Five Star Bancorp

Second Quarter 2026 Earnings Webcast

Thursday, July 23, 2026, 01:00 PM ET

CORPORATE PARTICIPANTS

James Beckwith--*President and Chief Executive Officer*

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

PRESENTATION

Operator
Welcome to the Five Star Bancorp Second Quarter 2026 Earnings Webcast. Please note, this is a closed conference call, and you are encouraged to listen via the webcast.

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

For a more complete discussion of the risks and uncertainties that may cause actual results to differ materially from the company's forward-looking statements, please see the company's annual report on Form 10-K for the year ended December 31, 2025, and quarterly report on Form 10-Q for the three months ended March 31, 2026, and in particular, the information set forth in Item 1A, Risk Factors, in those reports.

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

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

James Beckwith
Thank you for joining us to review Five Star Bancorp's financial results for the second quarter of 2026. These results were released yesterday and are available on our website, fivestarbank.com, in the Investor Relations section. Joining me today is Heather Luck, Executive Vice President and Chief Financial Officer.

Before we discuss the results of the second quarter of 2026, we wanted to note that, as you may be aware, we also announced yesterday the pricing of an underwritten public offering of shares of our common stock. Further information, when available, will be accessible in our SEC filings. As the offering has not yet settled, today we will present only financial results for the second quarter of 2026 and will not be conducting a Q&A session today.

Q2 2026 was another period of strong performance, reflecting the continued execution of our organic growth strategy and the strength of our relationship-driven model. Net income increased to $19.4 million compared to $18.6 million in the first quarter of 2026.

Earnings per share rose to $0.91 per share, up $0.04 from Q1 2026, and up $0.23 from the second quarter of 2025. Total loans held for investment grew by $306.3 million, or 29% on an annualized basis. And total deposits grew by $330 million, or 30% on an annualized basis.

We are also pleased to report that during the quarter, Five Star Bank was honored to be named the number 1 Best Places to Work by the San Francisco Business Times among participating businesses with 25 to 49 employees in the San Francisco Bay Area. This recognition reflects our purpose-driven culture, which is a meaningful differentiator and an important contributor to our continued performance.

In April, we announced the expansion of our business in Southern California with the addition of 5 seasoned banking professionals to lead our efforts across the greater Los Angeles area. Building on our existing administrative office in Newport Beach, this team brings deep local expertise and a proven track record of serving middle-market businesses.

With plans to open an additional Southern California office later this year, we believe we are well-positioned to deliver Five Star Bank's high-touch concierge banking services to the clients and communities of Greater Los Angeles.

We also continue to execute on our footprint expansion with the opening of our newest full-service branch in Lodi on July 13. This market is a natural fit for Five Star Bank, home to a prominent agricultural economy and a growing base of small to mid-sized businesses well-suited to our relationship-driven model.

The Lodi branch further strengthens our Food, Agribusiness, and Diversified Industries vertical and reflects our ongoing commitment to deepening our presence in California's high-growth regional markets. Together, these recent expansions have solidified Five Star Bancorp's growing footprint across the Golden State.

Financial highlights during Q2 2026 included net income of 19.4 million, up 4% from the prior quarter, return on average assets of 1.49% compared to 1.55% in Q1 2026, return on average equity of 16.67% compared to 16.73% in Q1 2026, net interest margin of 3.63%, a decrease of 7 basis points from the prior quarter, and average cost of total deposits of 2.16%, an increase of 3 basis points from the prior quarter. Our Q2 results were driven by robust loan and deposit growth.

Loans held for investment grew by 306.3 million, or 29% on an annualized basis, reaching 4.5 billion at June 30, 2026. Total deposits grew by 330 million, or 30% on an annualized basis, with non-wholesale deposits up 463.1 million, more than offsetting the 133.1 million reduction in wholesale deposits. This shift reflects our continued focus on building a stable, relationship-based, core deposit funding base. Non-wholesale deposit accounts constituted approximately 94.79% of total deposits at June 30, 2026, up from 91.43% at March 31, 2026.

Our asset quality remains strong with some movement during the quarter. The ratio of non-performing loans increased to 0.30% at June 30, 2026, up from 0.07% at March 31, 2026. This increase was attributable to one Community Reinvestment Act loan that was placed on non-accrual status during the period. The balance of the loan is 11.4 million as of June 30, 2026, and was originally downgraded to substandard in 2025. The loan is well-collateralized and a current appraised value provides significant cushion in excess of the carrying amount of the loan.

We recorded a 2.3 million provision for credit losses during the quarter, primarily related to loan growth. We remain well-capitalized with all capital ratios above regulatory thresholds, including a common equity Tier 1 capital ratio of 9.98% and a Tier 1 leverage ratio of 9.21% as of June 30, 2026. We remain committed to delivering value to our shareholders. In Q2, we paid a cash dividend of $0.25 per share and declared an additional $0.25 cash dividend expected to be paid in August of 2026.

Total assets increased by 345.3 million during the quarter, largely driven by loan growth within the commercial real estate portfolio, which grew by 175.3 million, and 124.5 million in purchased loans within our consumer segment of the portfolio. Year-over-year, total assets grew from 4.4 billion to 5.4 billion, a meaningful reflection of the organic growth we have sustained across our markets. Cash-and-cash equivalents stood at 685.1 million at June 30, 2026, representing 14.2% of total deposits.

Ongoing uncertainty surrounding geopolitical tensions, energy market instability, and uncertainty around the pace and direction of the Federal Reserve monetary policy have contributed to a more volatile interest rate environment. We believe we are well-positioned to navigate these conditions as a result of the fact that approximately 74% of our loans held for investment are adjustable or floating, providing meaningful flexibility to respond to market shifts. Our prudent underwriting standards, comprehensive loan monitoring, and focus on relationship-driven lending have contributed to maintaining strong credit quality.

Our allowance for credit losses totaled 47.3 million at June 30, 2026, up from 44.4 million at December 31, 2025, reflecting a $4.6 million provision for credit losses recorded during the first half of the year, partially offset by $1.6 million in net charge-offs, primarily related to commercial and industrial loans. The allowance as a percentage of loans held for investment was 1.05% at June 30, 2026, compared to 1.09% at December 31, 2025.

The increase in total liabilities during the quarter was a result of interest-bearing deposits -- growth in interest-bearing deposits, reflecting inflows from new accounts and existing relationships. Non-wholesale deposits increased by $463.1 million, while wholesale deposits decreased by $133.1 million, a reflection of our ongoing strategy to deepen core deposit relationships and reduce reliance on wholesale funding. Non-interest-bearing deposits accounted for approximately 24.5% of total deposits as of June 30, 2026, a reflection of the full relationship banking we continue to cultivate.

This is supported by the growth of our Business Development Officer team, which grew from 43 to 45 during the quarter, driving continued relationship expansion across our markets and verticals. Approximately 64% of our total deposit relationships total more than $5 million, with an average tenure of approximately 7 years. We view this stable, long-tenured deposit base as a durable foundation for our continued growth.

On that note, I will hand it over to Heather to present the results of operations. Heather?

Heather Luck
Thank you, James, and hello, everyone. Net interest income increased to $46.1 million in Q2 2026, a 6.04% increase from $43.5 million in Q1 2026. Net interest margin contracted by 7 basis points quarter-over-quarter to 3.63%, reflecting a strong quarter-over-quarter growth in net interest income was primarily volume-driven as rapid balance sheet expansion modestly diluted the overall yield in earning assets.

Interest income increased by $5 million from the previous quarter, primarily due to a 4% increase in the average balance of loans and a 32% increase in the average balance of interest-earning deposits in banks. This was partially offset by a $2.4 million increase in interest expense, driven by $330.1 million increase in average deposit balances, combined with a 3 basis point increase in the average cost of deposits.

Growth in the average balance of non-interest-bearing deposits by $41.9 million helped partially offset the rise in deposit funding costs. Non-interest income increased to $1.9 million in Q2 2026 from $1.6 million in Q1 2026, primarily driven by an improvement in earnings related to investments in venture-backed funds, partially offset by a decrease in fees from swap referrals and lower FHLB stock dividends.

The latter due to FHLB's transition to a tiered-based dividend structure and a special cash dividend received in Q1 2026, which did not reoccur in the second quarter. Non-interest expense increased by $2.2 million in Q2 2026 compared to Q1 2026, primarily due to a $1 million loss contingency release on an SBA loan that benefited Q1 and did not reoccur during Q2. We also had increases in advertising and promotional expenses and data processing costs tied to organizational growth.

Our efficiency ratio was 40.91% for Q2 2026 compared to 38.57% in Q1 2026 and 41.03% for Q2 2025, reflecting disciplined expense management even as we continue to invest in growth. Our provision for income taxes increased by $300,000 compared to the prior quarter, primarily due to an increase in taxable income.

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

Conclusion

James Beckwith
Thank you, Heather. Five Star Bank's performance this quarter reflects the continued strength of our client relationships and the dedication of the professionals who support them. Our ongoing investment in technology, operating discipline, conservative underwriting standards, and rigorous portfolio management remain central to our commitment to creating sustainable value for our customers, employees, communities, and shareholders.

With the first half of 2026 behind us, we are encouraged by the results we have delivered and confident in our position rolling into the second half of the year. We remain disciplined in our approach to growth and managing risk as we continue executing on our strategic priorities, which are deepening client relationships, expanding our footprint in key markets, and making targeted investments in technology and talent that support Five Star Bank's long-term performance.

As we close today, we want to thank our shareholders, our clients, employees for your continued trust and partnership. The results we have presented this quarter reflect the strength of the relationships we have built and the consistent execution of our team across our markets.

Looking ahead, we remain focused on disciplined growth, sound risk management, and deepening the client relationships that are the foundation of our performance. We are confident in our ability to continue delivering value for all of our stakeholders in the quarters ahead. We look forward to speaking with you again in October to discuss Q3 earnings. Thank you for listening and have a great day.

Operator

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