 2021, unless one of the following occurs: (i) total annual gross revenues are \$1.235 billion or more; (ii) the Company issues more than \$1.0 billion in non-convertible debt; or (iii) the Company becomes a large accelerated filer with a public float of more than \$0.7 billion, as measured at June 30 annually.

(e) Significant Accounting Policies

The Company's significant accounting policies are included in Note 1, Basis of Presentation in the notes to our audited consolidated financial statements included in the 2024 Annual Report on Form 10-K.

(f) Recently Issued Accounting Standards

The following information reflects recent accounting standards that have been adopted or are pending adoption by the Company. The Company qualifies as an emerging growth company and, as such, has elected not to opt out of the extended transition period for complying with new or revised accounting standards and is not subject to the new or revised accounting standards applicable to public companies during the extended transition period. The accounting standards discussed below indicate effective dates for the Company as an emerging growth company using the extended transition period.

Accounting Standards Adopted in 2025

None.

Accounting Standards Issued But Not Yet Adopted

In October 2023, the FASB issued ASU No. 2023-06, *Disclosure Improvements - Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative* ("ASU 2023-06"), amending disclosure or presentation requirements related to various subtopics in the FASB's ASC. ASU 2023-06 was issued in response to the SEC's initiative to update and simplify disclosure requirements. The SEC identified 27 disclosure requirements that were incremental to those in the ASC and referred them to the FASB for potential incorporation into GAAP. To avoid duplication, the SEC intended to eliminate those disclosure requirements from existing SEC regulations as the FASB incorporated them into the relevant ASC subtopics. ASU 2023-06 adds 14 of the 27 identified disclosure or presentation requirements to the ASC. ASU 2023-06 is to be applied prospectively, and early adoption is prohibited. For reporting entities subject to the SEC's existing disclosure requirements, the effective dates of ASU 2023-06 will be the date on which the SEC's removal of that related disclosure requirement from Regulation S-X or Regulation S-K becomes effective. If by June 30, 2027, the SEC has not removed the applicable requirement from Regulation S-X or Regulation S-K, the pending content of the related amendment will be removed from the ASC and will not become effective for any entities. ASU 2023-06 is not expected to have a significant impact on the Company's consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740) - Improvements to Income Tax Disclosures* ("ASU 2023-09"), which enhances the transparency and decision usefulness of income tax disclosures. ASU 2023-09 will require disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. Entities will also be required to disclose income/(loss) from continuing operations before income tax expense/(benefit) disaggregated between domestic and foreign operations, as well as income tax expense/(benefit) from continuing operations disaggregated by federal, state, and foreign operations. ASU 2023-09 is effective January 1, 2026 for emerging growth companies electing not to opt out of the extended transition period and is not expected to have a significant impact on the Company's consolidated financial statements.

In March 2024, the FASB issued ASU 2024-02, *Codification Improvements - Amendments to Remove References to the Concepts Statements* ("ASU 2024-02"). ASU 2024-02 contains amendments to the ASC that remove references to various Concepts Statements. In most instances, the references are extraneous and not required to understand or apply the guidance. In other instances, the references were used in prior Statements to provide guidance in certain topical areas. FASB Concepts Statements are nonauthoritative. Removing all references to Concepts Statements in the guidance is intended to

simplify the ASC and draw a distinction between authoritative and nonauthoritative literature. ASU 2024-02 is effective January 1, 2026 for emerging growth companies electing not to opt out of the extended transition period and is not expected to have a significant impact on the Company's consolidated financial statements.

On November 4, 2024, the FASB issued ASU 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures* ("Subtopic 220-40"): *Disaggregation of Income Statement Expenses* ("ASU 2024-03") and in January 2025 the FASB issued ASU 2025-01, *Clarifying the Effective Date*. This standard responds to investor input by requiring public companies to disclose, in interim and annual reporting periods, additional information about certain expenses in the notes to the financial statements. This standard is effective for all entities that are subject to Subtopic 220-40, for annual periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027, but early adoption is permitted. ASU 2024-03 is not expected to have a significant impact on the Company's consolidated financial statements.

Note 2: Fair Value of Assets and Liabilities

Fair Value Hierarchy and Fair Value Measurement

Accounting standards require the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard 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 Company 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.

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

Table 2.1 summarizes the Company's assets and liabilities required to be recorded at fair value on a recurring basis.

Table 2.1: Fair Value on a Recurring Basis

<i>(in thousands)</i>	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measurement Categories: Changes in Fair Value Recorded In
March 31, 2025					
Assets:					
Securities available-for-sale:					
U.S. government agency securities, mortgage-backed securities, obligations of states and political subdivisions, collateralized mortgage obligations, and corporate bonds	\$ 97,111	\$ —	\$ 97,111	\$ —	OCI
December 31, 2024					
Assets:					
Securities available-for-sale:					
U.S. government agency securities, mortgage-backed securities, obligations of states and political subdivisions, collateralized mortgage obligations, and corporate bonds	\$ 98,194	\$ —	\$ 98,194	\$ —	OCI

Available-for-sale securities are recorded at fair value on a recurring basis. When available, quoted market prices (Level 1 inputs) are used to determine the fair value of available-for-sale securities. If quoted market prices are not available, management obtains pricing information from a reputable third-party service provider, who may utilize valuation techniques that use current market-based or independently sourced parameters, such as bid/ask prices, dealer-quoted prices, interest rates, benchmark yield curves, prepayment speeds, probability of default, loss severity, and credit spreads (Level 2 inputs). Level 2 securities include U.S. agencies' or government-sponsored agencies' debt securities, mortgage-backed securities, government agency-issued bonds, privately issued collateralized mortgage obligations, and corporate bonds. Level 3 securities are based on unobservable inputs that are supported by little or no market activity. In addition, values use discounted cash flow models and may include significant management judgment and estimation. As of March 31, 2025 and December 31, 2024, there were no Level 1 available-for-sale securities and no transfers between Level 1 and Level 2 classifications for assets or liabilities measured at fair value on a recurring basis.

On a recurring basis, derivative financial instruments are recorded at fair value, which is based on the income approach using observable Level 2 market inputs, reflecting market expectations of future interest rates as of the measurement date. Standard valuation techniques are used to calculate the present value of the future expected cash flows assuming an orderly transaction. Valuation adjustments may be made to reflect both the Company's credit risk and the counterparties' credit risk in determining the fair value of the derivatives. A similar credit risk adjustment, correlated to the credit standing of the counterparty, is made when collateral posted by the counterparty does not fully cover their liability to the Company. There was no carrying value or fair value for interest rate swaps as of March 31, 2025 and December 31, 2024.

Certain financial assets may be measured at fair value on a non-recurring basis. These assets are subject to fair value adjustments that result from the application of the lower of cost or fair value accounting or write-downs of individual assets, such as collateral dependent loans and other real estate owned. As of March 31, 2025 and December 31, 2024, the carrying amount of assets measured at fair value on a non-recurring basis was immaterial to the Company.

Disclosures about Fair Value of Financial Instruments

Table 2.2 is a summary of fair value estimates for financial instruments as of March 31, 2025 and December 31, 2024. The carrying amounts in Table 2.2 are recorded in the consolidated balance sheets under the indicated captions. Further, management has not disclosed the fair value of financial instruments specifically excluded from disclosure requirements, such as BOLI.

Table 2.2: Fair Value Estimates for Financial Instruments

<i>(in thousands)</i>	March 31, 2025			December 31, 2024		
	Carrying Amounts	Fair Value	Fair Value Hierarchy	Carrying Amounts	Fair Value	Fair Value Hierarchy
Financial assets:						
Cash and cash equivalents	\$ 452,571	\$ 452,571	Level 1	\$ 352,343	\$ 352,343	Level 1
Time deposits in banks	4,024	4,024	Level 1	4,121	4,121	Level 1
Securities available-for-sale	97,111	97,111	Level 2	98,194	98,194	Level 2
Securities held-to-maturity	2,585	2,275	Level 3	2,720	2,353	Level 3
Loans held for sale	2,669	2,967	Level 2	3,247	3,597	Level 2
Loans held for investment, net of allowance for credit losses	3,582,595	3,512,114	Level 3	3,494,895	3,412,032	Level 3
Financial liabilities:						
Time deposits	801,386	800,074	Level 2	670,154	669,078	Level 2
Subordinated notes	73,932	73,481	Level 3	73,895	73,371	Level 3

The Company used the following methods and assumptions to estimate the fair value of its financial instruments at March 31, 2025 and December 31, 2024:

Cash and cash equivalents and time deposits in banks: The carrying amount is estimated to be fair value due to the liquid nature of the assets and their short-term maturities.

Investment securities: See discussion above for the methods and assumptions used by the Company to estimate the fair value of investment securities. Fair value of held-to-maturity securities is estimated by calculating the net present value of future cash flows based on observable market data, such as interest rates and yield curves (observable at commonly quoted intervals) as provided by an independent third party.

Loans held for sale: The fair value is based on what secondary markets are currently offering for portfolios with similar characteristics.

Loans held for investment, net of allowance for credit losses: For variable rate loans that reprice frequently with no significant change in credit risk, fair values are based on carrying values. Fair values for other loans are estimated using discounted cash flow analyses, which use interest rates being offered at each reporting date for loans with similar terms to borrowers of comparable creditworthiness without considering widening credit spreads due to market illiquidity, which approximates the exit price notion. The allowance for credit losses is considered to be a reasonable estimate of loan discount for credit quality concerns.

Commitments to extend credit: These are primarily for adjustable rate loans, and there are no differences between the committed amounts and their fair values. Commitments to fund fixed rate loans are at rates which approximate fair value at each reporting date.

Time deposits: The fair value is estimated using a discounted cash flow analysis that uses interest rates offered at each reporting date by the Company for certificates with similar remaining maturities, resulting in a Level 2 classification.

Subordinated notes: The fair value is estimated by discounting the future cash flow using the current three-month CME Term SOFR. The Company's subordinated notes are not registered securities and were issued through private placements, resulting in a Level 3 classification. The notes are recorded at carrying value.

Other borrowings: The carrying amount is estimated to be fair value.

Note 3: Investment Securities

The Company's investment securities portfolio includes obligations of states and political subdivisions, securities issued by U.S. federal government agencies, such as the SBA, and securities issued by U.S. GSEs, such as the FNMA, the FHLMC, and the FHLB. The Company also invests in residential and commercial mortgage-backed securities, collateralized mortgage obligations issued or guaranteed by GSEs, and corporate bonds, as reflected in Tables 3.1 and 3.2.

A summary of the amortized cost and fair value related to securities held-to-maturity as of March 31, 2025 and December 31, 2024 is presented in Table 3.1. Securities held-to-maturity, at amortized cost, had a \$20.0 thousand allowance for credit losses as of March 31, 2025 and December 31, 2024.

Table 3.1: Securities Held-to-Maturity.

<i>(in thousands)</i>	Amortized Cost	Gross Unrealized		Fair Value
		Gains	(Losses)	
March 31, 2025				
Obligations of states and political subdivisions	\$ 2,585	\$ —	\$ (310)	\$ 2,275
Total held-to-maturity	<u>\$ 2,585</u>	<u>\$ —</u>	<u>\$ (310)</u>	<u>\$ 2,275</u>
December 31, 2024				
Obligations of states and political subdivisions	\$ 2,720	\$ —	\$ (367)	\$ 2,353
Total held-to-maturity	<u>\$ 2,720</u>	<u>\$ —</u>	<u>\$ (367)</u>	<u>\$ 2,353</u>

For securities issued by states and political subdivisions, for purposes of evaluating whether to recognize credit loss expense, management considers: (i) issuer and/or guarantor credit ratings; (ii) historical probability of default and loss given default rates for given bond ratings and remaining maturity; (iii) whether issuers continue to make timely principal and interest payments under the contractual terms of the securities; (iv) internal credit review of the financial information; and (v) whether or not such securities have credit enhancements such as guarantees, contain a defeasance clause, or are pre-refunded by the issuers.

As of March 31, 2025 and December 31, 2024, the allowance for credit losses on held-to-maturity securities, at amortized cost, was \$20.0 thousand. The Company did not record an allowance for credit losses on available-for-sale securities as of March 31, 2025 or December 31, 2024.

A summary of the amortized cost and fair value related to securities available-for-sale as of March 31, 2025 and December 31, 2024 is presented in Table 3.2. Securities available-for-sale did not have an allowance for credit losses as of March 31, 2025 or December 31, 2024.

Table 3.2: Securities Available-for-Sale

<i>(in thousands)</i>	Amortized Cost	Gross Unrealized		Fair Value
		Gains	(Losses)	
March 31, 2025				
U.S. government agency securities	\$ 7,513	\$ 147	\$ (86)	\$ 7,574
Mortgage-backed securities	61,210	16	(10,929)	50,297
Obligations of states and political subdivisions	42,630	1	(5,559)	37,072
Collateralized mortgage obligations	289	—	(22)	267
Corporate bonds	2,000	—	(99)	1,901
Total available-for-sale	<u>\$ 113,642</u>	<u>\$ 164</u>	<u>\$ (16,695)</u>	<u>\$ 97,111</u>
December 31, 2024				
U.S. government agency securities	\$ 8,293	\$ 152	\$ (100)	\$ 8,345
Mortgage-backed securities	62,397	6	(11,833)	50,570
Obligations of states and political subdivisions	42,762	1	(5,626)	37,137
Collateralized mortgage obligations	305	—	(26)	279
Corporate bonds	2,000	—	(137)	1,863
Total available-for-sale	<u>\$ 115,757</u>	<u>\$ 159</u>	<u>\$ (17,722)</u>	<u>\$ 98,194</u>

The amortized cost and fair value of investment securities by contractual maturity at March 31, 2025 and December 31, 2024 are shown in Table 3.3. Expected maturities may differ from contractual maturities if the issuers of the securities have the right to call or prepay obligations with or without call or prepayment penalties.

Table 3.3: Contractual Maturities - Investment Securities

<i>(in thousands)</i>	March 31, 2025				December 31, 2024			
	Held-to-Maturity		Available-for-Sale		Held-to-Maturity		Available-for-Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within one year	\$ 195	\$ 172	\$ —	\$ —	\$ 210	\$ 182	\$ —	\$ —
After one but within five years	905	796	794	738	945	818	798	737
After five years through ten years	1,315	1,157	10,514	9,282	1,380	1,193	9,221	8,108
After ten years	170	150	31,322	27,052	185	160	32,743	28,292
Investment securities not due at a single maturity date:								
U.S. government agency securities	—	—	7,513	7,574	—	—	8,293	8,345
Mortgage-backed securities	—	—	61,210	50,297	—	—	62,397	50,570
Collateralized mortgage obligations	—	—	289	267	—	—	305	279
Corporate bonds	—	—	2,000	1,901	—	—	2,000	1,863
Total	\$ 2,585	\$ 2,275	\$ 113,642	\$ 97,111	\$ 2,720	\$ 2,353	\$ 115,757	\$ 98,194

There were no purchases or sales of investment securities during the three months ended March 31, 2025 and March 31, 2024.

Table 3.4: Pledged Investment Securities

<i>(in thousands)</i>	March 31, 2025	December 31, 2024
Pledged to:		
The State of California, securing deposits of public funds and borrowings	\$ 49,201	\$ 49,477
The Federal Reserve Discount Window, increasing borrowing capacity	44,782	45,576
Total pledged investment securities	<u>\$ 93,983</u>	<u>\$ 95,053</u>

Table 3.5 details the gross unrealized losses and fair values aggregated by investment category and length of time that individual available-for-sale securities have been in a continuous unrealized loss position at March 31, 2025 and December 31, 2024.

Table 3.5: Securities Available-for-Sale in Continuous Unrealized Loss Positions

<i>(in thousands)</i>	Less than 12 months		12 months or more		Total securities in a loss position	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
March 31, 2025						
U.S. government agency securities	\$ 2,183	\$ (14)	\$ 3,750	\$ (72)	\$ 5,933	\$ (86)
Mortgage-backed securities	—	—	49,200	(10,929)	49,200	(10,929)
Obligations of states and political subdivisions	—	—	35,567	(5,559)	35,567	(5,559)
Collateralized mortgage obligations	—	—	268	(22)	268	(22)
Corporate bonds	—	—	1,901	(99)	1,901	(99)
Total temporarily impaired securities	<u>\$ 2,183</u>	<u>\$ (14)</u>	<u>\$ 90,686</u>	<u>\$ (16,681)</u>	<u>\$ 92,869</u>	<u>\$ (16,695)</u>
December 31, 2024						
U.S. government agency securities	\$ 2,316	\$ (11)	\$ 4,082	\$ (89)	\$ 6,398	\$ (100)
Mortgage-backed securities	—	—	49,476	(11,833)	49,476	(11,833)
Obligations of states and political subdivisions	—	—	35,630	(5,626)	35,630	(5,626)
Collateralized mortgage obligations	—	—	279	(26)	279	(26)
Corporate bonds	—	—	1,863	(137)	1,863	(137)
Total temporarily impaired securities	<u>\$ 2,316</u>	<u>\$ (11)</u>	<u>\$ 91,330</u>	<u>\$ (17,711)</u>	<u>\$ 93,646</u>	<u>\$ (17,722)</u>

There were 147 available-for-sale securities in unrealized loss positions at both March 31, 2025 and December 31, 2024. As of March 31, 2025, the investment portfolio included 141 investment securities that had been in a continuous loss position for twelve months or more and six investment securities that had been in a loss position for less than twelve months.

There was one held-to-maturity security in a continuous unrealized loss position at both March 31, 2025 and December 31, 2024, which at December 31, 2024 had been in a continuous loss position for more than twelve months.

Obligations issued or guaranteed by government agencies such as the GNMA and the SBA or GSEs under conservatorship such as the FNMA and the FHLMC, are guaranteed or sponsored by agencies of the U.S. government and have strong credit profiles. The Company therefore expects to receive all contractual interest payments on time and believes the risk of credit losses on these securities is remote.

The Company's investment in obligations of states and political subdivisions is deemed credit worthy after management's comprehensive analysis of the issuers' latest financial information, credit ratings by major credit agencies, and/or credit enhancements.

Non-Marketable Securities

FHLB capital stock: As a member of the FHLB, the Company is required to maintain a minimum investment in FHLB capital stock determined by the board of directors of the FHLB. The minimum investment requirements can increase in the event the Company increases its total asset size or borrowings with the FHLB. Shares cannot be purchased or sold except between the FHLB and its members at the \$100 per share par value. The Company held \$15.0 million of FHLB stock at both March 31, 2025 and December 31, 2024. The carrying amounts of these investments are reasonable estimates of fair value because the securities are restricted to member banks and do not have a readily determinable market value. Based on management's analysis of the FHLB's financial condition and certain qualitative factors, management determined that the FHLB stock was not impaired at March 31, 2025 or December 31, 2024.

Note 4: Loans and Allowance for Credit Losses

The Company's loan portfolio is its largest class of earning assets and typically provides higher yields than other types of earning assets. Associated with the higher yields is an inherent amount of credit risk which the Company attempts to mitigate through strong underwriting practices. Table 4.1 presents the balance of each major product type within the Company's portfolio as of the dates indicated.

Table 4.1: Loans Outstanding

<i>(in thousands)</i>	March 31, 2025	December 31, 2024
Real estate:		
Commercial	\$ 2,941,201	\$ 2,857,173
Commercial land and development	3,556	3,849
Commercial construction	113,002	111,318
Residential construction	5,747	4,561
Residential	34,053	32,774
Farmland	43,643	47,241
Commercial:		
Secured	170,525	170,548
Unsecured	34,970	27,558
Consumer and other	277,093	279,584
Subtotal	3,623,790	3,534,606
Net deferred loan fees	(1,971)	(1,920)
Loans held for investment	3,621,819	3,532,686
Allowance for credit losses	(39,224)	(37,791)
Loans held for investment, net of allowance for credit losses	<u>\$ 3,582,595</u>	<u>\$ 3,494,895</u>

Underwriting

Real estate loans: Real estate loans are subject to underwriting standards and processes similar to those for commercial loans. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts, and the repayment of these loans is generally largely dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected than other loans by conditions in the real estate market or in the general economy. The properties securing the Company's commercial real estate portfolio are diverse in terms of type. This diversity helps reduce the Company's exposure to adverse economic events that affect any single market or industry. Management monitors and evaluates commercial real estate loans based on collateral, geography, and risk grade criteria.

Construction loans: With respect to construction loans that the Company may originate from time to time, the Company generally requires the borrower to have had an existing relationship with the Company and have a proven record of success. Construction loans may be underwritten utilizing feasibility studies, independent appraisal reviews, sensitivity analysis of absorption and lease rates, and financial analysis of the developers and property owners. Construction loans are generally based upon estimates of costs and value associated with the completed project. These estimates may be inaccurate. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the ultimate success of the project. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property, or an interim loan commitment from the Company until permanent financing is obtained. These loans are closely monitored using on-site inspections and are generally considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, governmental regulation of real property, general economic conditions, and the availability of long-term financing.

Residential real estate loans: Residential real estate loans are underwritten based upon the borrower's income, credit history, and collateral. To monitor and manage residential loan risk, policies and procedures are developed and modified.

as needed. This activity, coupled with relatively small loan amounts that are spread across many individual borrowers, minimizes risk. Underwriting standards for home loans are heavily influenced by statutory requirements, which include, but are not limited to, a maximum loan-to-value percentage, collection remedies, the number of such loans a borrower can have at one time, and documentation requirements.

Farmland loans: Farmland loans are generally made to producers and processors of crops and livestock. Repayment is primarily from the sale of an agricultural product or service. Farmland loans are secured by real property and are susceptible to changes in market demand for specific commodities. This may be exacerbated by, among other things, industry changes, changes in the individual financial capacity of the business owner, general economic conditions, and changes in business cycles, as well as adverse weather conditions.

Commercial loans: Commercial loans are underwritten after evaluating and understanding the borrower's ability to operate profitably and prudently expand its business. Underwriting standards are designed to promote relationship banking rather than transactional banking. Once it is determined that the borrower's management possesses sound ethics and solid business acumen, the Company's management examines current and projected cash flows to determine the ability of the borrower to repay its obligations as agreed. Commercial loans are primarily made based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected, and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee; however, some short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

Consumer loans: The Company purchased consumer loans underwritten utilizing credit scoring analysis to supplement the underwriting process. To monitor and manage consumer loan risk, policies and procedures are developed and modified, as needed. This activity, coupled with relatively small loan amounts that are spread across many individual borrowers, minimizes risk. Underwriting standards for home equity loans are heavily influenced by statutory requirements, which include, but are not limited to, a maximum loan-to-value percentage, collection remedies, the number of such loans a borrower can have at one time, and documentation requirements.

Credit Quality Indicators

The Company has established a loan risk rating system to measure and monitor the quality of the loan portfolio. All loans are assigned a risk rating from the inception of the loan until the loan is paid off. The primary loan grades are as follows:

Loans rated pass: These are loans to borrowers with satisfactory financial support, repayment capacity, and credit strength. Borrowers in this category demonstrate fundamentally sound financial positions, repayment capacity, credit history, and management expertise. Loans in this category must have an identifiable and stable source of repayment and meet the Company's policy regarding debt service coverage ratios. These borrowers are capable of sustaining normal economic, market, or operational setbacks without significant financial impacts and their financial ratios and trends are acceptable. Negative external industry factors are generally not present. The loan may be secured, unsecured, or supported by non-real estate collateral for which the value is more difficult to determine and/or marketability is more uncertain.

Loans rated watch: These are loans which have deficient loan quality and potentially significant issues, but losses do not appear to be imminent, and the issues may be temporary in nature. The significant issues are typically: (i) a history of losses or events that threaten the borrower's viability; (ii) a property with significant depreciation and/or marketability concerns; or (iii) poor or deteriorating credit, occasional late payments, and/or limited reserves but the loan is generally kept current. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Company's credit position at some future date.

Loans rated substandard: These are loans which are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged (if any). Loans so classified exhibit a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Loans are characterized by the distinct possibility that the Company may sustain some loss if the deficiencies are not corrected.

Loans rated doubtful: These are loans for which the collection or liquidation of the entire debt is highly questionable or improbable. Typically, the possibility of loss is extremely high. The losses on these loans are deferred until all pending factors have been addressed.

Table 4.2 presents the amortized cost basis of the Company's loans by origination year, where origination is defined as the later of origination or renewal date, and credit quality indicator as of the periods indicated.

Table 4.2: Loans by Risk Category and Vintage

(in thousands)	Amortized Cost Basis by Origination Year as of March 31, 2025						Revolving Loans	Revolving Converted to Term	Total
	2025	2024	2023	2022	2021	Prior			
Real estate:									
Commercial									
Pass	\$ 120,306	\$ 422,735	\$ 299,751	\$ 881,165	\$ 612,219	\$ 494,109	\$ 6,241	\$ —	\$ 2,836,526
Watch	—	640	9,579	37,903	25,092	23,699	1,391	—	98,304
Substandard	—	—	—	1,102	—	2,551	—	—	3,653
Total	120,306	423,375	309,330	920,170	637,311	520,359	7,632	—	2,938,483
Commercial land and development									
Pass	1,551	420	—	767	—	816	—	—	3,554
Total	1,551	420	—	767	—	816	—	—	3,554
Commercial construction									
Pass	6,377	17,630	88,230	525	—	—	—	—	112,762
Total	6,377	17,630	88,230	525	—	—	—	—	112,762
Residential construction									
Pass	—	5,745	—	—	—	—	—	—	5,745
Total	—	5,745	—	—	—	—	—	—	5,745
Residential									
Pass	410	6,080	4,770	2,852	9,429	8,350	2,184	—	34,075
Total	410	6,080	4,770	2,852	9,429	8,350	2,184	—	34,075
Farmland									
Pass	341	974	2,034	6,353	8,486	24,150	—	—	42,338
Watch	—	501	—	787	—	—	—	—	1,288
Total	341	1,475	2,034	7,140	8,486	24,150	—	—	43,626
Commercial:									
Secured									
Pass	16,158	31,212	18,509	20,846	8,918	21,695	41,560	—	158,898
Watch	—	—	673	6,501	2,588	1,119	1,492	—	12,373
Substandard	—	—	—	—	—	43	—	—	43
Total	16,158	31,212	19,182	27,347	11,506	22,857	43,052	—	171,314
Unsecured									
Pass	3,619	9,134	3,088	1,616	2,363	3,818	11,350	—	34,988
Total	3,619	9,134	3,088	1,616	2,363	3,818	11,350	—	34,988
Consumer and other									
Pass	8,988	225,069	30,474	7,072	5,342	194	125	—	277,264
Substandard	—	—	—	8	—	—	—	—	8
Total	8,988	225,069	30,474	7,080	5,342	194	125	—	277,272
Total									
Pass	157,750	718,999	446,856	921,196	646,757	553,132	61,460	—	3,506,150
Watch	—	1,141	10,252	45,191	27,680	24,818	2,883	—	111,965
Substandard	—	—	—	1,110	—	2,594	—	—	3,704
Total	\$ 157,750	\$ 720,140	\$ 457,108	\$ 967,497	\$ 674,437	\$ 580,544	\$ 64,343	\$ —	\$ 3,621,819

Table 4.2: Loans by Risk Category and Vintage (continued)

(in thousands)	Amortized Cost Basis by Origination Year as of December 31, 2024						Revolving Loans	Revolving Converted to Term	Total
	2024	2023	2022	2021	2020	Prior			
Real estate:									
Commercial									
Pass	\$ 427,209	\$ 298,408	\$ 881,675	\$ 618,052	\$ 202,356	\$ 312,622	\$ 3,688	\$ —	\$ 2,744,010
Watch	641	8,193	42,531	31,895	16,969	6,316	1,391	—	107,936
Substandard	—	—	—	—	—	2,585	—	—	2,585
Total	427,850	306,601	924,206	649,947	219,325	321,523	5,079	—	2,854,531
Commercial land and development									
Pass	1,781	—	1,237	—	180	656	—	—	3,854
Total	1,781	—	1,237	—	180	656	—	—	3,854
Commercial construction									
Pass	13,757	72,933	13,112	—	11,231	—	—	—	111,033
Total	13,757	72,933	13,112	—	11,231	—	—	—	111,033
Residential construction									
Pass	4,560	—	—	—	—	—	—	—	4,560
Total	4,560	—	—	—	—	—	—	—	4,560
Residential									
Pass	6,080	4,783	2,869	9,483	2,201	6,246	1,134	—	32,796
Total	6,080	4,783	2,869	9,483	2,201	6,246	1,134	—	32,796
Farmland									
Pass	1,054	2,042	7,032	11,467	6,960	17,373	—	—	45,928
Watch	501	—	791	—	—	—	—	—	1,292
Total	1,555	2,042	7,823	11,467	6,960	17,373	—	—	47,220
Commercial:									
Secured									
Pass	26,536	20,427	21,142	9,607	9,144	14,400	55,914	—	157,170
Watch	—	301	9,840	2,581	107	1,289	—	—	14,118
Substandard	—	—	—	—	—	48	—	—	48
Total	26,536	20,728	30,982	12,188	9,251	15,737	55,914	—	171,336
Unsecured									
Pass	8,071	4,499	2,815	3,494	4,817	1,364	2,515	—	27,575
Total	8,071	4,499	2,815	3,494	4,817	1,364	2,515	—	27,575
Consumer and other									
Pass	232,420	33,453	7,874	5,812	6	207	—	—	279,772
Substandard	—	—	9	—	—	—	—	—	9
Total	232,420	33,453	7,883	5,812	6	207	—	—	279,781
Total									
Pass	721,468	436,545	937,756	657,915	236,895	352,868	63,251	—	3,406,698
Watch	1,142	8,494	53,162	34,476	17,076	7,605	1,391	—	123,346
Substandard	—	—	9	—	—	2,633	—	—	2,642
Total	\$ 722,610	\$ 445,039	\$ 990,927	\$ 692,391	\$ 253,971	\$ 363,106	\$ 64,642	\$ —	\$ 3,532,686

Management regularly reviews the Company's loans for accuracy of risk grades whenever new information is received. Borrowers are generally required to submit financial information at regular intervals. Typically, commercial borrowers with lines of credit are required to submit financial information with reporting intervals generally ranging from monthly to annually depending on credit size, risk, and complexity. All commercial borrowers with loans exceeding a certain dollar threshold are usually required to submit financials annually for review; this includes business financial statements, rent rolls, property income statements, and tax returns. Management monitors construction loans monthly and reviews consumer loans based on delinquency. Management also reviews loans graded "watch" or worse, regardless of loan type, no less than quarterly.

Table 4.3 shows the age analysis of past due loans by class as of the dates shown.

Table 4.3: Age Analysis of Past Due Loans by Class

(in thousands)	Past Due			Total Past Due	Current	Total Loans Receivable
	30-59 Days	60-89 Days	Greater Than 90 Days			
March 31, 2025						
Real estate:						
Commercial	\$ 386	\$ —	\$ —	\$ 386	\$ 2,938,097	\$ 2,938,483
Commercial land and development	—	—	—	—	3,554	3,554
Commercial construction	—	—	—	—	112,762	112,762
Residential construction	—	—	—	—	5,745	5,745
Residential	—	—	—	—	34,075	34,075
Farmland	—	—	—	—	43,626	43,626
Commercial:						
Secured	1,232	—	—	1,232	170,082	171,314
Unsecured	—	—	—	—	34,988	34,988
Consumer and other	30	—	—	30	277,242	277,272
Total	\$ 1,648	\$ —	\$ —	\$ 1,648	\$ 3,620,171	\$ 3,621,819
December 31, 2024						
Real estate:						
Commercial	\$ —	\$ —	\$ —	\$ —	\$ 2,854,531	\$ 2,854,531
Commercial land and development	—	—	—	—	3,854	3,854
Commercial construction	—	—	—	—	111,033	111,033
Residential construction	—	—	—	—	4,560	4,560
Residential	—	—	—	—	32,796	32,796
Farmland	—	—	—	—	47,220	47,220
Commercial:						
Secured	1,107	—	—	1,107	170,229	171,336
Unsecured	—	—	—	—	27,575	27,575
Consumer and other	67	—	—	67	279,714	279,781
Total	\$ 1,174	\$ —	\$ —	\$ 1,174	\$ 3,531,512	\$ 3,532,686

There were no loans greater than 90 days past due and still accruing interest income as of March 31, 2025 or December 31, 2024.

No collateral dependent loans were in process of foreclosure at March 31, 2025 or December 31, 2024. The Company had one collateral dependent commercial real estate loan outstanding as of March 31, 2025 and December 31, 2024 in the amounts of \$1.7 million and \$1.8 million, respectively, for which the borrower was experiencing financial difficulty.

Non-accrual loans, segregated by class, as of March 31, 2025 and December 31, 2024 are shown in Table 4.4.

Table 4.4: Non-accrual Loans

<i>(in thousands)</i>	March 31, 2025	December 31, 2024
Real estate:		
Commercial	\$ 1,722	\$ 1,750
Commercial:		
Secured	43	48
Total non-accrual loans	<u>\$ 1,765</u>	<u>\$ 1,798</u>

No interest income was recognized on non-accrual loans in the three months ended March 31, 2025 or March 31, 2024. Non-accrual real estate loans did not have an allowance for credit losses as of March 31, 2025. Interest income can be recognized on non-accrual loans in cases where resolution occurs through a sale or full payment is received on the non-accrual loan.

The amount of foregone interest income related to non-accrual loans was \$35.2 thousand for the three months ended March 31, 2025, as compared to \$39.2 thousand for the three months ended March 31, 2024.

Allowance for Credit Losses

Table 4.5 discloses activity in the allowance for credit losses for the periods indicated.

Table 4.5: Allowance for Credit Losses

<i>(in thousands)</i>	Beginning Balance	Charge-offs	Recoveries	Provision (Benefit)	Ending Balance
Three months ended March 31, 2025					
Real estate:					
Commercial	\$ 25,864	\$ —	\$ —	\$ 1,163	\$ 27,027
Commercial land and development	78	—	—	(8)	70
Commercial construction	2,268	—	—	(41)	2,227
Residential construction	64	—	—	14	78
Residential	270	—	—	9	279
Farmland	607	—	—	(9)	598
Commercial:					
Secured	5,866	(745)	64	720	5,905
Unsecured	278	—	—	125	403
Consumer and other	2,496	(71)	35	177	2,637
Total	\$ 37,791	\$ (816)	\$ 99	\$ 2,150	\$ 39,224
Three months ended March 31, 2024					
Real estate:					
Commercial	\$ 29,015	\$ —	\$ —	\$ (120)	\$ 28,895
Commercial land and development	178	—	—	(14)	164
Commercial construction	718	—	—	(21)	697
Residential construction	89	—	—	25	114
Residential	151	—	—	13	164
Farmland	399	—	—	39	438
Commercial:					
Secured	3,314	(998)	182	764	3,262
Unsecured	189	(34)	—	104	259
Consumer and other	378	(71)	93	260	660
Total	\$ 34,431	\$ (1,103)	\$ 275	\$ 1,050	\$ 34,653

Unfunded Loan Commitment Reserves

Unfunded loan commitment reserves are included in “Interest payable and other liabilities” in the unaudited consolidated balance sheets. Provisions for unfunded loan commitments are included in “Provision for credit losses” in the unaudited consolidated statements of income.

Table 4.6: Unfunded Loan Commitment Reserves

<i>(in thousands)</i>	Three months ended	
	March 31, 2025	March 31, 2024
Balance at beginning of period	\$ 747	\$ 1,247
Provision (benefit)	(250)	(150)
Balance at end of period	\$ 497	\$ 1,097

Pledged Loans

The Company's FHLB line of credit is secured under terms of a collateral agreement by a pledge of certain qualifying loans with unpaid principal balances of \$1.9 billion at March 31, 2025 and December 31, 2024. In addition, the Company pledges eligible tenants in common loans, which totaled \$1.2 billion at March 31, 2025 and December 31, 2024, to secure its borrowing capacity with the Federal Reserve Discount Window. See Note 6, Subordinated Notes and Other Borrowings, for further discussion of these borrowings.

Note 5: Interest-Bearing Deposits

Table 5.1 shows the composition of interest-bearing deposits as of March 31, 2025 and December 31, 2024.

Table 5.1: Interest-Bearing Deposits
(in thousands)

	March 31, 2025	December 31, 2024
Interest-bearing transaction accounts	\$ 295,633	\$ 315,217
Savings accounts	128,210	124,702
Money market accounts	1,577,473	1,525,292
Time accounts, \$250 or more	376,237	344,129
Other time accounts	425,149	326,025
Total interest-bearing deposits	<u>\$ 2,802,702</u>	<u>\$ 2,635,365</u>

Time deposits totaled \$801.4 million and \$670.2 million as of March 31, 2025 and December 31, 2024, respectively. Scheduled maturities of time deposits as of March 31, 2025 for the next five years are shown in Table 5.2.

Table 5.2: Scheduled Maturities of Time Deposits
(in thousands)

	2025	2026	2027	2028	2029
Total time deposits					<u>\$ 801,386</u>

Total deposits include deposits offered through the IntraFi Network that are comprised of Certificate of Deposit Account Registry Service® ("CDARS") balances included in time deposits and Insured Cash Sweep® ("ICS") balances included in money market and interest-bearing transaction deposits. Through this network, the Company offers customers access to FDIC-insured deposit products in aggregate amounts exceeding current insurance limits. When funds are deposited through CDARS and ICS on behalf of a customer, the Company has the option of receiving matching deposits through the network's reciprocal deposit program or placing deposits "one-way," for which the Company receives no matching deposits. The Company considers the reciprocal deposits to be in-market deposits, as distinguished from traditional out-of-market brokered deposits. There were no one-way deposits at March 31, 2025 or December 31, 2024. The composition of network deposits as of March 31, 2025 and December 31, 2024 is shown in Table 5.3.

Table 5.3: Network Deposits
(in thousands)

	March 31, 2025	December 31, 2024
CDARS	\$ 18,679	\$ 19,292
ICS	676,433	674,453
Total network deposits	<u>\$ 695,112</u>	<u>\$ 693,745</u>

Table 5.4 presents interest expense recognized on interest-bearing deposits for the periods ended March 31, 2025 and 2024.

Table 5.4: Interest Expense Recognized on Interest-Bearing Deposits

(in thousands)	Three months ended	
	March 31, 2025	March 31, 2024
Interest-bearing transaction accounts	\$ 1,112	\$ 1,126
Savings accounts	772	861
Money market accounts	12,435	12,155
Time accounts, \$250 or more	3,756	3,824
Other time accounts	3,873	1,545
Total interest expense on interest-bearing deposits	\$ 21,948	\$ 19,511

Note 6: Subordinated Notes and Other Borrowings

Subordinated notes: On August 17, 2022, the Company completed a private placement of \$75.0 million of fixed-to-floating rate subordinated notes to certain qualified investors, of which \$19.3 million was purchased by existing or former members of the board of directors and their affiliates. The notes will be used for capital management and general corporate purposes, including, without limitation, the redemption of existing subordinated notes. The subordinated notes have a maturity date of September 1, 2032 and bear interest, payable semi-annually, at the rate of 6.00% per annum until September 1, 2027. On that date, the interest rate will be adjusted to float at a rate equal to the three-month Term SOFR plus 329.0 basis points (7.58% as of March 31, 2025) until maturity. The notes include a right of prepayment, on or after August 17, 2027 or, in certain limited circumstances, before that date. The indebtedness evidenced by the subordinated notes, including principal and interest, is unsecured and subordinate and junior in right to payment to general and secured creditors and depositors of the Company.

The subordinated notes have been structured to qualify as Tier 2 capital for the Company for regulatory capital purposes. Eligible amounts will be phased out by 20% per year beginning five years before the maturity date of the notes. Debt issuance costs incurred in conjunction with the notes were \$1.5 million, of which \$0.4 million has been amortized as of March 31, 2025. The Company reflects debt issuance costs as a direct deduction from the face of the note. The debt issuance costs are amortized into interest expense through the maturity period. At March 31, 2025 and December 31, 2024, the carrying value of the Company's subordinated notes outstanding was \$73.9 million.

Other borrowings: The Company entered into an agreement with the FHLB which granted the FHLB a blanket lien on certain loans receivable as collateral for a borrowing line. The Company's total financing availability is based on the dollar volume of qualifying loan collateral. The Company's total financing availability with the FHLB is decreased by outstanding borrowings and letters of credit ("LCs") issued on behalf of the Company, as shown in Table 6.1.

Table 6.1: Financing Availability with the FHLB

(in thousands)	March 31, 2025	December 31, 2024
Total financing ability from the FHLB	\$ 1,276,072	\$ 1,212,209
Less: outstanding borrowings	—	—
Less: LCs pledged to secure State of California deposits	311,500	281,500
Less: LCs pledged to secure local agency deposits	420,000	420,000
Total LCs issued	731,500	701,500
Available borrowing capacity with the FHLB	\$ 544,572	\$ 510,709

At March 31, 2025 and December 31, 2024, the Company had the ability to borrow from the Federal Reserve Discount Window. The borrowings were available at an interest rate of 4.50% as of March 31, 2025. At March 31, 2025 and December 31, 2024, the borrowing capacity under this arrangement was \$856.4 million and \$862.1 million, respectively.

There were no amounts outstanding at March 31, 2025 or December 31, 2024. The borrowing line is secured by certain liens on the Company's loans and certain available-for-sale securities.

At March 31, 2025 and December 31, 2024, the Company had five unsecured federal funds lines of credit totaling \$175.0 million with five of its correspondent banks. The borrowings were available at interest rates ranging from 4.50% to 5.70% as of March 31, 2025. There were no amounts outstanding at March 31, 2025 or December 31, 2024.

Note 7: Shareholders' Equity

(a) EPS

Basic EPS is net income divided by the weighted average number of common shares outstanding during the period less average unvested restricted stock awards ("RSAs"). Diluted EPS includes the dilutive effect of additional potential common shares related to unvested RSAs using the treasury stock method. The Company has two forms of outstanding common stock: common stock and unvested RSAs. Holders of unvested RSAs receive non-forfeitable dividends at the same rate as common shareholders and they both share equally in undistributed earnings, and therefore the RSAs are considered participating securities. However, under the two-class method, the difference in EPS is not significant for these participating securities.

Table 7.1: EPS

(in thousands, except share count and earnings per common share)	Three months ended	
	March 31, 2025	March 31, 2024
Net income	\$ 13,111	\$ 10,631
Basic weighted average common shares outstanding	21,209,881	17,190,867
Add: Dilutive effects of assumed vesting of restricted stock	43,707	82,127
Total dilutive weighted average common shares outstanding	21,253,588	17,272,994
Earnings per common share:		
Basic EPS	\$ 0.62	\$ 0.62
Diluted EPS	\$ 0.62	\$ 0.62

The Company did not have any anti-dilutive shares at March 31, 2025 or March 31, 2024.

(b) Dividends

The board of directors declared on January 16, 2025, and the Company subsequently paid, a cash dividend of \$0.20 per share, totaling \$4.3 million.

(c) Stock-Based Incentive Arrangement

The Company's stock-based compensation consists of RSAs granted under its historical stock-based incentive arrangement (the "Historical Incentive Plan") and RSAs issued under the Five Star Bancorp 2021 Equity Incentive Plan (the "Equity Incentive Plan"). The Historical Incentive Plan consisted of RSAs for certain executive officers of the Company. The arrangement provided that these executive officers would receive shares of restricted common stock of the Company that vested over three years, with the number of shares granted based upon achieving certain performance objectives. These objectives included, but were not limited to, net income adjusted for the provision for credit losses, deposit growth, efficiency ratio, net interest margin, and asset quality. Compensation expense for RSAs granted under the Historical Incentive Plan is recognized over the service period, which is equal to the vesting period of the shares based on the fair value of the shares at issue date.

In connection with its IPO in May 2021, the Company granted RSAs under the Equity Incentive Plan to certain employees, officers, executives, and non-employee directors. Shares granted to non-employee directors vested immediately upon grant, while shares granted to certain employees, officers, and executives vest ratably over three, five, or seven years (as defined in the respective agreements). Since the completion of the IPO, the Company has granted RSAs under the Equity Incentive Plan to certain executives, which vest ratably over three or five years (as defined in the respective agreements), and to

directors, which vest over one year. All RSAs were granted at the fair value of common stock at the time of the award. The RSAs are considered fixed awards, as the number of shares and fair value are known at the date of grant and the fair value at the grant date is amortized over the service period.

For both the three months ended March 31, 2025 and the three months ended March 31, 2024, \$0.3 million of non-cash stock compensation expense was recognized.

As of March 31, 2025, there was approximately \$2.1 million of unrecognized compensation expense related to the 111,786 unvested restricted shares. The holders of unvested RSAs are entitled to dividends at the same per-share ratio as holders of common stock. Tax benefits for dividends paid on unvested RSAs are recorded as tax benefits in the consolidated statements of income with a corresponding decrease to current taxes payable. Such tax benefits and related expense are expected to be recognized over the weighted average term remaining on the unvested restricted shares of 2.82 years as of March 31, 2025. The impact of tax benefits for dividends paid on unvested restricted stock on the Company's unaudited consolidated statements of income for the three months ended March 31, 2025 and March 31, 2024 was immaterial.

Table 7.2 summarizes activity related to restricted shares for the periods indicated.

Table 7.2: Unvested Restricted Share Activity

	For the three months ended March 31,			
	2025		2024	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Beginning of the period balance	120,577	\$ 21.36	69,338	\$ 20.53
Shares granted	10,485	30.89	96,380	21.97
Shares vested	(18,943)	22.33	(3,252)	28.51
Shares forfeited	(333)	21.97	(118)	20.00
End of the period balance	<u>111,786</u>	<u>\$ 22.08</u>	<u>162,348</u>	<u>\$ 21.22</u>

Note 8: Commitments and Contingencies

Financial Instruments with Off-Balance Sheet Risk

Some financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Substantially all of these commitments are at variable interest rates, based on an index, and have fixed expiration dates.

Off-balance sheet risk to loan loss exists up to the face amount of these instruments, although material losses are not anticipated. The Company uses the same credit policies in making commitments to originate loans and lines of credit as it does for on-balance sheet instruments, including obtaining collateral at exercise of the commitment. The contractual

amounts of unfunded loan commitments and standby letters of credit not reflected in the unaudited consolidated balance sheets at the dates indicated are presented in Table 8.1.

Table 8.1: Unfunded Loan Commitments and Standby Letters of Credit

<i>(in thousands)</i>	March 31, 2025	December 31, 2024
Commercial lines of credit	\$ 215,712	\$ 230,063
Undisbursed commercial real estate loans	96,558	98,508
Undisbursed construction loans	42,813	74,671
Agricultural lines of credit	26,371	21,155
Undisbursed residential real estate loans	6,164	7,225
Undisbursed agricultural real estate loans	135	—
Other	1,780	1,973
Total commitments and standby letters of credit	<u>\$ 389,533</u>	<u>\$ 433,595</u>

The Company records an allowance for credit losses on unfunded loan commitments at the consolidated balance sheet date based on estimates of the probability that these commitments will be drawn upon according to historical utilization experience of the different types of commitments and historical loss rates determined for pooled funded loans. The allowance for credit losses on unfunded commitments totaled \$0.5 million as of March 31, 2025 and \$0.7 million as of December 31, 2024, which is recorded in "Interest payable and other liabilities" in the unaudited consolidated balance sheets.

Concentrations of credit risk: The Company grants real estate mortgage, real estate construction, commercial, and consumer loans to customers primarily in Northern California. Although the Company has a diversified loan portfolio, a substantial portion is secured by commercial and residential real estate.

In management's judgment, a concentration of loans exists in real estate related loans, which represented approximately 86.62% of the Company's loan portfolio at March 31, 2025 and 86.41% of the Company's loan portfolio at December 31, 2024. Although management believes such concentrations have no more than the normal risk of collectability, a substantial decline in the economy in general, or a decline in real estate values in the Company's primary market areas in particular, could have an adverse impact on the collectability of these loans. Personal and business incomes represent the primary source of repayment for the majority of these loans.

Deposit concentrations: At March 31, 2025, the Company had 104 deposit relationships that exceeded \$5.0 million each, totaling \$2.3 billion, or approximately 60.87% of total deposits. The Company's largest single deposit relationship at March 31, 2025 totaled \$400.0 million, or approximately 10.71% of total deposits. Management maintains the Company's liquidity position and lines of credit with correspondent banks to mitigate the risk of large withdrawals by this group of large depositors.

Contingencies: The Company is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to such actions will not materially adversely affect the consolidated financial position or results of operations of the Company.

Correspondent banking agreements: The Company maintains funds on deposit with other FDIC-insured financial institutions under correspondent banking agreements. Uninsured deposits through these agreements totaled approximately \$37.8 million and \$29.2 million at March 31, 2025 and December 31, 2024, respectively.

Equity investments: The Company has committed to and is invested in a limited number of venture funds. As of March 31, 2025 and December 31, 2024, the estimated remaining commitment for these funds totaled \$14.6 million and \$10.8 million, respectively.

Litigation Matters

The Company is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to such actions will not materially adversely affect the consolidated financial position or results of operations of the Company.

Note 9: Subsequent Events

On April 17, 2025, the board of directors of the Company declared a cash dividend of \$0.20 per common share, which the Company expects to pay on May 12, 2025 to shareholders of record as of May 5, 2025.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion presents management's perspective on our results of operations and financial condition on a consolidated basis. However, because we conduct all of our material business operations through our bank subsidiary, Five Star Bank (the "Bank"), the discussion and analysis relates to activities primarily conducted by the Bank.

Management's discussion of the financial condition and results of operations, which is unaudited, should be read in conjunction with the related unaudited consolidated financial statements and accompanying notes in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and accompanying notes included in the 2024 Annual Report on Form 10-K, which was filed with the SEC on February 28, 2025. Average balances, including balances used in calculating certain financial ratios, are generally comprised of average daily balances.

Unless otherwise indicated, references in this report to "we," "our," "us," "the Company," or "Bancorp" refer to Five Star Bancorp and our consolidated subsidiary. All references to "the Bank" refer to Five Star Bank, our wholly owned subsidiary.

Cautionary Note Regarding Forward-Looking Statements

This report 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 our 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. To the extent that this discussion describes prior performance, the descriptions relate only to the periods listed, which may not be indicative of our future financial outcomes. We caution that the forward-looking statements are based largely on our 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 our control. Such forward-looking statements are based on various assumptions (some of which may be beyond our 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. Such risks and uncertainties include, but are not limited to:

- risks related to the concentration of our business in California, and specifically within Northern California, including risks associated with any downturn in the real estate sector;
- changes in market interest rates that affect the pricing of our loans and deposits, our net interest income, and our borrowers' ability to repay loans;
- changes in the U.S. economy, including an economic slowdown, recession, inflation, deflation, tariffs, housing prices, employment levels, rate of growth, and general business conditions;
- uncertain market conditions and economic trends nationally, regionally, and particularly in Northern California and California;
- the soundness of other financial institutions and the impacts related to or resulting from bank failures and other economic and industry volatility, including increased regulatory requirements and costs and potential impacts to macroeconomic conditions;
- the impact of recent and future legislative and regulatory changes, including changes in banking, securities, and tax laws and regulations and their application by our regulators;
- the effects of increased competition from a wide variety of local, regional, national, and other providers of financial and investment services;
- the risks associated with our loan portfolios, and specifically with our commercial real estate loans;
- our ability to maintain adequate liquidity and to maintain capital necessary to fund our growth strategy and operations and to satisfy minimum regulatory capital levels;
- risks related to our strategic focus on lending to small to medium-sized businesses;
- the sufficiency of the assumptions and estimates we make in establishing reserves for potential credit losses and the value of loan collateral and securities;
- our level of nonperforming assets and the costs associated with resolving problem loans, if any;

- our ability to comply with various governmental and regulatory requirements applicable to financial institutions, including supervisory actions by federal and state banking agencies;
- governmental monetary and fiscal policies, including the policies of the Federal Reserve;
- risks associated with unauthorized access, cybersecurity breaches, cyber-crime, and other threats and disruptions to data security;
- our ability to implement, maintain, and improve effective risk management framework, disclosure controls and procedures, and internal controls over financial reporting;
- our ability to adopt and successfully integrate new initiatives or technologies into our business in a strategic manner;
- our ability to attract and retain executive officers and key employees and their customer and community relationships;
- the impact of any future U.S. federal government shutdown and uncertainty regarding the U.S. federal government's debt limit and credit rating;
- the occurrence or impact of climate change or natural or man-made disasters or calamities, such as wildfires, droughts, mudslides, floods, and earthquakes, and particularly in California, and specifically Northern California;
- changes in and impact of local, regional, and global business, economic, and political conditions and geopolitical events, such as pandemics, civil unrest, wars, and acts of terrorism; and
- other factors that are discussed in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The foregoing factors could cause results or performance to materially differ from those expressed in our forward-looking statements, should not be considered exhaustive, and should be read together with other cautionary statements that are included in this report and those discussed in the section entitled "Risk Factors" of our 2024 Annual Report on Form 10-K and other filings we may make with the SEC, copies of which are available from us at no charge. New risks and uncertainties may emerge from time to time, and it is not possible for us to predict their occurrence or how they will affect us. If one or more of the factors affecting our forward-looking information and statements proves incorrect, then our actual results, performance, or achievements could differ materially from those expressed in, or implied by, forward-looking information and statements contained in this Quarterly Report on Form 10-Q. Therefore, we caution you not to place undue reliance on our forward-looking information and statements. We disclaim 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.

Company Overview

Headquartered in the greater Sacramento metropolitan area of California, Five Star Bancorp is a bank holding company that operates through its wholly owned subsidiary, Five Star Bank, a California state-chartered non-member bank. We provide a broad range of banking products and services to small and medium-sized businesses, professionals, and individuals primarily in Northern California through eight branch offices. Our mission is to 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. We refer to our mission as "purpose-driven and integrity-centered banking." At March 31, 2025, we had total assets of \$4.2 billion, total loans held for investment of \$3.6 billion, and total deposits of \$3.7 billion.

Critical Accounting Estimates

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Quarterly Reports on Form 10-Q and, therefore, do not include all footnotes as would be necessary for a fair presentation of financial position, results of operations and comprehensive income, changes in shareholders' equity, and cash flows in conformity with GAAP as contained within the FASB's ASC and the rules and regulations of the SEC, including the instructions to Regulation S-X. However, these interim unaudited consolidated financial statements reflect all adjustments (consisting solely of normal recurring adjustments and accruals) which, in the opinion of management, are necessary for a fair presentation of financial position, results of operations and comprehensive income, changes in shareholders' equity, and cash flows for the interim periods presented. These unaudited consolidated financial statements have been prepared on a basis consistent with, and should be read in conjunction with, the audited consolidated financial statements as filed in our 2024 Annual Report on Form 10-K and the notes thereto.

Our most significant accounting policies and our critical accounting estimates are described in greater detail in Note 1, Basis of Presentation, in our audited consolidated financial statements and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates included in our 2024 Annual Report on Form 10-K. We have identified accounting policies and estimates that, due to the difficult, subjective, or complex judgments and assumptions inherent in those policies and estimates and the potential sensitivity of our unaudited consolidated financial statements to those judgments and assumptions, are critical to an understanding of our consolidated financial condition and results of operations. We believe that the judgments, estimates, and assumptions used in the preparation of our financial statements are reasonable and appropriate, based on the information available at the time they were made. However, actual results may differ from those estimates, and these differences may be material. With the exception of the changes to the ACL described below, there have been no significant changes concerning our critical accounting estimates as described in our 2024 Annual Report on Form 10-K.

Pursuant to the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), as an emerging growth company, we can elect to opt out of the extended transition period for adopting any new or revised accounting standards. We have elected not to opt out of the extended transition period, which means that when a standard is issued or revised and it has different application dates for public and private companies, we may adopt the standard on the application date for private companies.

We have elected to take advantage of the scaled disclosures and other relief under the JOBS Act, and we may take advantage of some or all of the reduced regulatory and reporting requirements that will be available to us under the JOBS Act, so long as we qualify as an emerging growth company.

ACL

The ACL represents the estimated probable credit losses in our loan and investment portfolios and is estimated as of March 31, 2025 using CECL. The ACL is established through a provision for credit losses charged to operations. Loans and investments are charged against the ACL when management believes that the collectability of the principal is unlikely. Subsequent recoveries of previously charged-off amounts, if any, are credited to the ACL.

The ACL is evaluated on a regular basis by management in consideration of optimistic, moderate, and pessimistic current conditions, and is based on management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, prevailing economic conditions specifically impacting each loan type by purpose and by geography, and concentrations within the loan portfolio. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

A significant amount of the ACL is measured on a collective (pool) basis by loan and investment security type when similar risk characteristics exist. Pools are determined based primarily on regulatory reporting codes as the loans and investment securities within each pool share similar risk characteristics and there is sufficient historical peer loss data from the FFIEC to provide statistically meaningful support in the models developed. Reserves for credit losses identified on a pooled basis are then adjusted for qualitative and other environmental factors to reflect current conditions. The most significant components of the qualitative and environmental factors used to estimate the allowance for credit losses are adjustments relating to prevailing economic conditions, concentrations within the loan portfolio, and external factors. The prevailing economic conditions factor is estimated based on a range of potential economic conditions and is applied at both the portfolio and individual concentration level based on various factors. The concentrations within the loan portfolio factor is estimated based on concentrations at the loan pool level. The external factor is estimated based on current external factors, such as environmental factors, which could impact the loan portfolio.

During the twelve months ended December 31, 2024, we refined our methodology of measuring the ACL on three pools of loans: Multifamily, C&I SBA, and CRE Non-Owner Occupied loans. Within the Multifamily pool, Manufactured Home Community ("MHC") loans were segregated from traditional Multifamily as we identified a data source to provide sufficient historical peer loss data specific to MHC loans. This segregation now adjusts for differences in the risk characteristics and performance of MHCs compared to traditional Multifamily properties. Losses are estimated using a discounted cash flow analysis using individual probability of default and loss given default rates on a loan-by-loan basis. Applying this adjusted loss rate led to a decrease in the ACL for the MHC pool as of June 30, 2024 of approximately \$5.8 million. During routine monitoring of charge-off activity within the C&I SBA pool, we identified an increased level of charge-offs during the first six months of 2024, reflecting a change in the credit quality of the pool. In response to this, we increased the expected loss rates to be more in line with net charge-off rates during the first six months of 2024, as this time

period reflects what is expected based on our current economic outlook for loans in the C&I SBA pool. This adjustment reflects our estimate for future loss rates and increased the required reserves related to the C&I SBA pool by approximately \$4.6 million as of June 30, 2024. Within the CRE Non-Owner Occupied portfolio, RV Park loans were segregated from traditional CRE Non-Owner Occupied as we identified a data source to provide sufficient historical peer loss data specific to RV Park loans. This segregation now adjusts for differences in the risk characteristics and performance of RV Park loans compared to traditional CRE Non-Owner Occupied properties. We used calculations of individual probability of default and loss given default on a loan-by-loan basis to derive an estimated loss rate. Applying this adjusted loss rate led to a decrease in the ACL for the RV Park pool of approximately \$3.3 million as of September 30, 2024.

Executive Summary

Net income for the three months ended March 31, 2025 totaled \$13.1 million, as compared to net income of \$10.6 million for the three months ended March 31, 2024.

The following are highlights of our operating and financial performance, and financial condition for the dates and periods presented:

- **Deposits.** Total deposits increased by \$178.4 million, or 5.01%, from \$3.6 billion at December 31, 2024 to \$3.7 billion at March 31, 2025. Non-wholesale deposits increased by \$48.4 million in the first three months of 2025 to \$3.0 billion. Wholesale deposits, which the Company defines as brokered deposits and California Time Deposit Program deposits, increased by \$130.0 million in the first three months of 2025 to \$689.9 million. Non-interest-bearing deposits increased by \$11.0 million in the first three months of 2025 to \$933.7 million, and represented 24.99% of total deposits at March 31, 2025, as compared to 25.93% of total deposits at December 31, 2024. Our loan to deposit ratio was 97.01% at March 31, 2025, as compared to 99.38% at December 31, 2024.
- **Assets.** Total assets were \$4.2 billion at March 31, 2025, representing a \$191.8 million, or 4.73%, increase compared to \$4.1 billion at December 31, 2024.
- **Loans.** Total loans held for investment were \$3.6 billion at March 31, 2025, as compared to \$3.5 billion at December 31, 2024, an increase of \$89.1 million, or 2.52%. The increase was a result of \$259.3 million in loan originations and advances, partially offset by \$65.6 million and \$104.6 million in loan payoffs and paydowns, respectively. The \$89.1 million increase in total loans held for investment included \$19.8 million in purchases of loans within the consumer concentration of the loan portfolio.
- **Credit Quality.** Credit quality remains strong, with non-accrual loans representing \$1.8 million, or 0.05% of total loans held for investment, at both March 31, 2025 and December 31, 2024. The ratio of the allowance for credit losses to total loans held for investment was 1.08% at March 31, 2025 and 1.07% at December 31, 2024.
- **Net Interest Margin.** Net interest margin was 3.45% for the three months ended March 31, 2025, and 3.14% for the three months ended March 31, 2024. The increase in net interest margin for the three months ended March 31, 2025 compared to the three months ended March 31, 2024 was primarily due to a higher balance of loans with higher yields, partially offset by an increase in interest expense due to larger average deposit balances.
- **Efficiency Ratio.** Efficiency ratio was 42.58% for the three months ended March 31, 2025, down from 44.50% for the corresponding period of 2024, mainly due to a \$9.5 million, or 20.08%, increase in interest and fee income during the same period.
- **Capital Ratios.** All capital ratios were above well-capitalized regulatory thresholds as of March 31, 2025. The total risk-based capital ratio for the Company was 13.97% at March 31, 2025, as compared to 13.99% at December 31, 2024. The Tier 1 leverage ratio was 10.17% at March 31, 2025, as compared to 10.05% at December 31, 2024. For additional information about the regulatory capital requirements applicable to the Company and the Bank, see the section entitled “—Financial Condition Summary—Capital Adequacy” below.
- **Dividends.** The board of directors declared a cash dividend of \$0.20 per share on January 16, 2025.

Highlights of our financial results are presented in the following tables:

Table 1: Highlights of Financial Results

(dollars in thousands)

	March 31, 2025		December 31, 2024	
Selected financial condition data:				
Total assets	\$	4,245,057	\$	4,053,278
Total loans held for investment		3,621,819		3,532,686
Total deposits		3,736,354		3,557,994
Total subordinated notes, net		73,932		73,895
Total shareholders' equity		406,451		396,624
Asset quality ratios:				
Allowance for credit losses to total loans held for investment		1.08 %		1.07 %
Allowance for credit losses to nonperforming loans		2,222.32 %		2,101.78 %
Nonperforming loans to total loans held for investment		0.05 %		0.05 %
Capital ratios:				
Total capital (to risk-weighted assets)		13.97 %		13.99 %
Tier 1 capital (to risk-weighted assets)		11.00 %		11.02 %
Common equity Tier 1 capital (to risk-weighted assets)		11.00 %		11.02 %
Tier 1 leverage		10.17 %		10.05 %
Total shareholders' equity to total assets		9.57 %		9.79 %
Tangible shareholders' equity to tangible assets ¹		9.57 %		9.79 %

Table 2: Highlights of Financial Results (continued)

(dollars in thousands, except per share data)

	For the three months ended			
	March 31, 2025		March 31, 2024	
Selected operating data:				
Net interest income	\$	33,977	\$	26,744
Provision for credit losses		1,900		900
Non-interest income		1,359		1,833
Non-interest expense		15,045		12,716
Net income		13,111		10,631
Per common share data:				
Earnings per common share:				
Basic	\$	0.62	\$	0.62
Diluted	\$	0.62	\$	0.62
Book value per share	\$	19.06	\$	16.86
Tangible book value per share ²	\$	19.06	\$	16.86
Performance and other financial ratios:				
ROAA		1.30 %		1.22 %
ROAE		13.28 %		14.84 %
Net interest margin		3.45 %		3.14 %
Cost of funds		2.56 %		2.62 %
Efficiency ratio		42.58 %		44.50 %
Cash dividend payout ratio on common stock ³		32.26 %		32.26 %

¹ Tangible shareholders' equity to tangible assets is considered a non-GAAP financial measure. See the section entitled "Non-GAAP Financial Measures" for a reconciliation of our non-GAAP financial measures to the most directly comparable GAAP financial measure. Tangible shareholders' equity to tangible assets is defined as total equity less goodwill and other intangible assets, divided by total assets less goodwill and other intangible assets. The most directly comparable GAAP financial measure is total shareholders' equity to total assets. We had no goodwill or other intangible assets at the end of any period indicated. As a result, tangible shareholders' equity to tangible assets is the same as total shareholders' equity to total assets at the end of each of the periods indicated.

² Tangible book value per share is considered a non-GAAP financial measure. See the section entitled "Non-GAAP Financial Measures" for a reconciliation of our non-GAAP financial measures to the most directly comparable GAAP financial measure. 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.

³ Cash dividend payout ratio on common stock is calculated as dividends on common shares divided by basic earnings per common share.

RESULTS OF OPERATIONS

The following discussion of our results of operations compares the three months ended March 31, 2025 to the three months ended March 31, 2024. The results of operations for the three months ended March 31, 2025 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2025.

Net Interest Income

Net interest income is the most significant contributor to our net income. Net interest income represents interest income from interest-earning assets, such as loans and investments, less interest expense on interest-bearing liabilities, such as deposits, subordinated notes, and other borrowings, which are used to fund those assets. In evaluating our net interest income, we measure and monitor yields on our interest-earning assets and interest-bearing liabilities as well as trends in our net interest margin. Net interest margin is a ratio calculated as net interest income divided by total interest-earning assets for the same period. We manage our earning assets and funding sources in order to maximize this margin while limiting credit risk and interest rate sensitivity to our established risk appetite levels. Changes in market interest rates and competition in our market typically have the largest impact on periodic changes in our net interest margin.

Net interest income increased by \$7.2 million, or 27.05%, for the three months ended March 31, 2025, compared to the three months ended March 31, 2024, and our net interest margin increased 31 basis points during the same period. The increase was primarily due to an increase in interest income driven by a higher balance of loans with higher yields, partially offset by an increase in interest expense due to larger average deposit balances. Additional detail relating to net interest margin in each period is provided below.

Average balance sheet, interest, and yield/rate analysis. Table 3 presents average balance sheet information, interest income, interest expense, and the corresponding average yield earned or rate paid for each period reported. The average balances are daily averages and include both performing and nonperforming loans.

Table 3: Average Balances, Interest, and Yield/Rate

<i>(dollars in thousands)</i>	For the three months ended March 31, 2025			For the three months ended March 31, 2024		
	Average Balance	Interest Income/Expense	Average Yield/Rate	Average Balance	Interest Income/Expense	Average Yield/Rate
Assets						
Interest-earning deposits in banks ¹	\$ 328,571	\$ 3,575	4.41 %	\$ 233,002	\$ 3,102	5.35 %
Investment securities ^{1,2}	100,474	581	2.34 %	109,177	653	2.41 %
Loans held for investment and sale ^{1,3}	3,567,992	52,931	6.02 %	3,082,290	43,786	5.71 %
Total interest-earning assets ¹	3,997,037	57,087	5.79 %	3,424,469	47,541	5.58 %
Interest receivable and other assets, net ⁴	93,543			93,983		
Total assets	\$ 4,090,580			\$ 3,518,452		
Liabilities and shareholders' equity						
Interest-bearing transaction accounts ¹	\$ 303,822	\$ 1,112	1.48 %	\$ 300,325	\$ 1,126	1.51 %
Savings accounts ¹	123,599	772	2.53 %	124,561	861	2.78 %
Money market accounts ¹	1,540,879	12,435	3.27 %	1,410,264	12,155	3.47 %
Time accounts ¹	706,528	7,629	4.38 %	429,586	5,369	5.03 %
Subordinated notes and other borrowings ¹	73,908	1,162	6.37 %	82,775	1,286	6.25 %
Total interest-bearing liabilities	2,748,736	23,110	3.41 %	2,347,511	20,797	3.56 %
Demand accounts	910,954			842,105		
Interest payable and other liabilities	30,389			40,730		
Shareholders' equity	400,501			288,106		
Total liabilities and shareholders' equity	\$ 4,090,580			\$ 3,518,452		
Net interest spread ⁵			2.38 %			2.02 %
Net interest income/margin ⁶		\$ 33,977	3.45 %		\$ 26,744	3.14 %

- ¹ Interest income/expense is divided by the actual number of days in the period multiplied by the actual number of days in the year to correspond to stated interest rate terms, where applicable.
- ² Yields on available-for-sale securities are calculated based on fair value. Investment security interest is earned monthly on a 30/360 day basis. Yields are not calculated on a tax-equivalent basis.
- ³ Non-accrual loans are included in total loan balances. No adjustment has been made for these loans in the yield calculations. Interest income on loans includes amortization of deferred loan fees, net of deferred loan costs. Allowance for credit losses is not included in total loan balances.
- ⁴ Allowance for credit losses is included in interest receivable and other assets, net.
- ⁵ Net interest spread represents the average yield earned on interest-earning assets minus the average rate paid on interest-bearing liabilities.
- ⁶ Net interest margin is computed by calculating the difference between interest income and interest expense, divided by the average balance of interest-earning assets, then annualized based on the number of days in the given period.

Analysis of changes in interest income and expenses. Increases and decreases in interest income and interest expense result from changes in average balances (volume) of interest-earning assets and interest-bearing liabilities, as well as changes in average yields/rates. Table 4 shows the effect that these factors had on the interest earned from our interest-earning assets and interest incurred on our interest-bearing liabilities. The effect of changes in volume is determined by multiplying the change in volume by the current period's average yield/rate. The effect of rate changes is calculated by multiplying the change in average yield/rate by the previous period's volume. Changes not solely attributable to volume or yields/rates have been allocated in proportion to the respective volume and yield/rate components.

Table 4: Interest Income and Expense Change Analysis

<i>(dollars in thousands)</i>	For the three months ended March 31, 2025 compared to the three months ended March 31, 2024		
	Volume	Yield/Rate	Total Increase (Decrease)
Interest-earning deposits in banks	\$ 995	\$ (522)	\$ 473
Investment securities	(53)	(19)	(72)
Loans held for investment and sale	6,916	2,229	9,145
Total interest-earning assets	7,858	1,688	9,546
Interest-bearing transaction accounts	37	(51)	(14)
Savings accounts	(6)	(83)	(89)
Money market accounts	787	(507)	280
Time accounts	2,939	(679)	2,260
Subordinated notes and other borrowings	(152)	28	(124)
Total interest-bearing liabilities	3,605	(1,292)	2,313
Changes in net interest income/margin	\$ 4,253	\$ 2,980	\$ 7,233

Net interest income during the three months ended March 31, 2025 increased by \$7.2 million, or 27.05%, to \$34.0 million compared to \$26.7 million during the three months ended March 31, 2024. Net interest margin totaled 3.45% for the three months ended March 31, 2025, an increase of 31 basis points compared to the same quarter of the prior year. The increase in net interest income is primarily attributable to an additional \$9.1 million in loan interest income due to a \$485.7 million, or 15.76%, increase in the average balance of loans and a 31 basis point improvement in the average yield on loans during the three months ended March 31, 2025 compared to the same quarter of the prior year. The increase in interest income was partially offset by a \$2.4 million increase in deposit interest expense compared to the same quarter of the prior year. The increase in deposit interest expense is primarily attributable to a \$478.9 million, or 15.42%, increase in the average balance of deposits and a five basis point increase in the average cost of deposits during the three months ended March 31, 2025 compared to the same quarter of the prior year.

Provision for Credit Losses

The provision for credit losses is based on management's assessment of the adequacy of our allowance for credit losses. Factors impacting the provision include inherent risk characteristics in our loan portfolio, the level of nonperforming loans and net charge-offs, both current and historic, local economic and credit conditions, the direction of the change in collateral values, and the funding probability on unfunded lending commitments. The provision for credit losses is charged against earnings in order to maintain our allowance for credit losses, which reflects management's best estimate of forecasted life of loan losses in our loan portfolio at the balance sheet date.

We recorded a \$1.9 million provision for credit losses in the first quarter of 2025, compared to a \$0.9 million provision for credit losses for the same period of 2024. The provision recorded during the three months ended March 31, 2025 reflects loan growth and adjustments to expectations for credit losses based on economic trends and forecasts at the time.

Non-interest Income

Non-interest income is a secondary contributor to our net income, following interest income. Non-interest income consists of service charges on deposit accounts, net gain on sale of securities, gain on sale of loans, loan-related fees, FHLB stock dividends, earnings on BOLI, and other income.

Table 5 details the components of non-interest income for the periods indicated.

Table 5: Non-interest Income

<i>(dollars in thousands)</i>	For the three months ended		\$ Change	% Change
	March 31, 2025	March 31, 2024		
Service charges on deposit accounts	\$ 215	\$ 188	\$ 27	14.36 %
Gain on sale of loans	125	369	(244)	(66.12)%
Loan-related fees	448	429	19	4.43 %
FHLB stock dividends	331	332	(1)	(0.30)%
Earnings on BOLI	161	142	19	13.38 %
Other income	79	373	(294)	(78.82)%
Total non-interest income	\$ 1,359	\$ 1,833	\$ (474)	(25.86)%

Gain on sale of loans. The decrease related primarily to an overall decline in the volume of loans sold, partially offset by an improvement in the effective yield of loans sold. During the three months ended March 31, 2025, approximately \$1.7 million of loans were sold with an effective yield of 7.24%, as compared to approximately \$5.2 million of loans sold with an effective yield of 7.08% during the three months ended March 31, 2024.

Other income. The decrease related primarily to \$0.3 million of income received on equity investments in venture-backed funds during the three months ended March 31, 2024, which did not reoccur during the three months ended March 31, 2025.

Non-interest Expense

Non-interest expense includes salaries and employee benefits, occupancy and equipment, data processing and software, FDIC insurance, professional services, advertising and promotional, loan-related expenses, and other operating expenses. In evaluating our level of non-interest expense, we closely monitor the Company's efficiency ratio, which is calculated as non-interest expense divided by the sum of net interest income and non-interest income. We constantly seek to identify ways to streamline our business and operate more efficiently in order to reduce our non-interest expense over time as a percentage of our revenue, while continuing to achieve growth in total loans and assets.

Over the past several years, we have invested significant resources in personnel, technology, and infrastructure. As we execute initiatives based on growth, we expect non-interest expense to grow. Non-interest expense has increased throughout the periods presented below; however, we expect our efficiency ratio will improve going forward due, in part, to our past investment in infrastructure.

Table 6 details the components of non-interest expense for the periods indicated.

Table 6: Non-interest Expense

<i>(dollars in thousands)</i>	For the three months ended		\$ Change	% Change
	March 31, 2025	March 31, 2024		
Salaries and employee benefits	\$ 9,134	\$ 7,577	\$ 1,557	20.55 %
Occupancy and equipment	637	626	11	1.76 %
Data processing and software	1,457	1,157	300	25.93 %
FDIC insurance	455	400	55	13.75 %
Professional services	913	707	206	29.14 %
Advertising and promotional	522	460	62	13.48 %
Loan-related expenses	319	297	22	7.41 %
Other operating expenses	1,608	1,492	116	7.77 %
Total non-interest expense	\$ 15,045	\$ 12,716	\$ 2,329	18.32 %

Salaries and employee benefits. The increase related primarily to: (i) a \$1.6 million increase in salaries, benefits, and bonus expense, mainly related to a 13.19% increase in headcount between March 31, 2024 and March 31, 2025; and (ii) a \$0.1 million increase in commissions paid. This increase was partially offset by a \$0.2 million increase in loan origination costs due to a greater number of loan originations, net of purchased consumer loans, period-over-period.

Data processing and software. The increase was primarily due to: (i) increased usage of our digital banking platform; (ii) higher transaction volumes related to the increased number of loan and deposit accounts; and (iii) an increased number of licenses required for new users on our loan origination and documentation system.

Professional services. The increase was primarily due to \$0.1 million in fees paid for compensation consulting services and \$0.1 million in consulting services relating to operations in San Francisco, neither of which occurred in the three months ended March 31, 2024.

Other operating expenses. The increase was primarily due to individually immaterial increases in expenses related to operations, including administrative and operational expenses such as travel, subscriptions, and professional association memberships.

Provision for Income Taxes

The provision for income taxes was \$5.3 million for the three months ended March 31, 2025, a \$1.0 million increase from the three months ended March 31, 2024. This increase was primarily driven by an increase in taxable income. The effective tax rates were 28.71% and 28.94% for the three months ended March 31, 2025 and March 31, 2024, respectively.

FINANCIAL CONDITION SUMMARY

The following discussion compares our financial condition as of March 31, 2025 to our financial condition as of December 31, 2024. Table 7 summarizes selected components of our unaudited consolidated balance sheets as of March 31, 2025 and December 31, 2024.

Table 7: Selected Components of Consolidated Balance Sheets (Unaudited)

<i>(dollars in thousands)</i>	March 31, 2025		December 31, 2024	
Total assets	\$	4,245,057	\$	4,053,278
Cash and cash equivalents		452,571		352,343
Total investments		99,696		100,914
Loans held for investment		3,621,819		3,532,686
Total deposits		3,736,354		3,557,994
Subordinated notes, net		73,932		73,895
Total shareholders' equity		406,451		396,624

Total Assets

At March 31, 2025, total assets were \$4.2 billion, an increase of \$191.8 million from \$4.1 billion at December 31, 2024, primarily due to a \$100.2 million increase in cash and cash equivalents and an \$89.1 million increase in total loans held for investment. The \$89.1 million increase in total loans held for investment between December 31, 2024 and March 31, 2025 was a result of \$259.3 million in loan originations and advances, partially offset by \$65.6 million and \$104.6 million in loan payoffs and paydowns, respectively. The \$89.1 million increase in total loans held for investment included \$19.8 million in purchases of loans within the consumer concentration of the loan portfolio.

Cash and Cash Equivalents

Total cash and cash equivalents were \$452.6 million at March 31, 2025, an increase of \$100.2 million from \$352.3 million at December 31, 2024. The increase in cash and cash equivalents was primarily due to net cash inflows related to financing and operating activities of \$174.1 million and \$15.5 million, respectively, partially offset by net cash outflows related to investing activities of \$89.3 million.

Investment Portfolio

Our investment portfolio is primarily comprised of U.S. government agency securities, mortgage-backed securities, and obligations of states and political subdivisions, which are high-quality liquid investments. We manage our investment portfolio according to written investment policies approved by our board of directors. Our investment strategy is designed to maximize earnings while maintaining liquidity with minimal credit and interest rate risk. Most of our securities are classified as available-for-sale, although we have one long-term, fixed rate municipal security classified as held-to-maturity.

Our total securities available-for-sale and held-to-maturity amounted to \$99.7 million at March 31, 2025 and \$100.9 million at December 31, 2024, representing a decrease of \$1.2 million during the same period. The decrease to available-for-sale securities was primarily due to maturities, prepayments, and calls of \$2.0 million and an unrealized gain on securities of \$1.0 million, with the remainder of the change due to amortization of premiums. For the three months ended March 31, 2025, other comprehensive gain was \$0.7 million, primarily due to rate changes and other market conditions on securities during that period.

Table 8 presents the carrying value of our investment portfolio as of the dates indicated.

Table 8: Carrying Value of Investment Securities

<i>(dollars in thousands)</i>	As of			
	March 31, 2025		December 31, 2024	
	Carrying Value	% of Total	Carrying Value	% of Total
Available-for-sale (at fair value):				
U.S. government agency securities	\$ 7,574	7.60 %	\$ 8,345	8.27 %
Mortgage-backed securities	50,297	50.44 %	50,570	50.10 %
Obligations of states and political subdivisions	37,072	37.19 %	37,137	36.80 %
Collateralized mortgage obligations	267	0.27 %	279	0.28 %
Corporate bonds	1,901	1.91 %	1,863	1.85 %
Total available-for-sale	97,111	97.41 %	98,194	97.30 %
Held-to-maturity (at amortized cost):				
Obligations of states and political subdivisions	2,585	2.59 %	2,720	2.70 %
Total	\$ 99,696	100.00 %	\$ 100,914	100.00 %

Table 9 presents the carrying value of our securities by their stated maturities, as well as the weighted average yields for each maturity range, as of the dates shown.

Table 9: Stated Maturities and Weighted Average Yields - Investment Securities

(dollars in thousands)	Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years		Total	
	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield
March 31, 2025										
Available-for-sale:										
U.S. government agency securities	\$ 69	2.02 %	\$ 1,268	4.51 %	\$ 345	2.01 %	\$ 5,892	4.87 %	\$ 7,574	4.65 %
Mortgage-backed securities	—	— %	—	— %	493	2.74 %	49,804	1.73 %	50,297	1.74 %
Obligations of states and political subdivisions	—	— %	738	1.16 %	9,282	1.66 %	27,052	1.79 %	37,072	1.74 %
Collateralized mortgage obligations	—	— %	—	— %	267	1.76 %	—	— %	267	1.76 %
Corporate bonds	—	— %	1,901	1.25 %	—	— %	—	— %	1,901	1.25 %
Total available-for-sale	69	2.02 %	3,907	2.29 %	10,387	1.72 %	82,748	1.98 %	97,111	1.96 %
Held-to-maturity:										
Obligations of states and political subdivisions	195	6.00 %	905	6.00 %	1,315	6.00 %	170	6.00 %	2,585	6.00 %
Total	\$ 264	4.96 %	\$ 4,812	2.99 %	\$ 11,702	2.20 %	\$ 82,918	1.98 %	\$ 99,696	2.07 %
December 31, 2024										
Available-for-sale:										
U.S. government agency securities	\$ —	— %	\$ 1,583	5.00 %	\$ 338	2.01 %	\$ 6,424	5.65 %	\$ 8,345	5.38 %
Mortgage-backed securities	—	— %	—	— %	508	2.74 %	50,062	1.74 %	50,570	1.75 %
Obligations of states and political subdivisions	—	— %	737	1.17 %	8,108	1.62 %	28,292	1.79 %	37,137	1.74 %
Collateralized mortgage obligations	—	— %	—	— %	279	1.76 %	—	— %	279	1.76 %
Corporate bonds	—	— %	1,863	1.25 %	—	— %	—	— %	1,863	1.25 %
Total available-for-sale	—	— %	4,183	2.65 %	9,233	1.70 %	84,778	2.05 %	98,194	2.04 %
Held-to-maturity:										
Obligations of states and political subdivisions	210	6.00 %	945	6.00 %	1,380	6.00 %	185	6.00 %	2,720	6.00 %
Total	\$ 210	6.00 %	\$ 5,128	3.27 %	\$ 10,613	2.26 %	\$ 84,963	2.06 %	\$ 100,914	2.15 %

Weighted average yield for securities available-for-sale is the projected yield to maturity given current cash flow projections for U.S. government agency securities, mortgage-backed securities, and collateralized mortgage obligations. For callable municipal securities and corporate bonds, weighted average yield is a yield to worst. Weighted average yield for securities held-to-maturity is the stated coupon of the bond.

Loan Portfolio

Our loan portfolio is our largest class of interest-earning assets and typically provides higher yields than other types of interest-earning assets. Associated with the higher yields is an inherent amount of credit risk, which we attempt to mitigate with strong underwriting standards. As of March 31, 2025 and December 31, 2024, our total loans amounted to \$3.6 billion and \$3.5 billion, respectively. Table 10 presents the balance and associated percentage of each major product type within our portfolio as of the dates indicated.

Table 10: Loans Outstanding

<i>(dollars in thousands)</i>	As of			
	March 31, 2025		December 31, 2024	
	Amount	% of Loans	Amount	% of Loans
Loans held for investment:				
Real estate:				
Commercial	\$ 2,941,201	81.11 %	\$ 2,857,173	80.75 %
Commercial land and development	3,556	0.10 %	3,849	0.11 %
Commercial construction	113,002	3.12 %	111,318	3.15 %
Residential construction	5,747	0.16 %	4,561	0.13 %
Residential	34,053	0.94 %	32,774	0.93 %
Farmland	43,643	1.20 %	47,241	1.34 %
Commercial:				
Secured	170,525	4.70 %	170,548	4.82 %
Unsecured	34,970	0.96 %	27,558	0.78 %
Consumer and other	277,093	7.64 %	279,584	7.90 %
Loans held for investment, gross	<u>3,623,790</u>	<u>99.93 %</u>	<u>3,534,606</u>	<u>99.91 %</u>
Loans held for sale:				
Commercial	2,669	0.07 %	3,247	0.09 %
Total loans, gross	<u>3,626,459</u>	<u>100.00 %</u>	<u>3,537,853</u>	<u>100.00 %</u>
Net deferred loan fees	(1,971)		(1,920)	
Total loans	<u>\$ 3,624,488</u>		<u>\$ 3,535,933</u>	

Commercial real estate loans consist of term loans secured by a mortgage lien on the real property, such as office and industrial buildings, manufactured home communities, self-storage facilities, hospitality properties, faith-based properties, retail shopping centers, and apartment buildings, as well as commercial real estate construction loans that are offered to builders and developers.

Commercial land and development and commercial construction loans consist of loans made to fund commercial land acquisition and development and commercial construction, respectively. The real estate purchased with these loans is generally located in or near our market.

Residential real estate and construction real estate loans consist of loans secured by single-family and multifamily residential properties, which are both owner-occupied and investor-owned.

Farmland loans consist of loans used to purchase, refinance, or improve farmland secured by farming properties themselves. The farmland is generally located in or near our market.

Commercial loans consist of financing for commercial purposes in various lines of business, including manufacturing, service industry, and professional service areas. Commercial loans can be secured or unsecured but are generally secured with the assets of the company and/or the personal guaranty of the business owner(s).

Consumer and other loans consist primarily of loans purchased in a loan purchase program with a non-bank lender, generally made to professionals for the purpose of large personal or household purchases. The loans are unsecured, fixed rate loans. Consumer and other loans also include loans purchased or originated through financing partnerships which are no longer active.

Table 11 presents the commercial real estate loan balance, associated percentage of commercial real estate concentrations, estimated real estate collateral values, and related loan-to-value (“LTV”) ranges by collateral type as of the dates indicated. Revolving lines of credit with zero balance and 0.00% LTV are excluded from this table. Collateral values are determined at origination using third-party real estate appraisals or evaluations. Updated appraisals, which are included in Table 11, may be obtained for loans that are downgraded to watch or substandard. Loans over \$2.0 million are reviewed annually, at which time an internal assessment of collateral values is completed.

Table 11: Commercial Real Estate Loans

<i>(dollars in thousands)</i>	Loan Balance	% of Commercial Real Estate	Collateral Value	Minimum LTV	Maximum LTV
March 31, 2025					
Manufactured home community	\$ 918,864	31.24 %	\$ 1,637,759	14.15 %	74.52 %
RV Park	378,525	12.87 %	661,462	17.87 %	75.00 %
Retail	272,441	9.26 %	549,633	5.51 %	72.46 %
Industrial	237,128	8.06 %	527,874	3.68 %	91.90 %
Mini storage	198,126	6.74 %	393,377	16.14 %	68.72 %
Faith-based	187,733	6.38 %	498,447	9.29 %	74.90 %
Multifamily	185,543	6.31 %	395,489	14.28 %	74.80 %
All other types ¹	562,841	19.14 %	1,214,600	— %	134.92 %
Total ²	<u>\$ 2,941,201</u>	<u>100.00 %</u>	<u>\$ 5,878,641</u>		
December 31, 2024					
Manufactured home community	\$ 891,935	31.22 %	\$ 1,586,109	14.24 %	74.52 %
RV Park	371,733	13.01 %	648,272	17.94 %	75.00 %
Retail	283,394	9.92 %	569,677	6.49 %	72.80 %
Industrial	224,860	7.87 %	500,307	4.56 %	73.91 %
Faith-based	184,151	6.45 %	492,030	9.35 %	74.67 %
Mini storage	177,854	6.22 %	361,437	16.23 %	69.19 %
Multifamily	172,592	6.04 %	371,634	14.35 %	75.00 %
Office	145,986	5.11 %	338,474	5.03 %	73.64 %
All other types ¹	404,668	14.16 %	855,084	4.00 %	112.07 %
Total ²	<u>\$ 2,857,173</u>	<u>100.00 %</u>	<u>\$ 5,723,024</u>		

¹ Types of collateral in the “all other types” category are those that individually make up less than 5.00% of the commercial real estate concentration.

² Minimum LTV and maximum LTV not shown for aggregated totals, as such values are meaningful only when presented by specific category.

Over the past several years, we have experienced significant growth in our loan portfolio, although the relative composition of the portfolio has not changed materially. Our primary focus remains commercial real estate lending (including commercial, commercial land and development, and commercial construction), which constitutes 84.33% of loans held for investment at March 31, 2025. Commercial secured lending represents 4.70% of loans held for investment at March 31, 2025. We sell the guaranteed portion of all SBA 7(a) loans in the secondary market and will continue to do so as long as market conditions continue to be favorable.

We recognize that our commercial real estate loan concentration is significant within our balance sheet. Commercial real estate loan balances as a percentage of risk-based capital were 576.23% and 571.91% as of March 31, 2025 and December 31, 2024, respectively. We have established internal concentration limits in the loan portfolio for commercial real estate loans by sector (e.g., manufactured home communities, self-storage, hospitality, etc.). All loan sectors were within our established limits as of March 31, 2025. Additionally, our loans are geographically concentrated with borrowers and collateralized properties primarily in California.

We believe that our past success is attributable to focusing on products and markets where we have significant expertise. Given our concentrations, we have established strong risk management practices, including risk-based lending standards, self-established product and geographical limits, annual evaluations of income property loans, and semi-annual top-down and bottom-up stress testing. We expect to continue growing our loan portfolio. We do not expect our product or geographic concentrations to materially change.

Table 12 sets forth the contractual maturities of our loan portfolio as of the dates indicated.

Table 12: Contractual Maturities - Gross Loans

<i>(dollars in thousands)</i>	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 15 years	Due after 15 years	Total
March 31, 2025					
Real estate:					
Commercial	\$ 33,352	\$ 402,919	\$ 2,423,349	\$ 81,581	\$ 2,941,201
Commercial land and development	2,257	377	922	—	3,556
Commercial construction	6,377	83,321	23,304	—	113,002
Residential construction	3,746	2,001	—	—	5,747
Residential	3,527	7,559	22,061	906	34,053
Farmland	241	10,509	32,893	—	43,643
Commercial:					
Secured	43,899	49,664	79,224	407	173,194
Unsecured	3,535	12,639	18,796	—	34,970
Consumer and other	236	14,656	262,201	—	277,093
Total	\$ 97,170	\$ 583,645	\$ 2,862,750	\$ 82,894	\$ 3,626,459
December 31, 2024					
Real estate:					
Commercial	\$ 35,682	\$ 362,077	\$ 2,383,655	\$ 75,759	\$ 2,857,173
Commercial land and development	2,433	438	978	—	3,849
Commercial construction	9,378	64,407	37,533	—	111,318
Residential construction	3,310	1,251	—	—	4,561
Residential	324	9,486	22,045	919	32,774
Farmland	—	6,632	40,609	—	47,241
Commercial:					
Secured	56,630	46,722	70,035	408	173,795
Unsecured	2,500	10,552	14,506	—	27,558
Consumer and other	161	13,964	265,459	—	279,584
Total	\$ 110,418	\$ 515,529	\$ 2,834,820	\$ 77,086	\$ 3,537,853

Table 13 sets forth the sensitivity to interest rate changes of our loan portfolio as of the dates shown.

Table 13: Sensitivity to Interest Rates - Gross Loans

(dollars in thousands)

	Fixed Interest Rates	Floating or Adjustable Rates	Total
March 31, 2025			
Real estate:			
Commercial	\$ 603,698	\$ 2,337,503	\$ 2,941,201
Commercial land and development	1,401	2,155	3,556
Commercial construction	—	113,002	113,002
Residential construction	—	5,747	5,747
Residential	4,466	29,587	34,053
Farmland	4,819	38,824	43,643
Commercial:			
Secured	48,316	124,878	173,194
Unsecured	23,636	11,334	34,970
Consumer and other	276,968	125	277,093
Total	\$ 963,304	\$ 2,663,155	\$ 3,626,459

December 31, 2024

Real estate:			
Commercial	\$ 587,825	\$ 2,269,348	\$ 2,857,173
Commercial land and development	1,416	2,433	3,849
Commercial construction	—	111,318	111,318
Residential construction	—	4,561	4,561
Residential	4,495	28,279	32,774
Farmland	4,873	42,368	47,241
Commercial:			
Secured	48,587	125,208	173,795
Unsecured	19,988	7,570	27,558
Consumer and other	279,458	126	279,584
Total	\$ 946,642	\$ 2,591,211	\$ 3,537,853

Asset Quality

We manage the quality of our loans based upon trends at the overall loan portfolio level, as well as within each product type. We measure and monitor key factors that include the level and trend of classified, delinquent, non-accrual, and nonperforming assets, collateral coverage, credit scores, and debt service coverage, where applicable. These metrics directly impact our evaluation of the adequacy of our allowance for credit losses.

Our primary objective is to maintain a high level of asset quality in our loan portfolio. We believe our underwriting policies and practices, executed by experienced professionals, appropriately govern the risk profile for our loan portfolio. These policies are continually evaluated and updated as necessary. All loans are assessed and assigned a risk classification at origination based on underlying characteristics of the transaction, such as collateral cash flow, collateral coverage, and borrower strength. We believe that we have a comprehensive methodology to proactively monitor our credit quality after the origination process. Particular emphasis is placed on our commercial portfolio, where risk assessments are reevaluated as a result of reviewing commercial property operating statements and borrower financials. On an ongoing basis, we also monitor payment performance, delinquencies, and tax and property insurance compliance. We design our practices to facilitate the early detection and remediation of problems within our loan portfolio. Assigned risk classifications are an integral part of management's assessment of the adequacy of our ACL. We periodically employ the use of an independent consulting firm to evaluate our underwriting and risk assessment process. Like other financial institutions, we are subject to

the risk that our loan portfolio will be exposed to increasing pressures from deteriorating borrower credit due to general economic conditions and rising interest rates.

Nonperforming Assets

Our nonperforming assets consist of nonperforming loans and foreclosed real estate, if any. Nonperforming loans consist of non-accrual loans and loans contractually past due by 90 days or more and still accruing. Loans on which the accrual of interest has been discontinued are designated as non-accrual loans. Accrual of interest on loans is discontinued either when reasonable doubt exists as to the full and timely collection of interest or principal or when a loan becomes contractually past due by 90 days or more with respect to interest or principal. When a loan is placed on non-accrual status, all interest previously accrued, but not collected, is reversed against current period interest income. Income on such loans is then recognized only to the extent that cash is received and where the future collection of principal is probable. Interest accruals are resumed on such loans only when they are brought fully current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to both principal and interest.

SBA Loans

During the three months ended March 31, 2025, the Company sold five SBA 7(a) loans with government-guaranteed portions totaling approximately \$1.7 million. The Company received gross proceeds of \$1.8 million on the loans sold during the three months ended March 31, 2025, resulting in the recognition of net gains on sale of \$0.1 million during the period.

Non-accrual Loans

Table 14 provides details of our nonperforming and restructured assets and certain other related information as of the dates presented.

Table 14: Nonperforming and Restructured Assets

<i>(dollars in thousands)</i>	As of	
	March 31, 2025	December 31, 2024
Non-accrual loans:		
Real estate:		
Commercial	\$ 1,722	\$ 1,750
Commercial:		
Secured	43	48
Total non-accrual loans	1,765	1,798
Loans past due 90 days or more and still accruing:		
Total loans past due and still accruing	—	—
Total nonperforming loans	1,765	1,798
Real estate owned	91	87
Total nonperforming assets	\$ 1,856	\$ 1,885
Performing LMs (not included above)	\$ —	\$ —
Allowance for credit losses to period end nonperforming loans	2,222.32 %	2,101.78 %
Nonperforming loans to loans held for investment	0.05 %	0.05 %
Nonperforming assets to total assets	0.04 %	0.05 %
Nonperforming loans plus performing LMs to loans held for investment	0.05 %	0.05 %

The ratio of nonperforming loans to loans held for investment was 0.05% at March 31, 2025, which is unchanged from December 31, 2024.

Potential Problem Loans

We utilize a risk grading system for our loans to aid us in evaluating the overall credit quality of our real estate loan portfolio and assessing the adequacy of our allowance for credit losses. All loans are grouped into a risk category at the time of origination. Commercial real estate loans over \$2.0 million are reevaluated at least annually for proper classification in conjunction with our review of property and borrower financial information. All loans are reevaluated for proper risk grading as new information such as payment patterns, collateral condition, and other relevant information comes to our attention.

The banking industry defines loans graded substandard or doubtful as “classified” loans. Table 15 shows our levels of classified loans as of the periods indicated.

Table 15: Gross Loans Held for Investment by Credit Quality Risk Rating

(dollars in thousands)

	Pass	Watch	Substandard	Doubtful	Total
March 31, 2025					
Real estate:					
Commercial	\$ 2,839,218	\$ 98,330	\$ 3,653	\$ —	\$ 2,941,201
Commercial land and development	3,556	—	—	—	3,556
Commercial construction	113,002	—	—	—	113,002
Residential construction	5,747	—	—	—	5,747
Residential	34,053	—	—	—	34,053
Farmland	42,354	1,289	—	—	43,643
Commercial:					
Secured	158,117	12,365	43	—	170,525
Unsecured	34,970	—	—	—	34,970
Consumer and other	277,085	—	8	—	277,093
Total	\$ 3,508,102	\$ 111,984	\$ 3,704	\$ —	\$ 3,623,790

December 31, 2024

Real estate:					
Commercial	\$ 2,746,594	\$ 107,992	\$ 2,587	\$ —	\$ 2,857,173
Commercial land and development	3,849	—	—	—	3,849
Commercial construction	111,318	—	—	—	111,318
Residential construction	4,561	—	—	—	4,561
Residential	32,774	—	—	—	32,774
Farmland	45,948	1,293	—	—	47,241
Commercial:					
Secured	156,381	14,119	48	—	170,548
Unsecured	27,558	—	—	—	27,558
Consumer and other	279,575	—	9	—	279,584
Total	\$ 3,408,558	\$ 123,404	\$ 2,644	\$ —	\$ 3,534,606

Loans designated as watch and substandard, which are not considered adversely classified, decreased to \$115.7 million at March 31, 2025 from \$126.0 million at December 31, 2024. There were no loans with doubtful risk grades at March 31, 2025 or December 31, 2024.

Allowance for Credit Losses

The allowance for credit losses is established through a provision for credit losses charged to operations. Provisions are charged against the allowance for credit losses when management believes that the collectability of the principal is unlikely. Subsequent recoveries of previously charged-off amounts, if any, are credited to the allowance for credit losses.

The allowance for credit losses is evaluated on a regular basis by management and is based on management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

At March 31, 2025, the Company's allowance for credit losses was \$39.2 million, as compared to \$37.8 million at December 31, 2024. The \$1.4 million increase in the allowance is due to a \$2.2 million provision for credit losses recorded during the three months ended March 31, 2025, partially offset by net charge-offs mainly attributable to commercial and industrial loans of \$0.7 million, during the same period.

While the entire allowance for credit losses is available to absorb losses from any and all loans, Table 16 represents management's allocation of our allowance for credit losses by loan category, and the balance of loans in each category as a percentage of total loans, for the periods indicated.

Table 16: Allocation of the Allowance for Credit Losses

<i>(dollars in thousands)</i>	March 31, 2025		December 31, 2024	
	Allowance for Credit Losses	% of Loans to Total Loans	Allowance for Credit Losses	% of Loans to Total Loans
Real estate:				
Commercial	\$ 27,027	81.11 %	\$ 25,864	80.75 %
Commercial land and development	70	0.10 %	78	0.11 %
Commercial construction	2,227	3.12 %	2,268	3.15 %
Residential construction	78	0.16 %	64	0.13 %
Residential	279	0.94 %	270	0.93 %
Farmland	598	1.20 %	607	1.34 %
Commercial:				
Secured	5,905	4.77 %	5,866	4.91 %
Unsecured	403	0.96 %	278	0.78 %
Consumer and other	2,637	7.64 %	2,496	7.90 %
Total allowance for credit losses	\$ 39,224	100.00 %	\$ 37,791	100.00 %

The ratio of the allowance for credit losses to total loans held for investment was 1.08% at March 31, 2025, as compared to 1.07% at December 31, 2024.

Table 17: Activity Within the Allowance for Credit Losses

<i>(dollars in thousands)</i>	As of and for the three months ended			
	March 31, 2025		March 31, 2024	
	Activity	% of Average Loans Held for Investment	Activity	% of Average Loans Held for Investment
Average loans held for investment	\$ 3,565,830		\$ 3,069,466	
Allowance for credit losses	\$ 37,791		\$ 34,431	
Net (charge-offs) recoveries:				
Commercial:				
Secured	(681)	(0.02)%	(816)	(0.03)%
Unsecured	—	— %	(34)	— %
Consumer and other	(36)	— %	22	— %
Net charge-offs	(717)	(0.02)%	(828)	(0.03)%
Provision for credit losses	2,150		1,050	
Allowance for credit losses	\$ 39,224		\$ 34,653	
Loans held for investment	\$ 3,621,819		\$ 3,104,130	
Allowance for credit losses to loans held for investment	1.08 %		1.12 %	

The ratio of the allowance for credit losses to loans held for investment decreased from 1.12% as of March 31, 2024 to 1.08% as of March 31, 2025. Net charge-offs as a percent of average loans held for investment decreased from 0.03% to 0.02% for the three months ended March 31, 2024 and March 31, 2025, respectively.

Liabilities

During the first three months of 2025, total liabilities increased by \$182.0 million from \$3.7 billion as of December 31, 2024 to \$3.8 billion as of March 31, 2025. This increase was primarily due to an increase in total deposits of \$178.4 million, comprised of an increase of \$167.3 million in interest-bearing deposits and an increase of \$11.0 million in non-interest-bearing deposits. The increase in interest-bearing deposits was largely due to increases in time and money market deposits of \$131.2 million and \$52.2 million, respectively.

Deposits

Representing 97.34% of our total liabilities as of March 31, 2025, deposits are our primary source of funding for our business operations.

Total deposits increased by \$178.4 million, or 5.01%, to \$3.7 billion at March 31, 2025 from \$3.6 billion at December 31, 2024. The increase was attributable to growth in both non-wholesale and wholesale deposits, which the Company defines as brokered deposits and California Time Deposit Program deposits. Non-interest-bearing deposits increased by \$11.0 million from December 31, 2024 to \$933.7 million at March 31, 2025, representing 24.99% of total deposits at that date, as compared to 25.93% of total deposits at December 31, 2024. Our loan to deposit ratio was 97.01% at March 31, 2025, as compared to 99.38% at December 31, 2024. We intend to continue to operate our business with close monitoring of the loan to deposit ratio.

Table 18 summarizes our deposit composition by average deposit balances and average rates paid for the periods indicated.

Table 18: Deposit Composition by Average Balances and Rates Paid

<i>(dollars in thousands)</i>	For the three months ended					
	March 31, 2025			March 31, 2024		
	Average Amount	Average Rate Paid	% of Total Deposits	Average Amount	Average Rate Paid	% of Total Deposits
Interest-bearing transaction accounts	\$ 303,822	1.48 %	8.47 %	\$ 300,325	1.51 %	9.67 %
Money market and savings accounts	1,664,478	3.22 %	46.43 %	1,534,825	3.41 %	49.40 %
Time accounts	706,528	4.38 %	19.70 %	429,586	5.03 %	13.83 %
Demand accounts	910,954	— %	25.40 %	842,105	— %	27.10 %
Total deposits	\$ 3,585,782	2.48 %	100.00 %	\$ 3,106,841	2.53 %	100.00 %

Uninsured and uncollateralized deposits totaled approximately \$1.2 billion at March 31, 2025 and December 31, 2024.

As of March 31, 2025, our 42 largest deposit relationships, each accounting for more than \$10.0 million, totaled \$1.8 billion, or 49.31% of our total deposits. The average age on deposit relationships of more than \$5.0 million was approximately 8.80 years as of March 31, 2025. As of December 31, 2024, our 49 largest deposit relationships, each accounting for more than \$10.0 million, totaled \$1.8 billion, or 50.35% of our total deposits.

Table 19 shows the entity types making up our large deposit relationships at the dates indicated.

Table 19: Composition of Large Deposit Relationships

<i>(dollars in thousands)</i>	March 31, 2025	December 31, 2024
Municipalities	\$ 695,040	\$ 674,094
Non-profits	263,295	211,480
Businesses	484,058	605,894
Brokered deposits	399,947	299,961
Total	\$ 1,842,340	\$ 1,791,429

Our largest single deposit relationship at March 31, 2025 related to brokered deposits. The balance for this customer was \$400.0 million, or approximately 10.71% of total deposits as of that date. At December 31, 2024, our largest single deposit relationship related to brokered deposits and had a balance of \$300.0 million, or 8.43% of total deposits as of that date. As our demand deposits fluctuate, we have purchased brokered deposits as needed to supplement liquidity. We do not consider brokered deposits as core deposits, but as another deposit funding source for our loan growth.

Table 20 sets forth the maturity of time deposits as of March 31, 2025.

Table 20: Scheduled Maturities of Time Deposits

<i>(dollars in thousands)</i>	\$250,000 or Greater	Less than \$250,000	Total	Uninsured Portion
Remaining maturity:				
Three months or less	\$ 254,351	\$ 316,505	\$ 570,856	\$ 248,653
Over three through six months	80,518	103,604	184,122	76,268
Over six through twelve months	37,956	4,296	42,252	32,956
Over twelve months	3,412	744	4,156	1,662
Total	\$ 376,237	\$ 425,149	\$ 801,386	\$ 359,539

FHLB Advances and Other Borrowings

From time to time, we utilize short-term collateralized FHLB borrowings to maintain adequate liquidity. There were no borrowings outstanding as of March 31, 2025 and December 31, 2024.

In 2022, we issued subordinated notes of \$75.0 million. This debt was issued to investors in private placement transactions. See Note 6, Subordinated Notes and Other Borrowings, in the notes to our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information regarding these subordinated notes. The proceeds of the notes qualify as Tier 2 capital for the Company under the regulatory capital rules of the federal banking agencies.

Table 21 is a summary of our outstanding subordinated notes as of March 31, 2025.

Table 21: Subordinated Notes Outstanding
(dollars in thousands)

	Issuance Date	Amount of Notes	Prepayment Right	Maturity Date
Subordinated notes	August 2022	\$ 75,000	August 17, 2027	September 1, 2032
Fixed at 6.00% through September 1, 2027, then three-month Term SOFR plus 329.0 basis points (7.58% as of March 31, 2025) through maturity				

Shareholders' Equity

Shareholders' equity totaled \$406.5 million at March 31, 2025 and \$396.6 million at December 31, 2024. The increase in shareholders' equity was primarily a result of net income recognized of \$13.1 million and a \$0.7 million increase in accumulated other comprehensive income, partially offset by \$4.3 million in cash dividends paid during the three months ended March 31, 2025.

Liquidity and Capital Resources

Liquidity Management

We manage liquidity based upon factors that include the level of diversification of our funding sources, the composition of our deposit types, the availability of unused funding sources, our off-balance sheet obligations, the amount of cash and liquid securities we hold, and the availability of assets to be readily converted into cash without undue loss. As the primary federal regulator of the Bank, the FDIC evaluates our liquidity on a stand-alone basis pursuant to applicable guidance and policies.

Liquidity refers to our capacity to meet our cash obligations at a reasonable cost. Our cash obligations require us to have cash flow that is adequate to fund loan growth and maintain on-balance sheet liquidity while meeting present and future obligations of deposit withdrawals, borrowing maturities, and other contractual cash obligations. In managing our cash flows, management regularly confronts situations that can give rise to increased liquidity risk. These include funding mismatches, market constraints in accessing sources of funds, and the ability to convert assets into cash. Changes in economic conditions or exposure to borrower credit quality, capital markets, and operational, legal, or reputational risks could also affect the Bank's liquidity risk profile and are considered in the assessment of liquidity management.

The Company is a corporation separate and apart from the Bank and, therefore, must provide for its own liquidity, including liquidity required to meet its debt service requirements on its subordinated notes. The Company's main source of cash flow is dividends declared and paid to it by the Bank. There are statutory and regulatory limitations that affect the ability of the Bank to pay dividends to the Company, including various legal and regulatory provisions that limit the amount of dividends the Bank can pay to the Company without regulatory approval. Under the California Financial Code, payment of a dividend from the Bank to the Company without advance regulatory approval is restricted to the lesser of the Bank's retained earnings or the amount of the Bank's net income from the previous three fiscal years less the amount of dividends paid during that period. We believe that these limitations will not impact our ability to meet our ongoing short-term cash obligations. For contingency purposes, the Company maintains a minimum level of cash to fund one year's projected operating cash flow needs plus two years' subordinated notes debt service. We continually monitor our liquidity position in order to meet all reasonably foreseeable short-term, long-term, and strategic liquidity demands. Management has established a comprehensive process for identifying, measuring, monitoring, and controlling liquidity risk. Because of

its critical importance to the viability of the Bank, liquidity risk management is fully integrated into our risk management processes. Critical elements of our liquidity risk management include effective corporate governance, consisting of oversight by the board of directors and active involvement by management; appropriate strategies, policies, procedures, and limits used to manage and mitigate liquidity risk; comprehensive liquidity risk measurement and monitoring systems, including stress tests, that are commensurate with the complexity of our business activities; active management of intraday liquidity and collateral; an appropriately diverse mix of existing and potential future funding sources; adequate levels of highly liquid marketable securities free of legal, regulatory, or operational impediments that can be used to meet liquidity needs in stress situations; comprehensive contingency funding plans that sufficiently address potential adverse liquidity events and emergency cash flow requirements; and internal controls and internal audit processes sufficient to determine the adequacy of the Bank's liquidity risk management process.

Our liquidity position is supported by management of our liquid assets and liabilities and access to alternative sources of funds. Our liquidity requirements are met primarily through our deposits, Federal Reserve Discount Window advances, FHLB advances, and the principal and interest payments we receive on loans and investment securities. Cash on hand, cash at third-party banks, investments available-for-sale, and maturing or prepaying balances in our investment and loan portfolios are our most liquid assets. Other sources of liquidity that are routinely available to us include funds from retail and wholesale deposits, advances from the FHLB and the Federal Reserve Discount Window, and proceeds from the sale of loans. Less commonly used sources of funding include borrowings from established federal funds lines from unaffiliated commercial banks, and the issuance of debt or equity securities. We believe we have ample liquidity resources to fund future growth and meet other cash needs as necessary.

In addition, we have a shelf registration statement on file with the SEC registering \$250.0 million for any combination of equity or debt securities, depository shares, warrants, purchase contracts, purchase units, subscription rights, and units in one or more offerings. Specific information on the terms of any securities being offered, including the expected use of proceeds from the sale of such securities, are provided at the time of the offering. In April 2024, we sold an aggregate of 3,967,500 shares of our common stock at a price of \$21.75 per share in a public offering (the "2024 Public Offering"), for net proceeds to us, after deducting underwriting discounts and commissions and offering expenses payable by us, of approximately \$80.9 million, to be used for general corporate purposes and to support continued growth, including through investments in the Bank to pursue growth opportunities, and for working capital. The 2024 Public Offering used approximately \$86.3 million of our shelf registration statement on file with the SEC, leaving approximately \$163.7 million available for future offerings.

Sources and Uses of Cash

Our executive officers and board of directors review our sources and potential uses of cash in connection with our annual budgeting process. Generally speaking, our principal funding source is cash from deposits, and our principal uses of cash include funding of loans, operating expenses, income taxes, and dividend payments, as described below. As of March 31, 2025, management believes the above-mentioned sources will provide adequate liquidity during the next twelve months for the Bank to meet its operating needs. In addition, in April 2024, the Company closed the 2024 Public Offering. The proceeds to the Company, after deducting underwriting discounts and commissions and offering expenses payable by the Company, were approximately \$80.9 million, providing additional cash to support the Company's ongoing operating needs.

Loans

Loans are a significant use of cash in daily operations, and a source of cash as customers make payments on their loans or as loans are sold to other financial institutions. Cash flows from loans are affected by the timing and amount of customer payments and prepayments, changes in interest rates, the general economic environment, competition, and the political environment.

During the three months ended March 31, 2025, we had cash outflows of \$86.4 million in loan originations and advances, net of principal collected, and \$4.4 million in loans originated for sale.

Additionally, in the ordinary course of business, we enter into commitments to extend credit, such as commitments to fund new loans and undisbursed construction funds. While these commitments represent contractual cash requirements, a portion of these commitments to extend credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. At March 31, 2025, off-balance sheet commitments totaled

\$389.5 million. We expect to fund these commitments to the extent utilized primarily through the repayment of existing loans, deposit growth, and liquid assets.

Deposits

Deposits are our primary source of funding for our business operations, and the cost of deposits has a significant impact on our net interest income and net interest margin.

Our deposits are primarily made up of money market, interest-bearing transaction, time, and non-interest-bearing demand deposits. Aside from commercial and business clients, a significant portion of our deposits are from municipalities and non-profit organizations. Cash flows from deposits are impacted by the timing and amount of customer deposits, changes in market rates, and collateral availability.

During the three months ended March 31, 2025, we had cash inflows of \$178.4 million related to an increase in deposits.

During the twelve months following March 31, 2025, approximately \$797.2 million of time deposits are expected to mature, which includes \$399.9 million of brokered deposits. These deposits may or may not renew due to general competition. We expect the outflow will not be significant and can be replenished through our organic growth in deposits. We believe our emphasis on local deposits and our San Francisco Bay Area expansion provide a stable funding base.

At March 31, 2025, cash and cash equivalents represented 12.11% of total deposits.

Investment Securities

Our investment securities totaled \$99.7 million at March 31, 2025. Mortgage-backed securities and obligations of states and political subdivisions comprised 50.45% and 37.19% of our investment portfolio, respectively. Cash proceeds from mortgage-backed securities result from payments of principal and interest by borrowers. Cash proceeds from obligations of states and political subdivisions occur when these securities are called or mature. Assuming the current prepayment speed and interest rate environment, we expect to receive approximately \$8.3 million from our securities over the twelve months following March 31, 2025. In future periods, we expect to maintain approximately the same level of cash flows from our securities. Depending on market yield and our liquidity, we may purchase securities as a use of cash in our interest-earning asset portfolio.

During the three months ended March 31, 2025, we had cash proceeds from sales, maturities, calls, and prepayments of securities of \$2.0 million. Additionally, at March 31, 2025, securities available-for-sale totaled \$97.1 million, of which \$94.0 million has been pledged as collateral for borrowings and other commitments.

FHLB Financing

The Bank is a shareholder of the FHLB, which enables the Bank to have access to lower-cost FHLB financing when necessary. At March 31, 2025, the Bank had no outstanding FHLB financing borrowings and a total financing availability of \$544.6 million, net of letters of credit issued of \$731.5 million.

Federal Reserve Discount Window

The Company has the ability to borrow from the Federal Reserve Discount Window when necessary. At March 31, 2025, the Bank had no outstanding Federal Reserve Discount Window borrowings and a total financing availability of \$856.4 million.

Correspondent Bank Lines of Credit

At March 31, 2025, the unused and available amount for borrowing from correspondent bank lines of credit was \$175.0 million.

Total Liquidity

Total liquidity (consisting of cash and cash equivalents and unused and immediately available borrowing capacity as set forth in Table 22) was approximately \$2.0 billion as of March 31, 2025.

Table 22: Total Liquidity

<i>(dollars in thousands)</i>	March 31, 2025			
	Line of Credit	Letters of Credit Issued	Borrowings	Available
FHLB advances	\$ 1,276,072	\$ 731,500	\$ —	\$ 544,572
Federal Reserve Discount Window	856,366	—	—	856,366
Correspondent bank lines of credit	175,000	—	—	175,000
Cash and cash equivalents	—	—	—	452,571
Total	\$ 2,307,438	\$ 731,500	\$ —	\$ 2,028,509

Future Contractual Obligations

Our estimated future contractual obligations as of March 31, 2025 include both current and long-term obligations. Under our operating leases, we have an operating lease liability of \$6.6 million. We have a current obligation of \$797.2 million and a long-term obligation of \$4.2 million related to time deposits, as discussed in Note 5, Interest-Bearing Deposits. We have net subordinated notes of \$73.9 million, all of which are long-term obligations. We also have contractual obligations on unfunded loan commitments and standby letters of credit totaling \$389.5 million.

Dividends

A use of liquidity for the Company is shareholder dividends. The Company paid dividends to its shareholders totaling \$4.3 million during the three months ended March 31, 2025.

We expect to continue our current practice of paying quarterly cash dividends with respect to our common stock, subject to our board of directors' discretion to modify or terminate this practice at any time and for any reason without prior notice. We believe our quarterly dividend rate per share, as approved by our board of directors, enables us to balance our multiple objectives of managing our business and returning a portion of our earnings to our shareholders. Assuming continued payment during the rest of 2025 at a rate of \$0.20 per share, our average total dividend paid each quarter would be approximately \$4.3 million based on the number of currently outstanding shares if there are no increases or decreases in the number of shares, and given that unvested RSAs share equally in dividends with outstanding common stock.

Impact of Inflation

Our unaudited consolidated financial statements and related notes have been prepared in accordance with GAAP, which require the measurement of financial position and operating results in terms of historical dollars, without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of operations. Unlike industrial companies, nearly all of our assets and liabilities are monetary in nature. As a result, interest rates have a greater impact on our performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the price of goods or services.

Historical Information

Table 23 summarizes our consolidated cash flow activities.

Table 23: Consolidated Cash Flow Activities

(dollars in thousands)	Three months ended March 31,			\$ Change
	2025	2024		
Net cash provided by operating activities	\$ 15,472	\$ 247	\$ 15,225	
Net cash used in investing activities	(89,338)	(11,923)	(77,415)	
Net cash provided by (used in) financing activities	174,094	(124,575)	298,669	

Operating Activities

Net cash provided by operating activities increased by \$15.2 million for the three months ended March 31, 2025 compared to the three months ended March 31, 2024, primarily due to lower loans originated for sale, higher net change in interest payable and other liabilities, and a higher provision for credit losses. These sources of cash were partially offset by lower gross proceeds from sale of loans and lower net change in interest receivable and other assets. Cash provided by operating activities is subject to variability period-over-period as a result of timing differences, including with respect to the collection of receivables and payments of interest expense, accounts payable, and bonuses.

For additional information about our operating results, see “Results of Operations” above.

Investing Activities

Net cash used in investing activities increased by \$77.4 million for the three months ended March 31, 2025 compared to the three months ended March 31, 2024, primarily due to higher originations of loans held for investment, net of repayments.

Financing Activities

Net cash provided by (used in) financing activities increased by \$298.7 million for the three months ended March 31, 2025 compared to the three months ended March 31, 2024, primarily due to an increase in deposits, partially offset by lower borrowings.

Capital Adequacy

We manage our capital by tracking our level and quality of capital with consideration given to our overall financial condition, our asset quality, our level of allowance for credit losses, our geographic and industry concentrations, and other risk factors on our balance sheet, including interest rate sensitivity.

Bancorp and the Bank are subject to various regulatory capital requirements administered by the federal and state banking agencies. Failure to meet minimum capital requirements as set forth in Tables 24 and 25 can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a material effect on our unaudited consolidated financial statements.

Under federal regulations implementing the Basel III framework, the Bank is subject to minimum risk-based and leverage capital requirements. The Bank also is subject to regulatory thresholds that must be met for an insured depository institution to be classified as “well-capitalized” under the prompt corrective action framework. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items, as calculated under regulatory accounting practices. Capital amounts for Bancorp and the Bank, and the Bank’s prompt corrective action classification, are also subject to qualitative judgments by the regulators about components of capital, risk weightings, and other factors. As of March 31, 2025, both Bancorp and the Bank were in compliance with all applicable regulatory capital requirements, and the Bank qualified as “well-capitalized” under the prompt corrective action framework.

Management reviews capital ratios on a regular basis to ensure that capital exceeds the prescribed regulatory minimums and is adequate to meet our anticipated future needs. For all periods presented, the Bank's ratios exceed the regulatory definition of "well-capitalized" under the regulatory framework for prompt corrective action, and Bancorp's ratios exceed the minimum ratios required for it to be considered a well-capitalized bank holding company.

The capital adequacy ratios as of March 31, 2025 and December 31, 2024 for Bancorp and the Bank are presented in Tables 24 and 25. As of March 31, 2025 and December 31, 2024, Bancorp's Tier 2 capital included subordinated notes, which were not included at the Bank level. Eligible amounts of subordinated notes included in Tier 2 capital will be phased out by 20% per year beginning five years before the maturity date of the notes.

Table 24: Capital Ratios for Bancorp

<i>(dollars in thousands)</i>	Actual Ratio		Required for Capital Adequacy Purposes ¹		Ratio to be Well-Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
March 31, 2025						
Total capital (to risk-weighted assets)	\$ 530,135	13.97 %	\$ 339,287	8.00 %	N/A	N/A
Tier 1 capital (to risk-weighted assets)	\$ 417,586	11.00 %	\$ 227,700	6.00 %	N/A	N/A
Common equity tier 1 capital (to risk-weighted assets)	\$ 417,586	11.00 %	\$ 170,775	4.50 %	N/A	N/A
Tier 1 leverage	\$ 417,586	10.17 %	\$ 164,288	4.00 %	N/A	N/A
December 31, 2024						
Total capital (to risk-weighted assets)	\$ 519,722	13.99 %	\$ 332,622	8.00 %	N/A	N/A
Tier 1 capital (to risk-weighted assets)	\$ 409,514	11.02 %	\$ 222,940	6.00 %	N/A	N/A
Common equity tier 1 capital (to risk-weighted assets)	\$ 409,514	11.02 %	\$ 167,205	4.50 %	N/A	N/A
Tier 1 leverage	\$ 409,514	10.05 %	\$ 162,960	4.00 %	N/A	N/A

Table 25: Capital Ratios for the Bank

<i>(dollars in thousands)</i>	Actual Ratio		Required for Capital Adequacy Purposes ¹		Ratio to be Well-Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
March 31, 2025						
Total capital (to risk-weighted assets)	\$ 511,341	13.50 %	\$ 303,162	8.00 %	\$ 378,953	10.00 %
Tier 1 capital (to risk-weighted assets)	\$ 472,723	12.48 %	\$ 227,372	6.00 %	\$ 303,162	8.00 %
Common equity tier 1 capital (to risk-weighted assets)	\$ 472,723	12.48 %	\$ 170,529	4.50 %	\$ 246,319	6.50 %
Tier 1 leverage	\$ 472,723	11.52 %	\$ 164,164	4.00 %	\$ 205,205	5.00 %
December 31, 2024						
Total capital (to risk-weighted assets)	\$ 504,896	13.59 %	\$ 297,216	8.00 %	\$ 371,520	10.00 %
Tier 1 capital (to risk-weighted assets)	\$ 468,584	12.61 %	\$ 222,912	6.00 %	\$ 297,216	8.00 %
Common equity tier 1 capital (to risk-weighted assets)	\$ 468,584	12.61 %	\$ 167,184	4.50 %	\$ 241,488	6.50 %
Tier 1 leverage	\$ 468,584	11.50 %	\$ 162,942	4.00 %	\$ 203,677	5.00 %

¹ The listed capital adequacy ratios exclude capital conservation buffers.

Non-GAAP Financial Measures

Some of the financial measures discussed herein are non-GAAP financial measures. In accordance with SEC rules, we classify a financial measure as being a non-GAAP financial measure if that financial measure excludes or includes amounts, or is subject to adjustments that have the effect of excluding or including amounts, that are included or excluded, as the case may be, in the most directly comparable measure calculated and presented in accordance with GAAP in our consolidated statements of income, balance sheets, statements of shareholders' equity, or statements of cash flows.

Tangible shareholders' equity to tangible assets is defined as total equity less goodwill and other intangible assets, divided by total assets less goodwill and other intangible assets. The most directly comparable GAAP financial measure is total shareholders' equity to total assets. Management believes that tangible shareholders' equity to tangible assets is a useful financial measure because it enables management, investors, and others to assess the Company's financial health based on tangible capital. We had no goodwill or other intangible assets at the end of any period indicated. As a result, tangible shareholders' equity to tangible assets is the same as total shareholders' equity to total assets at the end of each of the periods indicated.

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. Management believes that tangible book value per share is a useful financial measure because it enables management, investors, and others to assess the Company's value and use of equity. 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.

We believe that these non-GAAP financial measures provide useful information to management and investors that is supplementary to our financial condition, results of operations, and cash flows computed in accordance with GAAP. However, we acknowledge that our non-GAAP financial measures have a number of limitations. As such, you should not view these disclosures as a substitute for results determined in accordance with GAAP, and they are not necessarily comparable to non-GAAP financial measures that other banking companies use. Other banking companies may use names similar to those we use for the non-GAAP financial measures we disclose, but may calculate them differently. You should understand how we and other companies each calculate our non-GAAP financial measures when making comparisons.

Recent Legislative and Regulatory Developments

On September 17, 2024, the FDIC finalized changes to its Statement of Policy on Bank Merger Transactions (the "Policy Statement"), which outlines factors that the FDIC will consider when evaluating a proposed bank merger transaction. On March 3, 2025, the FDIC issued a proposal to rescind the Policy Statement.

On July 30, 2024, the FDIC issued a proposed rule that would revise the FDIC's regulations governing the classification and treatment of brokered deposits. On March 3, 2025, the FDIC withdrew the proposed rule.

On October 24, 2023, the federal banking agencies issued a final rule amending their regulations implementing the Community Reinvestment Act ("CRA") to substantially revise how they evaluate an insured depository institution's record of satisfying the credit needs of its entire communities, including low- and moderate-income individuals and neighborhoods. On March 28, 2025, the agencies announced their intent to issue a proposal to rescind the October 2023 final rule, and to reinstate the CRA framework that existed prior to the October 2023 final rule. The Bank received a rating of "Satisfactory" in its most recent performance evaluation, which was conducted using the CRA framework that existed prior to the October 2023 final rule.

Glossary of Acronyms, Abbreviations, and Terms

The terms identified below are used in various sections of this Form 10-Q, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 2 and the unaudited Consolidated Financial Statements and Notes to the Financial Statements in Item 1 of this Form 10-Q.

2024 Annual Report on Form 10-K	Company’s Annual Report on Form 10-K for the year ended December 31, 2024		
ACL	Allowance for Credit Losses	FHLB	Federal Home Loan Bank of San Francisco
ASC	Accounting Standards Codification	FHLMC	Federal Home Loan Mortgage Corporation
ASU	Accounting Standards Update	FNMA	Federal National Mortgage Association
Bancorp	Five Star Bancorp and its subsidiary	GAAP	Generally Accepted Accounting Principles in the U.S.
Bank	Five Star Bank	GNMA	Government National Mortgage Association
Basel III	A capital framework and rules for U.S. banking organizations	GSE	Government Sponsored Entity
BOLI	Bank-Owned Life Insurance	IPO	Initial Public Offering
CECL	Current Expected Credit Loss	LM	Loan modification made to borrower experiencing financial difficulty
CME	Chicago Mercantile Exchange	NI	Net Income
CRE	Commercial Real Estate	NII	Net Interest Income
C&I	Commercial and Industrial	OCI	Other Comprehensive Income
EPS	Earnings per Share	RSA	Restricted Stock Award
EVE	Economic Value of Equity	ROAA	Return on Average Assets, annualized
FASB	Financial Accounting Standards Board	ROAE	Return on Average Equity, annualized
FDIC	Federal Deposit Insurance Corporation	ROUA	Right-of-Use Asset
Federal Reserve	Board of Governors of the Federal Reserve System	SBA	U.S. Small Business Administration
FFIEC	Federal Financial Institutions Examination Council	SEC	Securities and Exchange Commission
		SOFR	Secured Overnight Financing Rate

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss from adverse changes in market prices and rates. As a financial institution, the Company experiences market risk arising primarily from interest rate risk inherent in lending and deposit-taking activities. Because the interest rates on the Company's assets and liabilities do not necessarily change at the same speed or rate as market interest rates, sudden and/or substantial changes in interest rates may adversely impact our earnings. In particular, the Company's financial results are sensitive to significant changes in the treasury yield curve, the Federal Funds rate, and the Wall Street Prime Index.

The Company's total interest income was \$57.1 million for the three months ended March 31, 2025 and \$207.0 million for the year ended December 31, 2024. Our total interest expense was \$23.1 million for the three months ended March 31, 2025 and \$87.2 million for the year ended December 31, 2024. Overall, our net interest income was \$34.0 million for the three months ended March 31, 2025 and \$119.7 million for the year ended December 31, 2024.

Economic value of equity ("EVE") measures our long-term earnings exposure from changes in market rates of interest. EVE is defined as the present value of assets minus the present value of liabilities at a point in time for a given set of market rate assumptions. An increase in EVE due to a specified rate change indicates an improvement in the long-term earnings capacity of the balance sheet, assuming that the rate change remains in effect over the life of the current balance sheet. As of March 31, 2025, the Company carried a slightly higher balance of liabilities than assets that will reprice within the next twelve months in the event that interest rates fall.

Our policies and procedures provide management with guidelines for effective funds management, and we have established a measurement system for monitoring our net interest rate sensitivity position. This is overseen and adjusted as needed by our Management Asset Liability Committee on a monthly basis and our Director Asset Liability Committee on a quarterly basis. We have historically managed our sensitivity position within our established guidelines. With the intent of stabilizing or increasing net interest income, management typically deploys the Company's excess liquidity and seeks to migrate certain earning assets into higher-yielding categories (from investment securities into loans, for example). However, in situations where deposit balances contract, management relies upon various borrowing facilities and/or the use of brokered deposits. The Company monitors the impact of interest rate risk on EVE by reviewing and managing assets and liabilities with varying interest rate risks, such as cash and time deposits. Assets and liabilities are subject to fluctuations at each measurement date based on the composition of the balance sheet at each measurement date. EVE results are compared to previous periods and established policies on a quarterly basis.

As of March 31, 2025, the overnight Federal Funds rate (the rate used in the interest rate shock scenarios listed below) was 4.33%, remaining constant from December 31, 2024. The scenarios presented assume that interest rates change instantaneously ("shock") and that there are no significant changes in the structure of the Company's balance sheet over the twelve months being measured.

Table 26 summarizes the estimated effect on net interest income and EVE from changing interest rates as measured against a flat rate (no interest rate change) instantaneous parallel shock scenario over a twelve-month period utilizing an interest sensitivity (GAP) analysis based on the Company's specific mix of interest-earning assets and interest-bearing liabilities as of March 31, 2025 and December 31, 2024.

Table 26: Estimated Effect on Net Interest Income and EVE from Changing Interest Rates

Change in Interest Rates (in basis points)	March 31, 2025		December 31, 2024	
	Estimated Change in NII (as % of NII)	Estimated Change in EVE (as % of EVE)	Estimated Change in NII (as % of NII)	Estimated Change in EVE (as % of EVE)
+300 (shock)	(5.26)%	(10.22)%	(6.32)%	(12.51)%
+200 (shock)	(3.52)%	(7.04)%	(4.09)%	(8.70)%
+100 (shock)	(1.95)%	(3.55)%	(2.15)%	(4.29)%
+ 0 (flat)	— %	— %	— %	— %
-100 (shock)	2.03 %	3.16 %	2.14 %	3.93 %
-200 (shock)	4.29 %	5.87 %	4.80 %	6.40 %
-300 (shock)	7.61 %	8.99 %	7.95 %	10.12 %

The computation of the prospective effects of hypothetical interest rate changes requires numerous assumptions, which are based upon our experience and published industry experience including, but not limited to, assumptions relating to expected maturities, hypothetical changes in interest rates, decay rates, and deposit betas. Such assumptions may not necessarily reflect the manner or timing in which our interest-earning assets and interest-bearing liabilities respond to changes in market rates. Because these assumptions are inherently uncertain, actual results will differ from simulated results.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness as of March 31, 2025 of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply judgment in evaluating its controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the fiscal quarter covered by this Quarterly Report on Form 10-Q.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that occurred during the three months ended March 31, 2025 that has materially affected, or is reasonably likely to materially affect, such controls.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

From time to time, we are a party to various litigation matters incidental to the conduct of our business. We do not believe that any currently pending legal proceedings will have a material adverse effect on our business, financial condition, or results of operations.

ITEM 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed under Item 1A of the Company's 2024 Annual Report on Form 10-K, previously filed with the SEC.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Unregistered Sales of Equity Securities

None.

(b) Use of Proceeds

Not applicable.

(c) Issuer Purchases of Equity Securities

None.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

During the three months ended March 31, 2025, none of our directors or executive officers adopted or terminated any contract, instruction, or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement".

ITEM 6. Exhibits

The following exhibits are filed as part of this report or hereby incorporated by references to filings previously made with the SEC.

Exhibit Number	Exhibit Description	Incorporated by Reference				Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Second Amended and Restated Bylaws of Five Star Bancorp					Filed
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					Filed
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					Filed
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					Filed
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					Filed
101	Inline XBRL Interactive Data					Filed
104	Cover Page Interactive Data File (embedded within the Inline XBRL document in Exhibit 101)					Filed

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

May 8, 2025 _____ Date	Five Star Bancorp (registrant)
May 8, 2025 _____ Date	<i>/s/ James E. Beckwith</i> _____ James E. Beckwith President & Chief Executive Officer (Principal Executive Officer)
	<i>/s/ Heather C. Luck</i> _____ Heather C. Luck Executive Vice President & Chief Financial Officer (Principal Financial Officer)

SECOND AMENDED AND RESTATED BYLAWS

OF

FIVE STAR BANCORP

(As adopted on December 21, 2023)

ARTICLE I

Offices

Section 1.1. Principal Office. The principal executive office of the corporation is hereby located at such place as the board of directors (the “Board”) shall determine. The Board is hereby granted full power and authority to change said principal executive office from one location to another.

Section 1.2. Other Offices. Other business offices may, at any time, be established by the Board at such other places as it deems appropriate.

ARTICLE II

Meetings of Shareholders

Section 2.1. Place of Meetings. Meetings of shareholders may be held at such place within or outside the state of California, or at no place, as designated by the Board, or by means of remote communication. In the absence of any such designation, shareholders’ meetings shall be held at the principal executive office of the corporation.

Section 2.2. Annual Meeting. (a) The annual meeting of shareholders shall be held for the election of directors on a date and at a time designated by the Board. The date so designated shall be within fifteen months after the last annual meeting. At such meeting, directors shall be elected, and any other proper business within the power of the shareholders may be transacted. The Board may postpone, reschedule or cancel any annual meeting.

To the extent permitted by applicable law, nominations of persons for election to the Board and the proposal of business to be considered by the shareholders may be made at a meeting of shareholders: (i) pursuant to the corporation’s notice of meeting of shareholders (with respect to business other than nominations); (ii) brought specifically by or at the direction of the Board; or (iii) by any shareholder of the corporation who was a shareholder of record at the time of giving the shareholder’s notice provided in the following paragraph, who is entitled to vote at the meeting, who complied with the notice procedures set forth in this Section 2.2 and who complied with the requirements of Rule 14a-19 under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (the “1934 Act”), if making a nomination. For the avoidance of doubt, clause (iii) above shall be the exclusive means for a shareholder to make nominations and submit other business (other than matters properly included in the corporation’s notice of meeting of

shareholders and proxy statement under Rule 14a-8 under the 1934 Act) before an annual meeting of shareholders.

(b) At an annual meeting of the shareholders, only such business shall be conducted as is a proper matter for shareholder action under California law and as shall have been properly brought before the meeting in accordance with the procedures below.

(i) For nominations for the election to the Board to be properly brought before an annual meeting by a shareholder pursuant to clause (iii) of Section 2.2(a) of these bylaws, the shareholder must deliver written notice to the secretary at the principal executive offices of the corporation on a timely basis as set forth in Section 2.2(b)(iii) and must update and supplement such written notice on a timely basis as set forth in Section 2.2(c). Such shareholder's notice shall set forth: (A) as to each nominee such shareholder proposes to nominate at the meeting: (1) the name, age, business address and residence address of such nominee, (2) the principal occupation or employment of such nominee, (3) the class and number of shares of each class of capital stock of the corporation which are owned of record and beneficially by such nominee, (4) the date or dates on which such shares were acquired and the investment intent of such acquisition, (5) a statement that such nominee agrees to tender an irrevocable resignation to the secretary, to be effective upon (x) such person's failure to receive the required vote for re-election in any uncontested election at which such person would face re-election and (y) acceptance of such resignation by the Board and (6) such other information concerning such nominee as would be required to be disclosed in a proxy statement soliciting proxies for the election of such nominee as a director in an election contest (even if an election contest is not involved), or that is otherwise required to be disclosed pursuant to Section 14 of the 1934 Act (including such person's written consent to being named as a nominee and to serving as a director if elected); and (B) the information required by Section 2.2(b)(iv).

(ii) Other than proposals sought to be included in the corporation's proxy materials pursuant to Rule 14a-8 under the 1934 Act, for business other than nominations for the election to the Board of Directors to be properly brought before an annual meeting by a shareholder pursuant to clause (iii) of Section 2.2(a) of these bylaws, the shareholder must deliver written notice to the secretary at the principal executive offices of the corporation on a timely basis as set forth in Section 2.2(b)(iii), and must update and supplement such written notice on a timely basis as set forth in Section 2.2(c). Such shareholder's notice shall set forth: (A) as to each matter such shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting, and any material interest in such business of any Proponent (as defined below) (including any anticipated benefit of such business to any Proponent other than solely as a result of its ownership of the corporation's capital stock, that is material to any Proponent individually, or to the Proponents in the aggregate); and (B) the information required by Section 2.2(b)(iv).

(iii) To be timely, the written notice required by Section 2.2(b)(i) or 2.2(b)(ii) must be received by the secretary at the principal executive offices of the corporation not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting; provided that, subject to the last sentence of this Section 2.2(b)(iii), in the event that the date of the annual meeting is advanced more than 30 days prior to or delayed by more than 30 days after the anniversary of the preceding

year's annual meeting, notice by the shareholder to be timely must be so received (A) not earlier than the close of business on the 120th day prior to such annual meeting and (B) not later than the close of business on the later of the 90th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. In no event shall an adjournment or a postponement of an annual meeting for which notice has been given, or the public announcement thereof has been made, commence a new time period for the giving of a shareholder's notice as described above.

(iv) The written notice required by Section 2.2(b)(i) or 2.2(b)(ii) shall also set forth, as of the date of the notice and as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (each, a "Proponent" and collectively, the "Proponents"): (A) the name and address of each Proponent, as they appear on the corporation's books; (B) the class, series and number of shares of the corporation that are owned beneficially and of record by each Proponent; (C) a description of any agreement, arrangement or understanding (whether oral or in writing) with respect to such nomination or proposal between or among any Proponent and any of its affiliates or associates, and any others (including their names) acting in concert, or otherwise under the agreement, arrangement or understanding, with any of the foregoing; (D) a representation that the Proponents are holders of record or beneficial owners, as the case may be, of shares of the corporation entitled to vote at the meeting and intend to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice (with respect to a notice under Section 2.2(b)(i)) or to propose the business that is specified in the notice (with respect to a notice under Section 2.2(b)(ii)); (E) in the case of any business other than a nomination, a representation as to whether the Proponents intend, or is part of a group which intends, to (1) deliver a proxy statement and/or form of proxy to holders of a sufficient number of holders of the corporation's voting shares to elect such nominee or nominees (with respect to a notice under Section 2.2(b)(i)) or to carry such proposal (with respect to a notice under Section 2.2(b)(ii)); and/or (2) otherwise solicit proxies from shareholders of the corporation in support of such proposal; (F) in the case of any nomination, (1) a representation that the Proponent intends to, or is part of a group which intends, to deliver a proxy statement and/or form of proxy to holders representing at least 67% of the voting power of the corporation's outstanding shares entitled to vote in the election of directors and (2) all other information required by Rule 14a-19 under the 1934 Act; (G) to the extent known by any Proponent, the name and address of any other shareholder (including beneficial and shareholders of record) supporting the proposal or nomination on the date of such shareholder's notice and the number of shares of the corporation's common stock owned beneficially or of record by such other shareholders; and (H) a description of all Derivative Transactions (as defined below) by each Proponent during the previous twelve month period, including the date of the transactions and the class, series and number of securities involved in, and the material economic terms of, such Derivative Transactions.

(c) A shareholder providing written notice required by Section 2.2(b)(i) or 2.2(b)(ii) shall update and supplement such notice in writing, if necessary, so that the information provided or required to be provided in such notice is true and correct in all material respects as of (i) the record date for the meeting and (ii) the date that is five business days prior to the meeting and, in the event of any adjournment or postponement thereof, five business days prior to such adjourned or postponed meeting. In the case of an update and supplement pursuant to clause (i) of this Section 2.2(c), such update and supplement shall be received by the secretary at the principal executive offices of the corporation not later than five business days after the record date for the meeting. In

the case of an update and supplement pursuant to clause (ii) of this Section 2.2(c), such update and supplement shall be received by the secretary at the principal executive offices of the corporation not later than two business days prior to the date for the meeting, and, in the event of any adjournment or postponement thereof, two business days prior to such adjourned or postponed meeting.

(d) The corporation may require the Proponent and/or any proposed nominee to furnish any supplemental or other information reasonably requested by the corporation to determine (i) that the nomination or proposal has met the requirements of this Section 2.2, (ii) the eligibility of such proposed nominee to serve as an independent director of the corporation or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such proposed nominee, and (iii) that the nominee is qualified to serve on the Board, and, in each case, such update and supplement shall be delivered to or be mailed and received by the Secretary at the principal executive offices of the corporation no later than five business days after the request for subsequent information regarding the nomination or proposal has been delivered to such Proponent.

(e) Notwithstanding anything in Section 2.2(b)(iii) to the contrary, but subject to compliance with Rule 14a-19 under the 1934 Act, in the event that the number of directors of the Board of the corporation is increased and there is no public announcement of the appointment of a director, or, if no appointment was made, of the vacancy, made by the corporation at least ten days before the last day a shareholder may deliver a notice of nomination in accordance with Section 2.2(b)(iii), a shareholder's notice required by this Section 2.2 and which complies with the requirements in Section 2.2(b)(i), other than the timing requirements in Section 2.2(b)(iii), shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be received by the secretary at the principal executive offices of the corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the corporation.

(f) A person shall not be eligible for election as a director unless the person is nominated either in accordance with clause (ii) of Section 2.2(a), or in accordance with clause (iii) of Section 2.2(a). Except as otherwise required by law, the chairperson of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made, or proposed, as the case may be, in accordance with the procedures set forth in these bylaws (including whether any solicitation for the Proponent's nominee(s) was conducted in compliance with Rule 14a-19 under the 1934 Act) and, if any proposed nomination or business is not in compliance with these bylaws, or the Proponent does not act in accordance with the representations in Sections 2.2(b)(iv)(D) and 2.2(b)(iv)(E), to declare that such proposal or nomination shall not be presented for shareholder action at the meeting and shall be disregarded, notwithstanding that proxies in respect of such nominations or such business may have been solicited or received.

(g) Notwithstanding the foregoing provisions of this Section 2.2, in order to include information with respect to a shareholder proposal in the proxy statement and form of proxy for a shareholders' meeting, a shareholder must also comply with all applicable requirements of the 1934 Act. Nothing in these bylaws shall be deemed to affect any rights of shareholders to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 under the 1934 Act; provided that any references in these bylaws to the 1934 Act are not intended to and shall not

limit the requirements applicable to proposals and/or nominations to be considered pursuant to Section 2.2(a)(iii) of these bylaws.

(h) Without limiting the other provisions and requirements of this Section 2.2 unless otherwise required by law, if any Proponent (i)(A) provides notice pursuant to Rule 14a-19 under the 1934 Act and this Section 2.2 and (B) subsequently fails to comply with the requirements of Rule 14a-19(a)(2) and Rule 14a-19(a)(3) under the 1934 Act or (ii) notifies the corporation that such Proponent no longer intends to solicit proxies in accordance with Rule 14a-19 under the 1934 Act, then the corporation shall disregard any proxies or votes solicited for such Proponent's nominees. If any Proponent provides notice pursuant to Rule 14a-19 under the 1934 Act and this Section 2.2, such Proponent shall deliver to the corporation, no later than five business days prior to the meeting, reasonable evidence that it has met the requirements of Rule 14a-19(a)(3) under the 1934 Act.

(i) For purposes of Section 2.2,

(i) "affiliates" and "associates" shall have the meanings set forth in Rule 405 under the Securities Act of 1933, as amended, and Rule 12b-2 under the 1934 Act.

(ii) a "Derivative Transaction" means any agreement, arrangement, interest or understanding entered into by, or on behalf or for the benefit of, any Proponent or any of its affiliates or associates, whether record or beneficial:

(A) the value of which is derived in whole or in part from the value of any class or series of shares or other securities of the corporation,

(B) which otherwise provides any direct or indirect opportunity to gain or share in any gain derived from a change in the value of securities of the corporation,

(C) the effect or intent of which is to mitigate loss, manage risk or benefit of security value or price changes, or

(D) which provides the right to vote or increase or decrease the voting power of, such Proponent, or any of its affiliates or associates, with respect to any securities of the corporation, which agreement, arrangement, interest or understanding may include, without limitation, any option, warrant, debt position, note, bond, convertible security, swap, stock appreciation right, short position, profit interest, hedge, right to dividends, voting agreement, performance-related fee or arrangement to borrow or lend shares (whether or not subject to payment, settlement, exercise or conversion in any such class or series), and any proportionate interest of such Proponent in the securities of the corporation held by any general or limited partnership, or any limited liability company, of which such Proponent is, directly or indirectly, a general partner or managing member; and

(iii) "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the United States Securities and Exchange Commission (the "SEC") pursuant to Section 13, 14 or 15(d) of the 1934 Act.

Section 2.3. Special Meetings. Special meetings of the shareholders may be called at any time by the Board, the chairperson of the Board, the president, or by the holders of shares entitled to cast not less than ten percent of the votes at such meeting. If a special meeting is called by any person or persons other than the Board, the request shall be in writing, specifying the time and place of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or by registered mail to the chairperson of the Board, the president, any vice president or the secretary of the corporation. The officer receiving the request shall cause notice to be promptly given to the shareholders entitled to vote that a meeting will be held at a time requested by the person or persons calling the meeting, not less than 35 nor more than 60 days after receipt of the request. If the notice is not given within 20 days after receipt of the request, the person or persons requesting the meeting may give the notice. Nothing in this paragraph shall be construed as limiting, fixing or affecting the time when a meeting of shareholders called by action of the Board may be held.

Section 2.4. Notice of Meetings. Electronic notice, in accordance with Section 2.5, of each annual or special meeting of shareholders shall be given not less than ten nor more than 60 days before the date of the meeting to each shareholder entitled to vote thereat. Such notice shall state the place, date and hour of the meeting and (a) in the case of a special meeting, the general nature of the business to be transacted, and no other business may be transacted, or (b) in the case of the annual meeting, those matters which the Board, at the time of the mailing of the notice, intends to present for action by the shareholders, but, subject to the provisions of applicable law, any proper matter may be presented at the meeting for such action. The notice of any meeting at which directors are to be elected shall include the names of nominees intended at the time of the notice to be presented by the Board for election.

If action is proposed to be taken at any meeting for approval of (a) a contract or transaction in which a director has a direct or indirect financial interest, pursuant to Section 310 of the California Corporations Code, as amended (the "Code"), (b) an amendment of the articles of incorporation, pursuant to Section 902 of the Code, (c) a reorganization of the corporation, pursuant to Section 1201 of the Code, (d) a voluntary dissolution of the corporation, pursuant to Section 1900 of the Code, or (e) a distribution in dissolution other than in accordance with the rights of outstanding preferred shares, pursuant to Section 2007 of the Code, the notice shall also state the general nature of that proposal.

Section 2.5. Manner of Giving Notice. Notice of a shareholders' meeting shall be given either in writing or by electronic transmission. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the shareholder at the shareholder's address as it appears on the records of the corporation. If sent via electronic transmission, notice is given as of the sending time recorded at the time of transmission. Notice of the time, place, if any, and purpose of any meeting of shareholders (to the extent required) may be waived in writing, signed by the person entitled to notice thereof, or by electronic transmission by such person, either before or after such meeting, and will be waived by any shareholder by his or her attendance thereat in person, by remote communication, if applicable, or by proxy, except when the shareholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Any shareholder so waiving notice of such meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

Section 2.6. Quorum. A majority of the shares entitled to vote represented in person or by proxy, shall constitute a quorum at any meeting of shareholders. The shareholders present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment notwithstanding the withdrawal of enough shareholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum.

Section 2.7. Adjourned Meeting and Notice Thereof. Any shareholders' meeting, whether or not a quorum is present, may be adjourned from time to time, either by the chairperson of the meeting or by the vote of a majority of the shares represented either in person or by proxy at the meeting. At the adjourned meeting, the corporation may transact any business that might have been transacted at the original meeting.

When any meeting of shareholders, either annual or special, is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place are announced at the meeting at which the adjournment is taken. However, when any shareholders' meeting is adjourned for more than 45 days from the date set for the original meeting, or, if after adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

Section 2.8. Voting. The shareholders entitled to notice of any meeting or to vote at any such meeting shall be only persons in whose name shares stand on the stock records of the corporation as of the record date determined in accordance with Section 2.9. Every person entitled to vote shall have the right to do so either in person, by remote communication, if applicable, or by an agent or agents authorized by a proxy granted in accordance with Section 2.12. An agent so appointed need not be a shareholder.

Voting of shares of the corporation shall in all cases be subject to the provisions of Sections 700 through 711, inclusive, of the Code.

On any matter any shareholder may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or vote them against the proposal (other than the election of directors), but, if the shareholder fails to specify the number of shares which the shareholder is voting affirmatively, it will be conclusively presumed that the shareholder's approving vote is with respect to all shares that the shareholder is entitled to vote. If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on any matter (which shares voting affirmatively shall also constitute at least a majority of the required quorum), other than the election of directors, shall be the act of the shareholders, unless the vote of a greater number or voting by classes is required by the Code or by the articles of incorporation.

Shareholders are prohibited from cumulating their votes in any election of directors of the corporation. In any election of directors, the candidates receiving the highest number of affirmative votes of the shares entitled to be voted for them, up to the number of directors to be elected, shall be elected. Votes against the director and votes withheld shall have no legal effect.

Section 2.9. Record Date.

- (a) The Board may fix, in advance, a record date for the determination of the shareholders entitled to notice of any meeting or to vote or entitled to give written consent to corporate action without a meeting. The record date so fixed shall be not more than 60 days nor less than ten days prior to the date of the meeting. When a record date is so fixed, only shareholders of record on that date are entitled to notice of and to vote at the meeting or to give written consent to corporate action without a meeting, as the case may be, notwithstanding any transfer of shares on the books of the corporation after the record date. A record date for a meeting of shareholders shall apply to any adjournment of the meeting unless the Board fixes a new record date for the adjourned meeting. The Board shall fix a new record date if the meeting is adjourned for more than 45 days. If no record date is fixed by the Board, (i) the record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the business day preceding the day on which notice of the meeting is given or, if notice is waived, the close of business on the business day preceding the day on which the meeting is held, and (ii) the record date for determining shareholders entitled to give consent pursuant to Section 2.11, when no prior action by the Board has been taken, shall be the day on which the first written consent is given.
- (b) The Board may fix, in advance, a record date for the determination of the shareholders entitled to receive payment of any dividend or other distribution, or allotment of any rights, or to exercise any rights in respect of any other lawful action. The record date so fixed shall be not more than 60 days prior to any such action. When a record date is so fixed, only shareholders of record on that date are entitled to receive the dividend, distribution, or allotment of rights, or to exercise rights, as the case may be, notwithstanding any transfer of shares on the books of the corporation after the record date. If no record date is fixed by the Board, the record date for determining shareholders for any such purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto, or the 60th day prior to the date of such other action, whichever is later.

Section 2.10. Consent of Absentees. The transactions of any meeting of shareholders, however called and noticed, and wherever held, are as valid as though had at a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy, and if, either before or after the meeting, each of the persons entitled to vote, who was not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of the meeting or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Attendance of a person at a meeting shall constitute a waiver of notice of and presence at such meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters required by the Code to be included in the notice but not so included, if such objection is expressly made at the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of shareholders need be specified in any written waiver of notice, consent to the holding of the meeting or approval of the minutes of the meeting, except that if action is taken or proposed to be taken for approval of any of those matters specified in the second paragraph of Section 2.4, the waiver of notice, consent or approval shall state the general nature of the proposal.

Section 2.11. Action by Written Consent Without a Meeting. Subject to Section 603 of the Code, any action which may be taken at any annual or special meeting of shareholders may be taken without a meeting and without prior notice if a consent in writing, setting forth the action so taken, is signed by the holders of the outstanding shares, or their proxies, having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. All such consents shall be filed with the secretary of the corporation and shall be maintained in the corporate records; provided that (a) unless the consents of all shareholders entitled to vote have been solicited in writing, notice of any shareholder approval without a meeting by less than unanimous consent shall be given, as provided by Section 603(b) of the Code, and (b) in the case of election of directors, such a consent shall be effective only if signed by the holders of all outstanding shares entitled to vote for the election of directors; provided that subject to applicable law, a director may be elected at any time to fill a vacancy on the Board that has not been filled by the directors, by the written consent of the holders of a majority of the outstanding shares entitled to vote for the election of directors. Any written consent may be revoked by a writing received by the secretary of the corporation prior to the time that written consents of the number of shares required to authorize the proposed action have been filed with the secretary.

Section 2.12. Proxies. Every person entitled to vote shares or execute written consents has the right to do so either in person or by one or more persons authorized by a written proxy executed and dated by such shareholder and filed with the secretary of the corporation prior to the convening of any meeting of the shareholders at which any such proxy is to be used or prior to the use of such written consent. A validly executed proxy which does not state that it is irrevocable continues in full force and effect unless: (a) revoked by the person executing it prior to the vote pursuant thereto, by a writing delivered to the corporation stating that the proxy is revoked or by a subsequent proxy executed by the person executing the prior proxy and presented to the meeting, or as to any meeting of shareholders, by attendance at such meeting and voting in person by the person executing the proxy; or (b) written notice of the death or incapacity of the maker of the proxy is received by the corporation before the vote pursuant thereto is counted; provided that no proxy shall be valid after the expiration of 11 months from the date of its execution unless otherwise provided in the proxy.

Section 2.13. Inspectors of Election. In advance of any meeting of shareholders, the Board may appoint any persons other than nominees for office as inspectors of election to act at such meeting and any adjournment thereof. If no inspectors of election are so appointed, or if any persons so appointed fail to appear or refuse to act, the chairperson of any such meeting may, and on the request of any shareholder or shareholder's proxy shall, appoint inspectors of election at the meeting. The number of inspectors shall be either one or three. If inspectors are appointed at a meeting on the request of one or more shareholders or proxies, the holders of a majority of shares or their proxies present shall determine whether one or three inspectors are to be appointed.

The duties of such inspectors shall be as prescribed by Section 707(b) of the Code and shall include: determining the number of shares outstanding and the voting power of each; determining the shares represented at the meeting; determining the existence of a quorum; determining the authenticity, validity and the effect of proxies; receiving votes, ballots or consents; hearing and determining all challenges and questions in any way arising in connection with the right to vote; counting and tabulating all votes or consents; determining when the polls shall close; determining the result; and doing such acts as may be proper to conduct the election or vote with fairness to all

shareholders. If there are three inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all. In the event that any person appointed as an inspector fails to appear or fails or refuses to act, the vacancy may, and on the request of any shareholder or a shareholder's proxy shall, be filled by appointment by the Board in advance of the meeting, or at the meeting by the chairperson of the Board.

Section 2.14. Conduct of Meetings. The president shall preside at all meetings of the shareholders and shall conduct each such meeting in a businesslike and fair manner, but shall not be obligated to follow any technical, formal or parliamentary rules or principles of procedure. The presiding officer's rulings on procedural matters shall be conclusive and binding on all shareholders, unless at the time of ruling a request for a vote is made to the shareholders entitled to vote and represented in person or by proxy at the meeting, in which case the decision of a majority of such shares shall be conclusive and binding on all shareholders. Without limiting the generality of the foregoing, the presiding officer shall have all the powers usually vested in the presiding officer of a meeting of shareholders.

ARTICLE III

Directors

Section 3.1. Powers. Subject to the provisions of the Code and any limitations in the articles of incorporation and these bylaws relating to actions required to be approved by the shareholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board. The Board may delegate the management of the day-to-day operations of the business of the corporation to an officer, agent or other person provided that the business and affairs of the corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Board shall have the following powers in addition to the other powers enumerated in these bylaws:

- (a) to select and remove all the other officers, agents and employees of the corporation, prescribe any qualifications, powers and duties for them that are consistent with law, the articles of incorporation or these bylaws, fix their compensation, and require from them security for faithful service;
- (b) to conduct, manage and control the affairs and business of the corporation and to make such rules and regulations therefor not inconsistent with law, the articles of incorporation or these bylaws, as they may deem best;
- (c) to adopt, make and use a corporate seal, to prescribe the forms of certificates of stock, and to alter the form of such seal and of such certificates from time to time as in their judgment they may deem best;
- (d) to authorize the issuance of shares of stock of the corporation from time to time, upon such terms and for such consideration as may be lawful;

- (e) to borrow money and incur indebtedness for the purposes of the corporation, and to cause to be executed and delivered therefor, in the corporate name, promissory and capital notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor and any agreements pertaining thereto;
- (f) to prescribe the manner in which and the person or persons by whom any or all of the checks, drafts, notes, contracts and other corporate instruments shall be executed;
- (g) to appoint and designate, by resolution adopted by a majority of the authorized number of directors, one or more committees, each consisting of two or more directors, including the appointment of alternate members of any committee who may replace any absent member at any meeting of the committee;
- (h) to provide for the compensation of directors for their services as such and may provide for the payment or reimbursement of any or all expenses reasonably incurred by them in attending meetings of the Board or of any committee of the Board or in the performance of their other duties as directors;
- (i) to change the principal executive and principal office for the transaction of the business of the corporation from one location to another as provided in Section 1.1 hereof; to fix and locate from time to time one or more subsidiary offices of the corporation within or outside of the State of California, as provided in Section 1.2 hereof; to designate any place within or outside of the State of California for the holding of any shareholders' meeting or meetings; and
- (j) generally, to do and perform every act or thing whatever that may pertain to or be authorized by the board of directors of a corporation incorporated under the laws of the State of California.

Section 3.2. Number and Qualification of Directors. The authorized number of directors of the corporation shall not be less than nine nor more than seventeen, until this range is changed by an amendment of the articles of incorporation or by a bylaw amending this Section 3.2 duly adopted by the vote or written consent of holders of a majority of the outstanding shares entitled to vote. The exact number of directors shall be fixed from time to time within the range specified in the articles of incorporation or in this Section 3.2: (i) by a resolution duly adopted by the Board or the vote of a majority of the shares entitled to vote represented at a duly held meeting of shareholders at which a quorum is present, or by the written consent of the holders of a majority of the outstanding shares entitled to vote; (ii) by a bylaw or amendment thereof duly adopted by the Board; or (iii) by approval of the shareholders (as defined in Section 153 of the Code).

Section 3.3. Nominations of Directors. Nominations for election of members of the Board may be made by the Board or by any holder of any outstanding class of capital stock of the corporation entitled to vote for the election of directors. Nominations for election of members of the Board may be made at an annual meeting of shareholders in accordance with Section 2.2.

Section 3.4. Election and Term of Office. The directors shall be elected at each annual meeting of shareholders, but if any annual meeting is not held or the directors are not elected thereat, the directors may be elected at any special meeting of shareholders held for that purpose. Each director

shall hold office until the next annual meeting and until a successor has been elected and qualified. Notwithstanding the rule stated herein that directors shall be elected annually, each director continuing to serve as such at the time of an annual or special meeting of the shareholders shall nevertheless continue as a director until the expiration of the term to which he or she was previously elected by the shareholders, or until his or her earlier prior death, resignation or removal.

Section 3.5. Vacancies. Vacancies on the Board, except for a vacancy created by the removal of a director, may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director, and each director so elected shall hold office until the next annual meeting and until such director's successor has been elected and qualified. A vacancy on the Board created by the removal of a director may only be filled by the vote of a majority of the shares entitled to vote represented at a duly held meeting at which a quorum is present, or by the written consent of the holders of all of the outstanding shares.

The shareholders may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors. Any such election by written consent other than to fill a vacancy created by removal requires the consent of a majority of the outstanding shares entitled to vote.

Any director may resign effective upon giving written notice to the chairperson of the Board, the president, secretary, or the Board, unless the notice specifies a later time for the effectiveness of such resignation. If the Board accepts the resignation of a director tendered to take effect at a future time, the Board or the shareholders shall have power to elect a successor to take office when the resignation is to become effective.

A vacancy or vacancies on the Board shall be deemed to exist in case of the death, resignation or removal of any director, or if the authorized number of directors is increased, or if the shareholders fail, at any annual or special meeting of shareholders at which any director or directors are elected, to elect the full authorized number of directors to be voted for at that meeting.

The Board may declare vacant the office of a director who has been declared of unsound mind by an order of court or convicted of a felony.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of the director's term of office.

Section 3.6. Place of Meetings. Regular or special meetings of the Board shall be held at any place within or outside the state of California which has been designated in the notice of meeting or if there is no notice, at the principal executive office of the corporation, or at a place or no place, as designated by resolution of the Board or by the written consent of all members of the Board, or may be held by means of remote communication. Any regular or special meeting is valid wherever held (including by means of remote communication) if held upon written consent of all members of the Board given either before or after the meeting and filed with the secretary of the corporation.

Section 3.7. Regular Meetings. Immediately following each annual meeting of shareholders, the Board shall hold a regular meeting for the purpose of organization, any desired election of officers and the transaction of other business. Notice of this meeting shall not be required.

Other regular meetings of the Board shall be held from time to time by resolution of the Board or by written consent of all members of the Board. In the absence of such designation, regular meetings shall be held at the principal executive offices of the corporation. Special meetings of the Board may be held either at a place so designated, within the State of California, or at the principal executive office. There shall be no required notice period for any regular meeting of the Board.

Section 3.8. Special Meetings. Special meetings of the Board for any purpose or purposes may be called at any time by the chairperson of the Board, the Lead Independent Director (as defined below) (if appointed), the president, any vice president, the secretary or by any two directors.

The person or persons calling a special meeting of the Board shall, at least 24 hours before the meeting, give notice thereof by any usual means of communication. Such notice may be communicated, without limitation, in person; by telephone, facsimile, or other electronic transmission; by mail or private carrier; or in the manner and to the extent permitted by applicable law.

Special meetings may be held without notice by the waiver of notice by the directors.

Section 3.9. Quorum. A majority of the authorized number of directors constitutes a quorum of the Board for the transaction of business, except to adjourn as hereinafter provided. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board, unless a greater number be required by the articles of incorporation and subject to the provisions of Section 310 of the Code (as to approval of contracts or transactions in which a director has a direct or indirect material financial interest) and Section 317(e) of the Code (as to indemnification of directors). A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting.

Section 3.10. Participation in Meetings by Remote Communication. Members of the Board may participate in a meeting through use of a conference telephone or similar communications equipment or other means of remote communication not prohibited by applicable law, so long as all members participating in such meeting can hear one another. Participation in a meeting pursuant to this Section 3.10 constitutes presence in person at such meeting.

Section 3.11. Waiver of Notice. Notice of a meeting need not be given to any director who signs a waiver of notice or a consent to holding the meeting or an approval of the minutes of the meeting, whether before or after the meeting, or who attends the meeting without protesting, before the meeting or at its commencement, the lack of notice to such director. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 3.12. Adjournment. A majority of the directors present, whether or not a quorum is present, may adjourn any directors' meeting to another time and/or place. Notice of the time and/or place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four hours, in which case notice of the time and place shall be given before the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

Section 3.13. Action Without Meeting. Any action required or permitted to be taken at any meeting of the Board or a duly authorized committee thereof by the Board or such duly authorized committee thereof may be taken without a meeting if all members of the Board or such committee shall consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board or committee, as the case may be. Such action by written consent shall have the same effect as a unanimous vote of the board.

Section 3.14. Fees and Compensation. Directors and members of committees shall be entitled to such compensation, if any, for their services, and such reimbursement for expenses, as may be fixed or determined by the Board. This Section 3.14 shall not be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee or otherwise, and receiving compensation for those services.

Section 3.15. Rights of Inspection. Every director of the corporation shall have the right at any reasonable time to inspect and copy all books, records and documents of the corporation and to inspect the physical properties of the corporation and also of its subsidiary corporations, domestic or foreign. Such inspection by a director may be made in person or by agent or attorney, and the right of inspection includes the right to copy and make extracts.

Section 3.16. Removal of Director without Cause. Subject to any limitation imposed by applicable law, the Board or any individual director or directors may be removed with or without cause by the affirmative vote of the holders of at least 66 2/3 percent of the then-outstanding shares of capital stock of the corporation entitled to vote generally at an election of directors.

Section 3.17. Chairperson. The chairperson of the Board, if appointed and when present, shall preside at all meetings of the Board and exercise and perform such other powers and duties as may be assigned from time to time by the Board.

Section 3.18. Vice Chairperson. The vice chairperson of the Board, if appointed and when present, shall, in the absence of the chairperson of the Board, preside at all meetings of the Board and shareholders and exercise and perform such other powers and duties as may be assigned from time to time by the Board.

Section 3.19. Lead Independent Director. The chairperson of the Board, or if the chairperson is not an independent director, one of the independent directors, may be designated by the independent members of the Board as lead independent director annually or until replaced by such members of the Board (“Lead Independent Director”), but such election shall not be required. The Lead Independent Director may be removed as Lead Independent Director by vote of a majority of the independent members of the Board. If appointed, the Lead Independent Director will serve as chairperson of Board meetings in the absence of both the chairperson and the vice chairperson of the Board or otherwise at their request, preside over meetings of the independent directors, and perform such other duties as may be established or delegated by the Board from time to time. For purposes of this Section, “independent” has the meaning set forth in the Nasdaq Stock Market listing rules, unless the corporation’s common stock ceases to be listed on the Nasdaq Stock Market and is listed on another exchange, in which case such exchange’s definition of “independent” shall apply.

ARTICLE IV

Officers

Section 4.1. Officers. The officers of the corporation shall be a president, a secretary and a chief financial officer. The corporation may also have, at the discretion of the Board, a chairperson of the Board, a vice chairperson of the Board, one or more vice presidents, one or more assistant secretaries, one or more assistant financial officers and such other officers as may be elected or appointed in accordance with the provisions of Section 4.3.

Section 4.2. Appointment. The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 4.3 or Section 4.5, shall be chosen by, and shall serve at the pleasure of, the Board, and shall hold their respective offices until their resignation, removal or other disqualification from service, or until their respective successors shall be appointed, subject to the rights, if any, of an officer under any contract of employment.

Section 4.3. Subordinate Officers. The Board may appoint, or may empower the president to appoint, such other officers as the business of the corporation may require, each to hold office for such period, have such authority and perform such duties as are provided in these bylaws or as the Board may from time to time determine.

Section 4.4. Removal and Resignation. Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by the Board at any time, or by any officer upon whom such power of removal may be conferred by the Board.

Any officer may resign at any time by giving written notice to the Board or to the president, or to the secretary of the corporation without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party. Any such resignation shall take effect at the date of the receipt of such notice by the Board or by the president, or by the secretary of the corporation, or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4.5. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these bylaws for regular appointment to such office.

Section 4.6. President. Subject to such powers, if any, as may be given by the Board to the chairperson of the Board, if there shall be such an officer, the president is the general manager and chief executive officer of the corporation and has, subject to the control of the Board, general supervision, direction and control of the business and affairs of the corporation. The president shall preside at all meetings of the shareholders and in the absence of both the chairperson of the Board and the vice chairperson, or if there be none, at all meetings of the Board. The president has the general powers and duties of management usually vested in the office of president and chief executive officer of a corporation and such other powers and duties as may be prescribed by the Board.

Section 4.7. Vice President. In the absence or disability of the president, the vice presidents in order of their rank as fixed by the Board or, if not ranked, the vice president designated by the

Board, shall perform all the duties of the president and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the president. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by these bylaws, the Board, the president or the chairperson of the Board.

Section 4.8. Secretary. The secretary shall keep or cause to be kept, at the principal executive office or such other place as the Board may order, a book of minutes of all meetings of shareholders, the Board and its committees, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice or waivers of notice thereof given, the names of those present at the Board and committee meetings, the number of shares present or represented at shareholders' meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, a copy of these bylaws of the corporation at the principal executive office or business office in accordance with Section 213 of the Code. The secretary shall keep, or cause to be kept, at the principal executive office or at the office of the corporation's transfer agent or registrar, if one is appointed, a record of its shareholders, or a duplicate record of its shareholders, giving the names and addresses of all shareholders and the number and class of shares held by each.

The secretary shall give, or cause to be given, notice of all the meetings of the shareholders, of the Board and of any committees thereof required by these bylaws or by law to be given, shall keep the seal of the corporation in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board.

Section 4.9. Assistant Secretary. The assistant secretary or the assistant secretaries, in the order of their seniority, shall, in the absence or disability of the secretary, or in the event of such officer's refusal to act, perform the duties and exercise the powers of the secretary and shall have such additional powers and discharge such duties as may be assigned from time to time by the president or by the Board.

Section 4.10. Chief Financial Officer. The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of the properties and financial and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and shares, and shall send or cause to be sent to the shareholders of the corporation such financial statements and reports that by law or these bylaws are required to be sent to them. The books of account shall at all times be open to inspection by any director of the corporation.

The chief financial officer shall deposit all monies and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the Board. The chief financial officer shall disburse the funds of the corporation as may be ordered by the Board, shall render to the president and directors, whenever they request it, an account of all transactions engaged in as chief financial officer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board.

Section 4.11. Assistant Financial Officer. The assistant financial officer or the assistant financial officers, in the order of their seniority, shall, in the absence or disability of the chief financial

officer, or in the event of such officer's refusal to act, perform the duties and exercise the powers of the chief financial officer, and shall have such additional powers and discharge such duties as may be assigned from time to time by the president or by the Board.

Section 4.12. Salaries. The salaries of the officers shall be fixed from time to time by the Board or a duly authorized committee thereof and no officer shall be prevented from receiving such salary by reason of the fact that such officer is also a director of the corporation.

Section 4.13. Officers Holding More Than One Office. Any one person may hold any number of offices of the corporation at one time unless specifically prohibited therefrom by law.

Section 4.14. Inability to Act. In the case of absence or inability to act of any officer of the corporation and of any person herein authorized to act in his or her place, the Board may from time to time delegate the powers or duties of such officer to any other officer, or any director or other person whom it may select.

ARTICLE V

Committees

Section 5.1. Committees of Directors. The Board may, by resolution adopted by a majority of the authorized number of directors, designate one or more committees, each consisting of two or more directors, to serve at the pleasure of the Board. The Board may designate one or more directors as alternate members of any committees, who may replace any absent member at any meeting of the committee. Any committee, to the extent provided in the resolution of the Board, shall have all the authority of the Board, except with respect to:

- (a) the approval of any action which, under the Code, also requires shareholders' approval or approval of the outstanding shares;
- (b) the filling of vacancies on the Board or in any committee;
- (c) the fixing of compensation of the directors for serving on the Board or on any committee;
- (d) the amendment or repeal of bylaws or the adoption of new bylaws;
- (e) the amendment or repeal of any resolution of the Board which by its express terms is not so amendable or reparable;
- (f) the appointment of committees of the Board or the members thereof;
- (g) a distribution to the shareholders of the corporation, except at a rate or in a periodic amount or within a price range determined by the Board; or
- (h) the appointment of any other committees of the Board or the members of these committees.

Section 5.2. Meetings and Action of Committees. Meetings and action of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these bylaws, with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the Board and its members, except that the time of regular meetings of committees may be determined either by resolution of the Board or by resolution of the committee; special meetings of committees may also be called by resolution of the Board or by resolution of the committee; and notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The Board or a committee may adopt rules for the governance of the committee not inconsistent with the provisions of these bylaws.

ARTICLE VI

Indemnification

Section 6.1. Definitions. For use in this Article VI, certain terms are defined as follows:

- (a) “Agent”: A director, officer, employee or agent of the corporation or a person who is or was serving at the request of the corporation as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise (including service with respect to employee benefit plans and service on creditors’ committees with respect to any proceeding under the United States Bankruptcy Code of 1978, as amended, assignment for the benefit of creditors or other liquidation of assets of a debtor of the corporation), or a person who was a director, officer, employee or agent of a foreign or domestic corporation which was a predecessor corporation of the corporation or of another enterprise at the request of the predecessor corporation.
- (b) “Loss”: All expenses, liabilities, and losses including attorneys’ fees, judgments, fines, Employee Retirement Income Security Act excise taxes and penalties, amounts paid or to be paid in settlement, any interest, assessments, or other charges imposed thereon, and any federal, state, local, or foreign taxes imposed on any Agent as a result of the actual or deemed receipt of any payments under this Article.
- (c) “Proceeding”: Any threatened, pending or completed action, suit or proceeding including any and all appeals, whether civil, criminal, administrative or investigative.

Section 6.2. Right to Indemnification. Each person who is or was a director or officer of the corporation (or was serving at the request of the corporation as a director or officer of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise) including any current or former director or officer who was or is a party or is threatened to be made a party to or is involved (as a party, witness or otherwise) in any Proceeding, by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was an Agent, is entitled to indemnification. In such cases, such person shall be indemnified and held harmless by the corporation to the fullest extent authorized by law. The right to indemnification conferred in this Article VI shall be a contract right. It is the corporation’s intention that these bylaws provide

indemnification in excess of that expressly permitted by Section 317 of the Code, as authorized by the corporation's articles of incorporation.

Section 6.3. Authority to Advance Expenses. The right to indemnification provided in Section 6.2 of these bylaws shall include the right to be paid, in advance of a Proceeding's final disposition, expenses incurred in defending that Proceeding; provided that if required by the California General Corporation Law, as amended, the payment of expenses in advance of the final disposition of the Proceeding shall be made only upon delivery to the corporation of an undertaking by or on behalf of the person entitled to indemnification hereunder to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the corporation as authorized under this Article VI or otherwise. The indemnified party's obligation to reimburse the corporation for advances shall be unsecured and no interest shall be charged thereon.

Section 6.4. Right of Claimant to Bring Suit. If a claim under Section 6.2 or 6.3 of these bylaws is not paid in full by the corporation within 30 days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expenses (including attorneys' fees) of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending a Proceeding in advance of its final disposition where the required undertaking has been tendered to the corporation) that the claimant has not met the standards of conduct that make it permissible under the California General Corporation Law for the corporation to indemnify the claimant for the amount claimed. The burden of proving such a defense shall be on the corporation. Neither the failure of the corporation (including its board of directors, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such action that the indemnification of the claimant is proper under the circumstances because he or she has met the applicable standard of conduct set forth in the California General Corporation Law, nor an actual determination by the corporation (including its board of directors, independent legal counsel, or its shareholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not already met the applicable standard of conduct.

Section 6.5. Provisions Nonexclusive. The rights conferred on any person by this Article V shall not be exclusive of any other rights that such person may have or hereafter acquire under any statute, provision of the articles of incorporation, agreement, vote of shareholders or disinterested directors, or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office. To the extent that any provision of the articles of incorporation, agreement, or vote of the shareholders or disinterested directors is inconsistent with these bylaws, the provision, agreement, or vote shall take precedence.

Section 6.6. Authority to Insure. The corporation may purchase and maintain insurance to protect itself and any Agent against any Loss asserted against or incurred by such person, whether or not the corporation would have the power to indemnify such Agent against such Loss under applicable law or the provisions of this Article VI. If the corporation owns all or a portion of the shares of the company issuing the insurance policy, the company and/or the policy must meet one of the two sets of conditions set forth in Section 317 of the Code.

Section 6.7. Survival of Rights. The rights provided by this Article VI shall continue as to a person who is entitled to be indemnified hereunder and has ceased to be an Agent and shall inure to the benefit of the heirs, executors, and administrators of such person.

Section 6.8. Settlement of Claims. The corporation shall not be liable to indemnify any Agent under this Article VI for (a) any amounts paid in settlement of any action or claim effected without the corporation's written consent, which consent shall not be unreasonably withheld; or (b) any judicial award, if the corporation was not given a reasonable and timely opportunity, at its expense, to participate in the defense of such action.

Section 6.9. Effect of Amendment. Any amendment, repeal or modification of this Article VI shall not adversely affect any right or protection of any Agent existing at the time of such amendment, repeal or modification.

Section 6.10. Subrogation. Upon payment under this Article VI, the corporation shall be subrogated to the extent of such payment to all of the rights of recovery of an Agent, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the corporation effectively to bring suit to enforce such rights.

Section 6.11. No Duplication of Payments. The corporation shall not be liable under this Article VI to make any payment in connection with any claim made against an Agent to the extent such Agent has otherwise actually received payment (under any insurance policy, agreement, vote or otherwise) of the amounts otherwise indemnifiable hereunder.

ARTICLE VII

Other Provisions

Section 7.1. Inspection of Corporate Records.

- (a) A shareholder or shareholders of the corporation holding at least five percent in the aggregate of the outstanding voting shares of the corporation or who hold at least one percent of the outstanding voting shares and have filed a Schedule 14B with the SEC relating to the election of directors of the corporation shall have an absolute right to do either or both of the following:
 - (i) inspect and copy the record of shareholders' names and addresses and shareholdings during usual business hours upon five business days' prior written demand upon the corporation; or
 - (ii) obtain from the transfer agent, if any, for the corporation, upon written demand and upon the tender of its usual charges for such a list (the amount of which charges shall be stated to the shareholder by the transfer agent upon request), a list of the shareholders' names and addresses who are entitled to vote for the election of directors and their shareholdings, as of the most recent record date for which it has been compiled, or as of a date specified by the shareholder subsequent to the date

of demand. The corporation shall have a responsibility to cause the transfer agent to comply with this Section 7.1.

- (b) The record of shareholders shall also be open to inspection and copying by any shareholder or holder of a voting trust certificate at any time during usual business hours upon written demand on the corporation, for a purpose reasonably related to such holder's interest as a shareholder or holder of a voting trust certificate. A written demand for such inspection shall be accompanied by a statement in reasonable detail of the purpose of the inspection.
- (c) The accounting books and records and minutes of proceedings of the shareholders and the Board and committees of the Board shall be open to inspection upon written demand on the corporation by any shareholder or holder of a voting trust certificate at any reasonable time during usual business hours, for a purpose reasonably related to such holder's interest as a shareholder or as a holder of such voting trust certificate. The right of inspection created by this Section 7.1(c) shall extend to the records of each subsidiary of the corporation. A written demand for such inspection shall be accompanied by a statement in reasonable detail of the purpose of the inspection.

Section 7.2. Execution of Documents, Contracts. Subject to the provisions of applicable law, any note, mortgage, evidence of indebtedness, contract, share certificate, initial transaction statement or written statement, conveyance or other instrument in writing and any assignment or endorsement thereof executed or entered into between the corporation and any other person, when signed by the chairperson of the Board, the president or any vice president and the secretary, any assistant secretary, the chief financial officer or any assistant financial officer of the corporation, or when stamped with a facsimile signature of such appropriate officers in the case of share certificates, shall be valid and binding upon the corporation in the absence of actual knowledge on the part of the other person that the signing officers did not have authority to execute the same. Any such instruments may be signed by any other person or persons and in such manner as from time to time shall be determined by the Board, and unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or amount.

Section 7.3. Certificates of Stock. Unless otherwise provided in the articles of incorporation or herein, every holder of shares of the corporation shall be entitled to have a certificate signed in the name of the corporation by any officer authorized to sign stock certificates, certifying the number of shares and the class or series of shares owned by the shareholder. The signatures on the certificates may be facsimile signatures. If any officer, transfer agent or registrar who has signed a certificate or whose facsimile signature has been placed upon the certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if such person were an officer, transfer agent or registrar at the date of issue.

Except as provided in this Section 7.3, no new certificate for shares shall be issued in lieu of an old certificate unless the latter is surrendered and canceled at the same time. The Board may, however, in case any certificate for shares is alleged to have been lost, stolen or destroyed, authorize the issuance of a new certificate in lieu thereof, and the corporation may require that the corporation be given a bond or other adequate security sufficient to indemnify it against any claim

that may be made against it (including any expense or liability) on account of the alleged loss, theft or destruction of such certificate or the issuance of such new certificate.

Prior to the due presentment for registration of transfer in the stock transfer book of the corporation, the registered owner shall be treated as the person exclusively entitled to vote, to receive notifications and otherwise to exercise all the rights and powers of an owner, except as expressly provided otherwise by the laws of the state of California.

Notwithstanding any other provision of these bylaws and this Section 7.3, the corporation shall be entitled to issue in its discretion uncertificated securities in compliance with California Corporations Code Section 416(b), as amended, subject to the right of a holder of shares of the corporation to request issuance of a certificate in compliance with the provisions of this Section 7.3.

Section 7.4. Representation of Shares of Other Corporations. The president or any other officer or officers authorized by the Board or the president are each authorized to vote, represent and exercise on behalf of the corporation all rights incident to any and all shares or other securities of any other corporation or corporations standing in the name of the corporation. The authority herein granted may be exercised either by any such officer in person or by any other person authorized to do so by proxy or power of attorney duly executed by said officer.

Section 7.5 Regulations. The board of directors may make such rules and regulations as it may deem expedient, not inconsistent with these bylaws, concerning the issuance, transfer and registration of certificated or uncertificated shares of stock of the corporation. It may appoint, or authorize any officer or officers to appoint, one or more transfer clerks or one or more transfer agents and one or more registrars, and, in the case of certificated shares of stock, may require all such certificates to bear the signature or signatures of any of them or a facsimile thereof.

Section 7.6. Seal. The corporate seal of the corporation shall consist of two concentric circles, between which shall be the name of the corporation, and in the center shall be inscribed the word "Incorporated" and the date of its incorporation.

Section 7.7. Fiscal Year. The fiscal year of the corporation shall begin on the first day of January and end on the 31st day of December of each year.

Section 7.8. Construction and Definitions. Unless the context otherwise requires, the general provisions, rules of construction and definitions contained in the Code and the California General Corporation Law shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

Section 7.9. Bylaw Provisions Contrary to or Inconsistent with Provisions of Law. Any article, section, subsection, subdivision, sentence, clause or phrase of these bylaws which, upon being construed in the manner provided in this Section 7.9, shall be contrary to or inconsistent with any applicable provision of the Code or other applicable laws of the state of California or of the United States shall not apply so long as said provisions of law shall remain in effect, but such result shall not affect the validity or applicability of any other portions of these bylaws, it being hereby declared that these bylaws would have been adopted and each article, section, subsection,

subdivision, sentence, clause or phrase thereof, irrespective of the fact that any one or more articles, sections, subsections, subdivisions, sentences, clauses or phrases is or are illegal.

ARTICLE VIII

Forum

Section 8.1. Exclusive Forum for Certain Litigation. Unless the corporation consents in writing to the selection of an alternative forum, the United States District Court for the Northern District of California (or, in the event that the United States District Court for the Northern District of California does not have jurisdiction, any other federal or state court of California) shall be the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the corporation, (b) any action asserting a claim of breach of any duty owed by any director or officer or other employee of the corporation to the corporation or to the shareholders of the corporation, (c) any action asserting a claim against the corporation or any director or officer or other employee of the corporation arising pursuant to any provision of the Code or the Articles of Incorporation or these bylaws, or (d) any action asserting a claim against the corporation or any director or officer or other employee of the corporation that is governed by the internal affairs doctrine. Unless the corporation consents in writing to the selection of an alternative forum, the federal district courts of the United States of America shall, to the fullest extent permitted by applicable law, be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the federal securities laws of the United States of America, including, in each case, the applicable rules and regulations promulgated thereunder. If any provision of this Article VIII shall be held to be invalid, illegal or unenforceable as applied to any person or entity or circumstance for any reason whatsoever, then, to the fullest extent permitted by law, the validity, legality and enforceability of such provision in any other circumstance and of the remaining provisions of this Article VIII (including, without limitation, each portion of any sentence of this Article VIII containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) and the application of such provision to other persons or entities and circumstances shall not in any way be affected or impaired thereby. Any person or entity purchasing or otherwise acquiring or holding any interest in share of capital stock of the corporation shall be deemed to have notice of and to have consented to the provisions of this Article VIII.

ARTICLE IX

Amendments

Section 9.1. Amendment by Shareholders. New bylaws may be adopted or these bylaws may be amended or repealed by the vote or written consent of holders of a majority of the outstanding shares entitled to vote; provided that if the articles of incorporation of the corporation set forth the number of authorized directors of the corporation, the authorized number of directors may be changed only by an amendment of the articles of incorporation and provided also that a bylaw reducing the fixed number or the minimum number of directors to a number less than five cannot be adopted if the votes cast against adoption at a meeting, or the shares not consenting in the case

of action by written consent, are equal to more than 16 2/3 percent of the outstanding shares entitled to vote.

Section 9.2. Amendment by Directors. Subject to the rights of the shareholders as provided in Section 9.1, bylaws, other than a bylaw specifying or changing a fixed number of directors or the maximum or minimum number or changing from a fixed to a variable board or vice versa, may be adopted, amended or repealed by the Board.

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a)/15d-14(a), AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James E. Beckwith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Five Star Bancorp (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

May 8, 2025

Date

/s/ James E. Beckwith

James E. Beckwith

President & Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a)/15d-14(a), AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Heather C. Luck, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Five Star Bancorp (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

May 8, 2025

Date

/s/ Heather C. Luck

Heather C. Luck

Executive Vice President & Chief Financial Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Five Star Bancorp (the "Company") for the period ended March 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James E. Beckwith, President & Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 8, 2025

Date

/s/ James E. Beckwith

James E. Beckwith

President & Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Five Star Bancorp (the "Company") for the period ended March 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Heather C. Luck, Executive Vice President & Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

May 8, 2025

Date

/s/ Heather C. Luck

Heather C. Luck

Executive Vice President & Chief Financial Officer