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 June 30, 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	**75-3100966**
(State or other jurisdiction of incorporation or organization)	(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	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☒		

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 August 1, 2025, there were 21,368,053 shares of the registrant's common stock, no par value, outstanding.

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June 30, 2025

PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements

FIVE STAR BANCORP AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands, except share amounts)	**June 30, 2025**	**December 31, 2024**
ASSETS		
Cash and due from financial institutions	$ 53,724	$ 33,882
Interest-bearing deposits in banks	430,086	318,461
Cash and cash equivalents	483,810	352,343
Time deposits in banks	849	4,121
Securities available-for-sale, at fair value, net of allowance for credit losses of $0 at June 30, 2025 and December 31, 2024 (amortized cost of $111,332 and $115,757 at June 30, 2025 and December 31, 2024, respectively)	94,990	98,194
Securities held-to-maturity, at amortized cost, net of allowance for credit losses of $20 at June 30, 2025 and December 31, 2024 (fair value of $2,270 and $2,353 at June 30, 2025 and December 31, 2024, respectively)	2,585	2,720
Loans held for sale	309	3,247
Loans held for investment	3,758,025	3,532,686
Allowance for credit losses	(40,167)	(37,791)
Loans held for investment, net of allowance for credit losses	3,717,858	3,494,895
FHLB stock	15,000	15,000
Operating leases, right-of-use asset, net	7,094	6,245
Premises and equipment, net	1,606	1,584
Bank-owned life insurance	23,466	19,375
Interest receivable and other assets	65,906	55,554
Total assets	**$ 4,413,473**	**$ 4,053,278**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest-bearing	$ 1,004,061	$ 922,629
Interest-bearing	2,890,561	2,635,365
Total deposits	3,894,622	3,557,994
Borrowings:		
Subordinated notes, net	73,968	73,895
Other borrowings	—	—
Operating lease liability	7,744	6,857
Interest payable and other liabilities	20,397	17,908
Total liabilities	3,996,731	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 June 30, 2025 and December 31, 2024	—	—
Common stock, no par value; 100,000,000 shares authorized; 21,360,991 shares issued and outstanding at June 30, 2025; 21,319,083 shares issued and outstanding at December 31, 2024	303,155	302,531
Retained earnings	125,545	106,464
Accumulated other comprehensive loss, net of taxes	(11,958)	(12,371)
Total shareholders' equity	416,742	396,624
Total liabilities and shareholders' equity	**$ 4,413,473**	**$ 4,053,278**

See accompanying notes to the unaudited consolidated financial statements.

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

(in thousands, except per share amounts)	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Interest and fee income:				
Loans, including fees	$ 56,016	$ 46,362	$ 108,947	$ 90,148
Taxable securities	403	474	810	951
Nontaxable securities	174	176	348	352
Interest-bearing deposits in banks	3,987	1,986	7,562	5,088
Total interest and fee income	60,580	48,998	117,667	96,539
Interest expense:				
Deposits	22,904	18,717	44,852	38,228
Subordinated notes	1,161	1,162	2,323	2,323
Other borrowings	—	27	—	152
Total interest expense	24,065	19,906	47,175	40,703
Net interest income	36,515	29,092	70,492	55,836
Provision for credit losses	2,500	2,000	4,400	2,900
Net interest income after provision for credit losses	34,015	27,092	66,092	52,936
Non-interest income:				
Service charges on deposit accounts	196	189	411	377
Gain on sale of loans	119	449	244	818
Loan-related fees	468	370	916	799
FHLB stock dividends	325	329	656	661
Earnings on BOLI	220	158	381	300
Other	482	78	561	451
Total non-interest income	1,810	1,573	3,169	3,406
Non-interest expense:				
Salaries and employee benefits	8,910	7,803	18,044	15,380
Occupancy and equipment	657	646	1,294	1,272
Data processing and software	1,508	1,235	2,965	2,392
FDIC insurance	470	390	925	790
Professional services	918	767	1,831	1,474
Advertising and promotional	865	615	1,387	1,075
Loan-related expenses	423	297	742	594
Other operating expenses	1,975	1,760	3,583	3,252
Total non-interest expense	15,726	13,513	30,771	26,229
Income before provision for income taxes	20,099	15,152	38,490	30,113
Provision for income taxes	5,591	4,370	10,871	8,700
Net income	**$ 14,508**	**$ 10,782**	**$ 27,619**	**$ 21,413**
Basic earnings per common share	$ 0.68	$ 0.51	$ 1.30	$ 1.12
Diluted earnings per common share	$ 0.68	$ 0.51	$ 1.30	$ 1.12

See accompanying notes to unaudited consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2025**	**2024**	**2025**	**2024**
Net income	$ 14,508	$ 10,782	$ 27,619	$ 21,413
Unrealized gain (loss) on securities:				
Net unrealized holding gain (loss) on securities available-for-sale during the period	190	295	1,220	(660)
Less: Income tax expense (benefit) related to items of other comprehensive (loss) income	502	87	807	(195)
Other comprehensive (loss) income	(312)	208	413	(465)
Total comprehensive income	**$ 14,196**	**$ 10,990**	**$ 28,032**	**$ 20,948**

See accompanying notes to the unaudited consolidated financial statements.

FIVE STAR BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the Three Months Ended June 30, 2025 and 2024
(Unaudited)

(in thousands, except per share amounts)	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at March 31, 2024	17,353,251	$ 220,804	$ 84,216	$ (12,440)	$ 292,580
Net income	—	—	10,782	—	10,782
Other comprehensive income	—	—	—	208	208
Common stock issued	3,967,500	80,870	—	—	80,870
Stock compensation expense	—	294	—	—	294
Stock forfeitures	(1,168)	—	—	—	—
Cash dividends paid ($0.20 per share)	—	—	(4,264)	—	(4,264)
Balance at June 30, 2024	**21,319,583**	**$ 301,968**	**$ 90,734**	**$ (12,232)**	**$ 380,470**
Balance at March 31, 2025	21,329,235	$ 302,788	$ 115,309	$ (11,646)	$ 406,451
Net income	—	—	14,508	—	14,508
Other comprehensive loss	—	—	—	(312)	(312)
Stock issued under stock award plans	31,756	—	—	—	—
Stock compensation expense	—	367	—	—	367
Cash dividends paid ($0.20 per share)	—	—	(4,272)	—	(4,272)
Balance at June 30, 2025	**21,360,991**	**$ 303,155**	**$ 125,545**	**$ (11,958)**	**$ 416,742**

See accompanying notes to the unaudited consolidated financial statements.

FIVE STAR BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the Six Months Ended June 30, 2025 and 2024
(Unaudited)

	Common Stock					
(in thousands, except per share amounts)	**Shares**	**Amount**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Total Shareholders' Equity**
Balance at December 31, 2023	17,256,989	$ 220,505	$ 77,036	$ (11,767)	$ 285,774
Net income	—	—	21,413	—	21,413
Other comprehensive loss	—	—	—	(465)	(465)
Common stock issued	3,967,500	80,870	—	—	80,870
Stock issued under stock award plans	96,380	—	—	—	—
Stock compensation expense	—	593	—	—	593
Stock forfeitures	(1,286)	—	—	—	—
Cash dividends paid ($0.40 per share)	—	—	(7,715)	—	(7,715)
Balance at June 30, 2024	**21,319,583**	**$ 301,968**	**$ 90,734**	**$ (12,232)**	**$ 380,470**
Balance at December 31, 2024	21,319,083	$ 302,531	$ 106,464	$ (12,371)	$ 396,624
Net income	—	—	27,619	—	27,619
Other comprehensive income	—	—	—	413	413
Stock issued under stock award plans	42,241	—	—	—	—
Stock compensation expense	—	624	—	—	624
Stock forfeitures	(333)	—	—	—	—
Cash dividends paid ($0.40 per share)	—	—	(8,538)	—	(8,538)
Balance at June 30, 2025	**21,360,991**	**$ 303,155**	**$ 125,545**	**$ (11,958)**	**$ 416,742**

See accompanying notes to unaudited consolidated financial statements.

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

(in thousands)	Six Months Ended June 30, 2025	2024
Cash flows from operating activities:		
Net income	$ 27,619	$ 21,413
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	4,400	2,900
Depreciation and amortization	906	938
Amortization of deferred loan fees and costs	331	9
Amortization of premiums and discounts on securities	425	478
Amortization of subordinated note issuance costs	73	73
Amortization of low income housing tax credits	681	—
Stock compensation expense	624	593
Earnings on BOLI	(381)	(300)
Deferred tax provision	712	15
Loans originated for sale	(1,384)	(17,414)
Gain on sale of loans	(244)	(818)
Gross proceeds from sale of loans	3,531	12,909
Gain on equity investment	(399)	(300)
Net changes in:		
Interest receivable and other assets	(955)	4,067
Interest payable and other liabilities	(2,131)	(7,808)
Operating lease liability	(546)	(484)
Net cash provided by operating activities	**33,262**	**16,271**
Cash flows from investing activities:		
Maturities, prepayments, and calls of securities available-for-sale	4,135	3,844
Capital call for equity investment	(1,285)	(1,269)
Proceeds received from equity investment	—	300
Low income housing tax credits	(5,381)	(1,160)
Net change in time deposits in banks	3,272	1,761
Loan originations, net of repayments	(226,659)	(174,992)
Purchase of premises and equipment	(344)	(312)
Purchase of BOLI	(3,710)	(1,550)
Other real estate sale proceeds	87	—
Net cash used in investing activities	**(229,885)**	**(173,378)**
Cash flows from financing activities:		
Net change in deposits	336,628	122,735
Proceeds from issuance of stock, net of issuance costs	—	80,870
Advances (payments) on other borrowings	—	(170,000)
Cash dividends paid	(8,538)	(7,715)
Net cash provided by financing activities	**328,090**	**25,890**
Net change in cash and cash equivalents	131,467	(131,217)
Cash and cash equivalents at beginning of period	352,343	321,576
Cash and cash equivalents at end of period	**$ 483,810**	**$ 190,359**
Supplemental disclosure of cash flow information:		
Interest paid	$ 45,966	$ 41,904
Income taxes paid	13,165	9,391
Supplemental disclosure of noncash items:		
Transfer from loans held for sale to loans held for investment	1,035	11,464
Unrealized gain (loss) on securities	1,220	(660)
Operating lease liabilities exchanged for ROUA	1,433	1,958
ROUA acquired	(1,433)	(1,958)
Net change in commitment for low income housing tax credits	(10,000)	—

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 (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 and six months ended June 30, 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

(in thousands)	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
June 30, 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	$ 94,990	$ —	$ 94,990	$ —	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 June 30, 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.

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 June 30, 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 June 30, 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

	June 30, 2025			December 31, 2024		
(in thousands)	Carrying Amounts	Fair Value	Fair Value Hierarchy	Carrying Amounts	Fair Value	Fair Value Hierarchy
Financial assets:						
Cash and cash equivalents	$ 483,810	$ 483,810	Level 1	$ 352,343	$ 352,343	Level 1
Time deposits in banks	849	849	Level 1	4,121	4,121	Level 1
Securities available-for-sale	94,990	94,990	Level 2	98,194	98,194	Level 2
Securities held-to-maturity	2,585	2,270	Level 3	2,720	2,353	Level 3
Loans held for sale	309	342	Level 2	3,247	3,597	Level 2
Loans held for investment, net of allowance for credit losses	3,717,858	3,654,853	Level 3	3,494,895	3,412,032	Level 3
Financial liabilities:						
Time deposits	772,085	770,872	Level 2	670,154	669,078	Level 2
Subordinated notes	73,968	73,533	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 June 30, 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 June 30, 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 June 30, 2025 and December 31, 2024.

Table 3.1: Securities Held-to-Maturity

		Gross Unrealized		
(in thousands)	Amortized Cost	Gains	(Losses)	Fair Value
June 30, 2025				
Obligations of states and political subdivisions	$ 2,585	$ —	$ (315)	$ 2,270
Total held-to-maturity	$ 2,585	$ —	$ (315)	$ 2,270
December 31, 2024				
Obligations of states and political subdivisions	$ 2,720	$ —	$ (367)	$ 2,353
Total held-to-maturity	$ 2,720	$ —	$ (367)	$ 2,353

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 June 30, 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 June 30, 2025 or December 31, 2024.

A summary of the amortized cost and fair value related to securities available-for-sale as of June 30, 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 June 30, 2025 or December 31, 2024.

Table 3.2: Securities Available-for-Sale

		Gross Unrealized		
(in thousands)	Amortized Cost	Gains	(Losses)	Fair Value
June 30, 2025				
U.S. government agency securities	$ 6,909	$ 154	$ (61)	$ 7,002
Mortgage-backed securities	59,650	15	(10,447)	49,218
Obligations of states and political subdivisions	42,498	1	(5,911)	36,588
Collateralized mortgage obligations	275	—	(19)	256
Corporate bonds	2,000	—	(74)	1,926
Total available-for-sale	$ 111,332	$ 170	$ (16,512)	$ 94,990
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	$ 115,757	$ 159	$ (17,722)	$ 98,194

The amortized cost and fair value of investment securities by contractual maturity at June 30, 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

	June 30, 2025				December 31, 2024			
	Held-to-Maturity		Available-for-Sale		Held-to-Maturity		Available-for-Sale	
(in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within one year	$ 195	$ 171	$ —	$ —	$ 210	$ 182	$ —	$ —
After one but within five years	905	795	1,267	1,181	945	818	798	737
After five years through ten years	1,315	1,155	10,863	9,582	1,380	1,193	9,221	8,108
After ten years	170	149	30,368	25,825	185	160	32,743	28,292
Investment securities not due at a single maturity date:								
U.S. government agency securities	—	—	6,909	7,002	—	—	8,293	8,345
Mortgage-backed securities	—	—	59,650	49,218	—	—	62,397	50,570
Collateralized mortgage obligations	—	—	275	256	—	—	305	279
Corporate bonds	—	—	2,000	1,926	—	—	2,000	1,863
Total	$ 2,585	$ 2,270	$ 111,332	$ 94,990	$ 2,720	$ 2,353	$ 115,757	$ 98,194

There were no purchases or sales of investment securities during the three and six months ended June 30, 2025 and June 30, 2024.

Table 3.4: Pledged Investment Securities

(in thousands)	June 30, 2025	December 31, 2024
Pledged to:		
The State of California, securing deposits of public funds and borrowings	$ 48,127	$ 49,477
The Federal Reserve Discount Window, increasing borrowing capacity	42,930	45,576
Total pledged investment securities	$ 91,057	$ 95,053

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 June 30, 2025 and December 31, 2024.

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

	Less than 12 months		12 months or more		Total securities in a loss position	
(in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
June 30, 2025						
U.S. government agency securities	$ 935	$ (8)	$ 1,918	$ (53)	$ 2,853	$ (61)
Mortgage-backed securities	—	—	48,126	(10,447)	48,126	(10,447)
Obligations of states and political subdivisions	347	(36)	34,738	(5,875)	35,085	(5,911)
Collateralized mortgage obligations	—	—	256	(19)	256	(19)
Corporate bonds	—	—	1,926	(74)	1,926	(74)
Total temporarily impaired securities	$ 1,282	$ (44)	$ 86,964	$ (16,468)	$ 88,246	$ (16,512)
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	$ 2,316	$ (11)	$ 91,330	$ (17,711)	$ 93,646	$ (17,722)

There were 144 and 147 available-for-sale securities in unrealized loss positions at June 30, 2025 and December 31, 2024, respectively. As of June 30, 2025, the investment portfolio included 139 investment securities that had been in a continuous loss position for twelve months or more and five 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 June 30, 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 June 30, 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 June 30, 2025 or December 31, 2024.

Equity investments: The Company is a limited partner in certain venture-backed capital funds. The Company held $14.5 million and $10.8 million of equity investments at June 30, 2025 and December 31, 2024, respectively. The carrying amounts of these investments are reasonable estimates of fair value because the investments reflect the Company's share of earnings and losses of each fund.

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

(in thousands)	June 30, 2025	December 31, 2024
Real estate:		
Commercial	$ 3,066,627	$ 2,857,173
Commercial land and development	1,422	3,849
Commercial construction	112,399	111,318
Residential construction	5,479	4,561
Residential	33,132	32,774
Farmland	51,579	47,241
Commercial:		
Secured	173,855	170,548
Unsecured	37,568	27,558
Consumer and other	278,215	279,584
Subtotal	3,760,276	3,534,606
Net deferred loan fees	(2,251)	(1,920)
Loans held for investment	3,758,025	3,532,686
Allowance for credit losses	(40,167)	(37,791)
Loans held for investment, net of allowance for credit losses	$ 3,717,858	$ 3,494,895

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

	Amortized Cost Basis by Origination Year as of June 30, 2025								
(in thousands)	2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Converted to Term	Total
Real estate:									
Commercial									
Pass	$ 305,408	$ 417,308	$ 300,350	$ 865,475	$ 598,910	$ 472,297	$ 6,758	$ —	$ 2,966,506
Watch	—	639	10,858	31,993	24,931	23,206	1,391	—	93,018
Substandard	—	—	—	1,101	561	2,508	—	—	4,170
Total	305,408	417,947	311,208	898,569	624,402	498,011	8,149	—	3,063,694
Commercial land and development									
Pass	397	393	—	—	—	631	—	—	1,421
Total	397	393	—	—	—	631	—	—	1,421
Commercial construction									
Pass	996	21,502	89,128	525	—	—	—	—	112,151
Total	996	21,502	89,128	525	—	—	—	—	112,151
Residential construction									
Pass	—	5,410	—	—	—	—	—	—	5,410
Total	—	5,410	—	—	—	—	—	—	5,410
Residential									
Pass	408	6,101	4,755	2,833	9,379	8,271	1,407	—	33,154
Total	408	6,101	4,755	2,833	9,379	8,271	1,407	—	33,154
Farmland									
Pass	9,457	1,473	2,027	6,248	8,433	23,313	—	—	50,951
Watch	—	—	—	—	—	594	—	—	594
Total	9,457	1,473	2,027	6,248	8,433	23,907	—	—	51,545
Commercial:									
Secured									
Pass	18,827	30,995	17,668	18,751	8,056	18,986	48,518	—	161,801
Watch	—	99	525	6,944	2,560	1,220	1,491	—	12,839
Substandard	—	—	—	—	—	38	—	—	38
Total	18,827	31,094	18,193	25,695	10,616	20,244	50,009	—	174,678
Unsecured									
Pass	7,555	8,981	3,004	1,557	2,106	3,410	10,982	—	37,595
Total	7,555	8,981	3,004	1,557	2,106	3,410	10,982	—	37,595
Consumer and other									
Pass	32,156	207,449	27,102	6,378	4,923	181	181	—	278,370
Substandard	—	—	—	7	—	—	—	—	7
Total	32,156	207,449	27,102	6,385	4,923	181	181	—	278,377
Total									
Pass	375,204	699,612	444,034	901,767	631,807	527,089	67,846	—	3,647,359
Watch	—	738	11,383	38,937	27,491	25,020	2,882	—	106,451
Substandard	—	—	—	1,108	561	2,546	—	—	4,215
Total	$ 375,204	$ 700,350	$ 455,417	$ 941,812	$ 659,859	$ 554,655	$ 70,728	$ —	$ 3,758,025

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

	Amortized Cost Basis by Origination Year as of December 31, 2024								
(in thousands)	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Converted to Term	Total
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, which 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 30-59 Days	Past Due 60-89 Days	Past Due Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable
June 30, 2025						
Real estate:						
Commercial	$ —	$ —	$ —	$ —	$ 3,063,694	$ 3,063,694
Commercial land and development	—	—	—	—	1,421	1,421
Commercial construction	—	—	—	—	112,151	112,151
Residential construction	—	—	—	—	5,410	5,410
Residential	—	—	—	—	33,154	33,154
Farmland	—	—	—	—	51,545	51,545
Commercial:						
Secured	304	319	—	623	174,055	174,678
Unsecured	—	—	—	—	37,595	37,595
Consumer and other	72	—	—	72	278,305	278,377
Total	$ 376	$ 319	$ —	$ 695	$ 3,757,330	$ 3,758,025
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 June 30, 2025 or December 31, 2024.

One collateral dependent loan was in process of foreclosure at June 30, 2025: a commercial real estate loan in the amount of $0.8 million rated substandard. No collateral dependent loans were in process of foreclosure at December 31, 2024. The Company had one collateral dependent commercial real estate loan outstanding as of June 30, 2025 and December 31, 2024 in the amount of $1.7 million and $1.8 million, respectively, for which the applicable borrower was experiencing financial difficulty.

Non-accrual loans, segregated by class, as of June 30, 2025 and December 31, 2024 are shown in Table 4.4.

Table 4.4: Non-accrual Loans

(in thousands)	June 30, 2025	December 31, 2024
Real estate:		
Commercial	$ 2,240	$ 1,750
Commercial:		
Secured	38	48
Total non-accrual loans	$ 2,278	$ 1,798

No interest income was recognized on non-accrual loans in the three and six months ended June 30, 2025 or June 30, 2024. Non-accrual real estate loans did not have an allowance for credit losses as of June 30, 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 $35.6 thousand and $70.9 thousand for the three and six months ended June 30, 2025, respectively, as compared to $38.2 thousand and $77.4 thousand for the three and six months ended June 30, 2024, respectively.

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

(in thousands)	Beginning Balance	Charge-offs	Recoveries	Provision (Benefit)	Ending Balance
Three months ended June 30, 2025					
Real estate:					
Commercial	$ 27,027	$ —	$ —	$ 765	$ 27,792
Commercial land and development	70	—	—	(37)	33
Commercial construction	2,227	—	—	348	2,575
Residential construction	78	—	—	(3)	75
Residential	279	—	—	55	334
Farmland	598	—	—	125	723
Commercial:					
Secured	5,905	(1,516)	96	1,138	5,623
Unsecured	403	(50)	—	64	417
Consumer and other	2,637	(72)	85	(55)	2,595
Total	$ 39,224	$ (1,638)	$ 181	$ 2,400	$ 40,167

Table 4.5: Allowance for Credit Losses (continued)

(in thousands)	Beginning Balance	Charge-offs	Recoveries	Provision (Benefit)	Ending Balance
Three months ended June 30, 2024					
Real estate:					
Commercial	$ 28,895	$ —	$ —	$ (4,187)	$ 24,708
Commercial land and development	164	—	—	(92)	72
Commercial construction	697	—	—	400	1,097
Residential construction	114	—	—	(14)	100
Residential	164	—	—	31	195
Farmland	438	—	—	(36)	402
Commercial:					
Secured	3,262	(1,239)	57	5,306	7,386
Unsecured	259	(36)	—	(9)	214
Consumer and other	660	(72)	93	551	1,232
Total	$ 34,653	$ (1,347)	$ 150	$ 1,950	$ 35,406
Six months ended June 30, 2025					
Real estate:					
Commercial	$ 25,864	$ —	$ —	$ 1,928	$ 27,792
Commercial land and development	78	—	—	(45)	33
Commercial construction	2,268	—	—	307	2,575
Residential construction	64	—	—	11	75
Residential	270	—	—	64	334
Farmland	607	—	—	116	723
Commercial:					
Secured	5,866	(2,261)	160	1,858	5,623
Unsecured	278	(50)	—	189	417
Consumer and other	2,496	(143)	120	122	2,595
Total	$ 37,791	$ (2,454)	$ 280	$ 4,550	$ 40,167
Six months ended June 30, 2024					
Real estate:					
Commercial	$ 29,015	$ —	$ —	$ (4,307)	$ 24,708
Commercial land and development	178	—	—	(106)	72
Commercial construction	718	—	—	379	1,097
Residential construction	89	—	—	11	100
Residential	151	—	—	44	195
Farmland	399	—	—	3	402
Commercial:					
Secured	3,314	(2,237)	239	6,070	7,386
Unsecured	189	(70)	—	95	214
Consumer and other	378	(143)	186	811	1,232
Total	$ 34,431	$ (2,450)	$ 425	$ 3,000	$ 35,406

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

	Three months ended		Six months ended	
(in thousands)	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Balance at beginning of period	$ 497	$ 1,097	$ 747	$ 1,247
Provision (benefit)	100	50	(150)	(100)
Balance at end of period	$ 597	$ 1,147	$ 597	$ 1,147

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 June 30, 2025 and December 31, 2024. In addition, the Company pledges eligible tenants in common loans, which totaled $1.3 billion and $1.2 billion at June 30, 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 June 30, 2025 and December 31, 2024.

Table 5.1: Interest-Bearing Deposits

(in thousands)	June 30, 2025	December 31, 2024
Interest-bearing transaction accounts	$ 292,257	$ 315,217
Savings accounts	121,567	124,702
Money market accounts	1,704,652	1,525,292
Time accounts, $250 or more	377,441	344,129
Other time accounts	394,644	326,025
Total interest-bearing deposits	$ 2,890,561	$ 2,635,365

Time deposits totaled $772.1 million and $670.2 million as of June 30, 2025 and December 31, 2024, respectively. Scheduled maturities of time deposits as of June 30, 2025 for the next five years are shown in Table 5.2.

Table 5.2: Scheduled Maturities of Time Deposits

(in thousands)	
2025	$ 723,140
2026	47,741
2027	1,103
2028	101
2029	—
Total time deposits	$ 772,085

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 June 30, 2025 or December 31, 2024. The composition of network deposits as of June 30, 2025 and December 31, 2024 is shown in Table 5.3.

Table 5.3: Network Deposits

(in thousands)	June 30, 2025	December 31, 2024
CDARS	$ 21,518	$ 19,292
ICS	766,972	674,453
Total network deposits	$ 788,490	$ 693,745

Table 5.4 presents interest expense recognized on interest-bearing deposits for the periods ended June 30, 2025 and 2024.

Table 5.4: Interest Expense Recognized on Interest-Bearing Deposits

	Three months ended		Six months ended	
(in thousands)	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Interest-bearing transaction accounts	$ 1,043	$ 1,104	$ 2,155	$ 2,230
Savings accounts	801	856	1,573	1,718
Money market accounts	13,270	13,388	25,705	25,543
Time accounts, $250 or more	3,945	2,412	7,701	6,235
Other time accounts	3,845	957	7,718	2,502
Total interest expense on interest-bearing deposits	$ 22,904	$ 18,717	$ 44,852	$ 38,228

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 (7.50% as of June 30, 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 June 30, 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 June 30, 2025 and December 31, 2024, the carrying value of the Company's subordinated notes outstanding was $74.0 million and $73.9 million, respectively.

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)	June 30, 2025	December 31, 2024
Total financing ability from the FHLB	$ 1,290,446	$ 1,212,209
Less: outstanding borrowings	—	—
Less: LCs pledged to secure State of California deposits	312,500	281,500
Less: LCs pledged to secure local agency deposits	420,000	420,000
Total LCs issued	732,500	701,500
Available borrowing capacity with the FHLB	$ 557,946	$ 510,709

As of June 30, 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 June 30, 2025. At June 30, 2025 and December 31, 2024, the borrowing capacity under this arrangement was $926.6 million and $862.1 million, respectively. There were no amounts outstanding at June 30, 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 June 30, 2025 the Company had five unsecured federal funds lines of credit totaling $185.0 million with five of its correspondent banks. At 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 June 30, 2025. There were no amounts outstanding at June 30, 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

	Three months ended		Six months ended	
(in thousands, except share count and earnings per common share)	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Net income	$ 14,508	$ 10,782	$ 27,619	$ 21,413
Basic weighted average common shares outstanding	21,225,831	21,039,798	21,217,900	19,115,333
Add: Dilutive effects of assumed vesting of restricted stock	43,434	18,287	43,570	50,207
Total dilutive weighted average common shares outstanding	21,269,265	21,058,085	21,261,470	19,165,540
Earnings per common share:				
Basic EPS	$ 0.68	$ 0.51	$ 1.30	$ 1.12
Diluted EPS	$ 0.68	$ 0.51	$ 1.30	$ 1.12

The Company did not have any anti-dilutive shares at June 30, 2025 or June 30, 2024.

(b) Dividends

The board of directors declared on April 17, 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.

The Company recognized $0.4 million and $0.3 million of non-cash stock compensation expense for the three months ended June 30, 2025 and June 30, 2024, respectively. The Company recognized $0.6 million of non-cash stock compensation expense for both the six months ended June 30, 2025 and June 30, 2024, respectively.

As of June 30, 2025, there was approximately $2.9 million of unrecognized compensation expense related to the 129,448 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 2.99 years as of June 30, 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 and six months ended June 30, 2025 and June 30, 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 June 30,				For the six months ended June 30,			
	2025		2024		2025		2024	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Beginning of the period balance	111,786	$ 22.08	162,348	$ 21.22	120,577	$ 21.36	69,338	$ 20.53
Shares granted	31,756	27.55	—	—	42,241	28.38	96,380	21.97
Shares vested	(14,094)	20.00	(23,723)	20.00	(33,037)	21.33	(26,975)	21.03
Shares forfeited	—	—	(1,168)	21.69	(333)	21.97	(1,286)	21.54
End of the period balance	129,448	$ 23.65	137,457	$ 21.43	129,448	$ 23.65	137,457	$ 21.43

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

(in thousands)	June 30, 2025	December 31, 2024
Commercial lines of credit	$ 242,896	$ 230,063
Undisbursed commercial real estate loans	105,207	98,508
Undisbursed construction loans	75,691	74,671
Agricultural lines of credit	22,813	21,155
Undisbursed residential real estate loans	7,145	7,225
Undisbursed agricultural real estate loans	2	—
Other	1,657	1,973
Total commitments and standby letters of credit	$ 455,411	$ 433,595

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 $0.6 million as of June 30, 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 86.97% of the Company’s loan portfolio at June 30, 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 June 30, 2025, the Company had 105 deposit relationships that exceeded $5.0 million each, totaling $2.3 billion, or approximately 59.91% of total deposits. The Company’s largest single deposit relationship at June 30, 2025 totaled $366.4 million, or approximately 9.41% 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 $47.9 million and $29.2 million at June 30, 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 June 30, 2025 and December 31, 2024, the estimated remaining commitment for these funds totaled $14.5 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 July 4, 2025, the President signed H.R. 1, the "One Big Beautiful Bill Act," into law. The legislation includes several changes to federal tax law that generally allow for more favorable deductibility of certain business expenses beginning in 2025, including the restoration of immediate expensing of domestic R&D expenditures, reinstatement of 100% bonus depreciation, and more favorable rules for determining the limitation on business interest expense. The Act also made certain changes to the deductibility of the cost of meals and charitable contributions that are effective for tax years beginning after December 31, 2025. These changes were not reflected in the income tax provision for the period ended June 30, 2025, as enactment occurred after the balance sheet date. The Company is currently evaluating the impact on future periods.

On July 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 August 11, 2025 to shareholders of record as of August 4, 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 phases 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, our Quarterly Report on Form 10-Q for the three months ended March 31, 2025, 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 June 30, 2025, we had total assets of $4.4 billion, total loans held for investment of $3.8 billion, and total deposits of $3.9 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 June 30, 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 factor concerning concentrations within the loan portfolio 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 and six months ended June 30, 2025 totaled $14.5 million and $27.6 million, respectively, as compared to net income of $10.8 million and $21.4 million for the three and six months ended June 30, 2024, respectively.

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

- ***Deposits.*** Total deposits increased by $336.6 million, or 9.46%, from $3.6 billion at December 31, 2024 to $3.9 billion at June 30, 2025. Non-wholesale deposits increased by $240.0 million in the first six months of 2025 to $3.2 billion at June 30, 2025. Wholesale deposits, which the Company defines as brokered deposits and California Time Deposit Program deposits, increased by $96.6 million in the first six months of 2025 to $656.6 million. Non-interest-bearing deposits increased by $81.4 million in the first six months of 2025 to $1.0 billion, and represented 25.78% of total deposits at June 30, 2025, as compared to 25.93% of total deposits at December 31, 2024. Our loan to deposit ratio was 96.50% at June 30, 2025, as compared to 99.38% at December 31, 2024.

- ***Assets.*** Total assets were $4.4 billion at June 30, 2025, representing a $360.2 million, or 8.89%, increase compared to $4.1 billion at December 31, 2024.

- ***Loans.*** Total loans held for investment were $3.8 billion at June 30, 2025, as compared to $3.5 billion at December 31, 2024, an increase of $225.3 million, or 6.38%. The increase was a result of $578.8 million in loan originations and advances, partially offset by $130.3 million and $223.1 million in loan payoffs and paydowns, respectively. The $225.3 million increase in total loans held for investment included $43.9 million in purchases of loans within the consumer concentration of the loan portfolio.

- ***Credit Quality.*** Credit quality remains strong, with non-accrual loans representing $2.3 million, or 0.06% of total loans held for investment at June 30, 2025, as compared to $1.8 million, or 0.05% of total loans held for investment at December 31, 2024. The ratio of the allowance for credit losses to total loans held for investment was 1.07% at June 30, 2025 and December 31, 2024.

- ***Net Interest Margin.*** Net interest margin was 3.53% and 3.49%, respectively, for the three and six months ended June 30, 2025, and 3.39% and 3.27%, respectively, for the three and six months ended June 30, 2024. The increase in net interest margin for the three months ended June 30, 2025 compared to the three months ended June 30, 2024 is primarily due to loan growth and an improvement in the average yield on loans, partially offset by an increase in interest expense driven by deposit growth. The increase in net interest margin for the six months ended June 30, 2025 compared to the six months ended June 30, 2024 is primarily due to loan growth and an improvement in the average yield on loans, partially offset by an increase in interest expense driven by deposit growth.

- ***Efficiency Ratio.*** Efficiency ratio was 41.03% for the three months ended June 30, 2025, down from 44.07% for the corresponding period of 2024, mainly due to a $7.4 million, or 25.52%, increase in net interest income during the same period. Additionally, efficiency ratio was 41.77% for the six months ended June 30, 2025, down from 44.27% for the corresponding period of 2024, mainly due to a $14.7 million, or 26.25%, increase in net interest income during the same period.

- ***Capital Ratios***. All capital ratios were above well-capitalized regulatory thresholds as of June 30, 2025. The total risk-based capital ratio for the Company was 13.73% at June 30, 2025, as compared to 13.99% at December 31, 2024. The Tier 1 leverage ratio was 10.03% at June 30, 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 April 17, 2025.

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

Table 1: Highlights of Financial Results

(dollars in thousands)	June 30, 2025	December 31, 2024
Selected financial condition data:		
Total assets	$ 4,413,473	$ 4,053,278
Total loans held for investment	3,758,025	3,532,686
Total deposits	3,894,622	3,557,994
Total subordinated notes, net	73,968	73,895
Total shareholders' equity	416,742	396,624
Asset quality ratios:		
Allowance for credit losses to total loans held for investment	1.07 %	1.07 %
Allowance for credit losses to nonperforming loans	1,763.26 %	2,101.78 %
Nonperforming loans to total loans held for investment	0.06 %	0.05 %
Capital ratios:		
Total capital (to risk-weighted assets)	13.73 %	13.99 %
Tier 1 capital (to risk-weighted assets)	10.85 %	11.02 %
Common equity Tier 1 capital (to risk-weighted assets)	10.85 %	11.02 %
Tier 1 leverage	10.03 %	10.05 %
Total shareholders' equity to total assets	9.44 %	9.79 %
Tangible shareholders' equity to tangible assets[1]	9.44 %	9.79 %

Table 2: Highlights of Financial Results (continued)

	For the three months ended		For the six months ended	
(dollars in thousands, except per share data)	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Selected operating data:				
Net interest income	$ 36,515	$ 29,092	$ 70,492	$ 55,836
Provision for credit losses	2,500	2,000	4,400	2,900
Non-interest income	1,810	1,573	3,169	3,406
Non-interest expense	15,726	13,513	30,771	26,229
Net income	14,508	10,782	27,619	21,413
Per common share data:				
Earnings per common share:				
Basic	$ 0.68	$ 0.51	$ 1.30	$ 1.12
Diluted	$ 0.68	$ 0.51	$ 1.30	$ 1.12
Book value per share	$ 19.51	$ 17.85	$ 19.51	$ 17.85
Tangible book value per share[2]	$ 19.51	$ 17.85	$ 19.51	$ 17.85
Performance and other financial ratios:				
ROAA	1.37 %	1.23 %	1.33 %	1.22 %
ROAE	14.17 %	11.72 %	13.73 %	13.08 %
Net interest margin	3.53 %	3.39 %	3.49 %	3.27 %
Cost of funds	2.53 %	2.56 %	2.55 %	2.59 %
Efficiency ratio	41.03 %	44.07 %	41.77 %	44.27 %
Cash dividend payout ratio on common stock[3]	29.41 %	39.22 %	30.77 %	35.71 %

[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 and six months ended June 30, 2025 to the three and six months ended June 30, 2024. The results of operations for the three and six months ended June 30, 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.

Three months ended June 30, 2025 compared to three months ended June 30, 2024

Net interest income increased by $7.4 million, or 25.52%, for the three months ended June 30, 2025 compared to the three months ended June 30, 2024, and our net interest margin increased 14 basis points during the same period. The increase is primarily attributable to an increase in interest income driven by loan growth and an improvement in the average yield on loans, partially offset by an increase in interest expense driven by deposit growth. 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

	For the three months ended June 30, 2025			For the three months ended June 30, 2024		
(dollars in thousands)	**Average Balance**	**Interest Income/Expense**	**Average Yield/Rate**	**Average Balance**	**Interest Income/Expense**	**Average Yield/Rate**
Assets						
Interest-earning deposits in banks[1]	$ 361,866	$ 3,987	4.42 %	$ 148,936	$ 1,986	5.36 %
Investment securities[1,2]	97,886	577	2.37 %	105,819	650	2.47 %
Loans held for investment and sale[1,3]	3,691,616	56,016	6.09 %	3,197,921	46,362	5.83 %
Total interest-earning assets[1]	4,151,368	60,580	5.85 %	3,452,676	48,998	5.71 %
Interest receivable and other assets, net[4]	101,632			84,554		
Total assets	$ 4,253,000			$ 3,537,230		
Liabilities and shareholders' equity						
Interest-bearing transaction accounts[1]	$ 283,369	$ 1,043	1.48 %	$ 291,470	$ 1,104	1.52 %
Savings accounts[1]	121,692	801	2.64 %	120,080	856	2.87 %
Money market accounts[1]	1,647,628	13,270	3.23 %	1,547,814	13,388	3.48 %
Time accounts[1]	726,295	7,790	4.30 %	272,887	3,369	4.96 %
Subordinated notes and other borrowings[1]	73,967	1,161	6.30 %	75,747	1,189	6.31 %
Total interest-bearing liabilities	2,852,951	24,065	3.38 %	2,307,998	19,906	3.47 %
Demand accounts	957,034			817,668		
Interest payable and other liabilities	32,406			41,429		
Shareholders' equity	410,609			370,135		
Total liabilities and shareholders' equity	$ 4,253,000			$ 3,537,230		
Net interest spread[5]			2.47 %			2.24 %
Net interest income/margin[6]		$ 36,515	3.53 %		$ 29,092	3.39 %

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

	For the three months ended June 30, 2025 compared to the three months ended June 30, 2024		
(dollars in thousands)	**Volume**	**Yield/Rate**	**Total Increase (Decrease)**
Interest-earning deposits in banks	$ 2,351	$ (350)	$ 2,001
Investment securities	(47)	(26)	(73)
Loans held for investment and sale	7,595	2,059	9,654
Total interest-earning assets	9,899	1,683	11,582
Interest-bearing transaction accounts	(28)	(33)	(61)
Savings accounts	10	(65)	(55)
Money market accounts	625	(743)	(118)
Time accounts	4,872	(451)	4,421
Subordinated notes and other borrowings	(26)	(2)	(28)
Total interest-bearing liabilities	5,453	(1,294)	4,159
Changes in net interest income/margin	$ 4,446	$ 2,977	$ 7,423

Net interest income during the three months ended June 30, 2025 increased to $36.5 million compared to $29.1 million during the three months ended June 30, 2024. Net interest margin totaled 3.53% for the three months ended June 30, 2025, compared to 3.39% in the same quarter of the prior year. The increase in net interest income is primarily attributable to an additional $11.6 million in interest income, mainly due to a $493.7 million, or 15.44%, increase in the average balance of loans and a 26 basis point improvement in the average yield on loans during the three months ended June 30, 2025 compared to the same quarter of the prior year. The increase in interest income was partially offset by an additional $4.2 million in interest expense compared to the same quarter of the prior year. The increase in interest expense is mainly attributable to a $686.1 million, or 22.50%, increase in the average balance of deposits at an average rate of one basis point lower during the three months ended June 30, 2025 compared to the same quarter of the prior year.

Six months ended June 30, 2025 compared to six months ended June 30, 2024

Net interest income increased by $14.7 million, or 26.25%, for the six months ended June 30, 2025 compared to the six months ended June 30, 2024, and our net interest margin increased 22 basis points when compared to the same period in 2024. The increase is primarily attributable to an increase in interest income driven by loan growth and an improvement in the average yield on loans, partially offset by an increase in interest expense driven by deposit growth. Additional detail relating to net interest margin in each period is provided below.

Average balance sheet, interest, and yield/rate analysis. Table 5 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 5: Average Balances, Interest, and Yield/Rate

	For the six months ended June 30, 2025			For the six months ended June 30, 2024		
(dollars in thousands)	**Average Balance**	**Interest Income/Expense**	**Average Yield/Rate**	**Average Balance**	**Interest Income/Expense**	**Average Yield/Rate**
Assets						
Interest-earning deposits in banks[1]	$ 345,310	$ 7,562	4.42 %	$ 190,969	$ 5,088	5.36 %
Investment securities[1,2]	99,173	1,158	2.35 %	107,498	1,303	2.44 %
Loans held for investment and sale[1,3]	3,630,146	108,947	6.05 %	3,140,106	90,148	5.77 %
Total interest-earning assets[1]	4,074,629	117,667	5.82 %	3,438,573	96,539	5.65 %
Interest receivable and other assets, net[4]	97,610			89,268		
Total assets	$ 4,172,239			$ 3,527,841		
Liabilities and shareholders' equity						
Interest-bearing transaction accounts[1]	$ 293,539	$ 2,155	1.48 %	$ 295,897	$ 2,230	1.52 %
Savings accounts[1]	122,641	1,573	2.59 %	122,320	1,718	2.82 %
Money market accounts[1]	1,594,548	25,705	3.25 %	1,479,039	25,543	3.47 %
Time accounts[1]	716,466	15,419	4.34 %	351,237	8,737	5.00 %
Subordinated notes and other borrowings[1]	73,938	2,323	6.34 %	79,261	2,475	6.28 %
Total interest-bearing liabilities	2,801,132	47,175	3.40 %	2,327,754	40,703	3.52 %
Demand accounts	934,121			829,887		
Interest payable and other liabilities	31,403			41,080		
Shareholders' equity	405,583			329,120		
Total liabilities and shareholders' equity	$ 4,172,239			$ 3,527,841		
Net interest spread[5]			2.42 %			2.13 %
Net interest income/margin[6]		$ 70,492	3.49 %		$ 55,836	3.27 %

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 6 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 6: Interest Income and Expense Change Analysis

	For the six months ended June 30, 2025 compared to the six months ended June 30, 2024		
(In thousands)	**Volume**	**Yield/Rate**	**Total Increase (Decrease)**
Interest-earning deposits in banks	$ 3,364	$ (890)	$ 2,474
Investment securities	(99)	(46)	(145)
Loans held for investment and sale	14,505	4,294	18,799
Total interest-earning assets	17,770	3,358	21,128
Interest-bearing transaction accounts	(19)	(56)	(75)
Savings accounts	4	(149)	(145)
Money market accounts	1,320	(1,158)	162
Time accounts	7,836	(1,154)	6,682
Subordinated notes and other borrowings	(176)	24	(152)
Total interest-bearing liabilities	8,965	(2,493)	6,472
Changes in net interest income/margin	$ 8,805	$ 5,851	$ 14,656

Net interest income during the six months ended June 30, 2025 increased to $70.5 million compared to $55.8 million during the six months ended June 30, 2024. Net interest margin totaled 3.49% for the six months ended June 30, 2025, compared to 3.27% for the same period of the prior year. Interest income increased by $21.1 million compared to the same period of the prior year. The average yield on loans increased 28 basis points compared to the same period of the prior year due to an increase in average balances of $490.0 million, or 15.61%, and increased interest rates on new and repriced loans. The increase in interest income was partially offset by an additional $6.5 million in interest expense compared to the same period of the prior year. The increase in interest expense was primarily due to an increase in the average balance of interest-bearing deposits of $478.7 million, or 21.29%, compared to the same period of the prior year. The cost of interest-bearing deposits decreased 10 basis points. In addition, the average balance of non-interest-bearing deposits increased by $104.2 million, or 12.56%, compared to the same period 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 expected life of loan losses in our loan portfolio at the balance sheet date.

Three months ended June 30, 2025 compared to three months ended June 30, 2024

We recorded a $2.5 million provision for credit losses in the second quarter of 2025, compared to a $2.0 million provision for credit losses for the same period of 2024. The increase in the provision for credit losses in the second quarter of 2025 is mainly due to an increase in net charge-offs.

Six months ended June 30, 2025 compared to six months ended June 30, 2024

We recorded a $4.4 million provision for credit losses in the first six months of 2025, as compared to a $2.9 million provision for credit losses for the same period of 2024. The increase in the provision for credit losses recorded during the first six months of 2025 is mainly due to increases in loan growth and net charge-offs.

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.

Three months ended June 30, 2025 compared to three months ended June 30, 2024

Table 7 details the components of non-interest income for the periods indicated.

Table 7: Non-interest Income

	For the three months ended			
(dollars in thousands)	**June 30, 2025**	**June 30, 2024**	**$ Change**	**% Change**
Service charges on deposit accounts	$ 196	$ 189	$ 7	3.70 %
Gain on sale of loans	119	449	(330)	(73.50)%
Loan-related fees	468	370	98	26.49 %
FHLB stock dividends	325	329	(4)	(1.22)%
Earnings on BOLI	220	158	62	39.24 %
Other income	482	78	404	517.95 %
Total non-interest income	$ 1,810	$ 1,573	$ 237	15.07 %

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 June 30, 2025, approximately $1.6 million of loans were sold with an effective yield of 7.60%, as compared to approximately $6.8 million of loans sold with an effective yield of 6.60% during the three months ended June 30, 2024.

Other income. The increase related primarily to an overall improvement in earnings related to investments in venture-backed funds during the three months ended June 30, 2025 compared to the three months ended June 30, 2024.

Six months ended June 30, 2025 compared to six months ended June 30, 2024

Table 8 details the components of non-interest income for the periods indicated.

Table 8: Non-interest Income

	For the six months ended			
(dollars in thousands)	**June 30, 2025**	**June 30, 2024**	**$ Change**	**% Change**
Service charges on deposit accounts	$ 411	$ 377	$ 34	9.02 %
Gain on sale of loans	244	818	(574)	(70.17)%
Loan-related fees	916	799	117	14.64 %
FHLB stock dividends	656	661	(5)	(0.76)%
Earnings on BOLI	381	300	81	27.00 %
Other income	561	451	110	24.39 %
Total non-interest income	$ 3,169	$ 3,406	$ (237)	(6.96)%

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 period-over-period. During the six months ended June 30, 2025, approximately $3.3 million of loans were sold with an effective yield of 7.41%, as compared to approximately $12.0 million of loans sold with an effective yield of 6.81% during the six months ended June 30, 2024.

Loan-related fees. The increase related primarily to individually immaterial increases in credit card-related fees, swap fees, rate lock fees, late fees, and loan referral income.

Other income. The increase resulted primarily from a $0.5 million improvement in earnings related to investments in venture-backed funds, partially offset by a decrease in income received on equity investments in venture-backed funds from a gain of $0.3 million for the six months ended June 30, 2024 to a loss of $0.1 million for the six months ended June 30, 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 continued to invest significant resources in personnel, technology, and infrastructure. As we execute initiatives based on growth, we expect non-interest expense to continue to grow. Non-interest expense has increased throughout the periods presented below; however, we expect our efficiency ratio will continue to improve going forward due, in part, to our past investment in infrastructure.

Three months ended June 30, 2025 compared to three months ended June 30, 2024

Table 9 details the components of non-interest expense for the periods indicated.

Table 9: Non-interest Expense

	For the three months ended			
(dollars in thousands)	June 30, 2025	June 30, 2024	$ Change	% Change
Salaries and employee benefits	$ 8,910	$ 7,803	$ 1,107	14.19 %
Occupancy and equipment	657	646	11	1.70 %
Data processing and software	1,508	1,235	273	22.11 %
FDIC insurance	470	390	80	20.51 %
Professional services	918	767	151	19.69 %
Advertising and promotional	865	615	250	40.65 %
Loan-related expenses	423	297	126	42.42 %
Other operating expenses	1,975	1,760	215	12.22 %
Total non-interest expense	$ 15,726	$ 13,513	$ 2,213	16.38 %

Salaries and employee benefits. The increase related primarily to: (i) a $1.2 million increase in salaries, benefits, and bonus expense, mainly related to a 16.58% increase in headcount between June 30, 2024 and June 30, 2025; and (ii) a $0.1 million increase in commissions paid. This increase was partially offset by a $0.2 million increase in deferred 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 a $0.1 million increase in fees paid for compensation and business development consulting services.

Advertising and promotional. The increase related primarily to additional expenses incurred to support the expansion of the Bank's business development teams, including a $0.1 million increase in expenses related to sponsored events and partnerships and a $0.1 million increase related to business development expenses.

Loan-related expenses. The increase related primarily to a $0.1 million increase in expenses related to inspections to support the increase in loan originations and annual loan reviews.

Other operating expenses. The increase was primarily due to a $0.1 million increase in travel expense and a $0.1 million increase in expenses related to conferences, trainings, and professional association memberships.

Six months ended June 30, 2025 compared to six months ended June 30, 2024

Table 10 details the components of non-interest expense for the periods indicated.

Table 10: Non-interest Expense

	For the six months ended			
(dollars in thousands)	**June 30, 2025**	**June 30, 2024**	**$ Change**	**% Change**
Salaries and employee benefits	$ 18,044	$ 15,380	$ 2,664	17.32 %
Occupancy and equipment	1,294	1,272	22	1.73 %
Data processing and software	2,965	2,392	573	23.95 %
FDIC insurance	925	790	135	17.09 %
Professional services	1,831	1,474	357	24.22 %
Advertising and promotional	1,387	1,075	312	29.02 %
Loan-related expenses	742	594	148	24.92 %
Other operating expenses	3,583	3,252	331	10.18 %
Total non-interest expense	$ 30,771	$ 26,229	$ 4,542	17.32 %

Salaries and employee benefits. The increase was primarily a result of: (i) a $2.8 million increase in salaries, benefits, and bonus expense, mainly related to a 16.58% increase in headcount between June 30, 2024 and June 30, 2025; and (ii) a $0.2 million increase in commission expense. This increase was partially offset by a $0.3 million increase in deferred loan origination costs due to greater 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.

FDIC insurance. The increase was primarily due to a $0.7 million increase in the assessment base period-over-period.

Professional services. The increase was primarily due to: (i) $0.1 million in fees paid for compensation consulting services that did not occur during the first six months of 2024; (ii) a $0.1 million increase in expenses related to business development consulting services; and (iii) a $0.1 million increase in recruiter fees.

Advertising and promotional. The increase was primarily due to a $0.2 million increase in expenses related to business development and a $0.1 million increase in expenses related to sponsored events and partnerships.

Loan-related expenses. The increase was primarily related to a $0.1 million increase in loan legal fees, as well as individually immaterial increases in inspection expenses, UCC fees, referral fees, and letter of credit fees.

Other operating expenses. The increase was primarily due to a $0.1 million increase in travel expense, a $0.1 million increase in expenses related to conferences, training, and professional association membership, and a $0.1 million increase in operational expenses, which include expenses related to program administration and armored car services.

Provision for Income Taxes

On July 4, 2025, the President signed H.R. 1, the "One Big Beautiful Bill Act," into law. The legislation includes several changes to federal tax law that generally allow for more favorable deductibility of certain business expenses beginning in 2025, including the restoration of immediate expensing of domestic R&D expenditures, reinstatement of 100% bonus depreciation, and more favorable rules for determining the limitation on business interest expense. The Act also made certain changes to the deductibility of the cost of meals and charitable contributions that are effective for tax years beginning after December 31, 2025. These changes were not reflected in the income tax provision for the period ended June 30, 2025, as enactment occurred after the balance sheet date. The Company is currently evaluating the impact on future periods.

Three months ended June 30, 2025 compared to three months ended June 30, 2024

The provision for income taxes was $5.6 million for the three months ended June 30, 2025, a $1.2 million increase from the three months ended June 30, 2024. This increase was primarily driven by an increase in taxable income. This increase was partially offset by a net $0.2 million reduction to the provision recorded during the three months ended June 30, 2025. This adjustment related to a tax law change for the state of California effective as of June 30, 2025, which requires a transition from a three-factor apportionment formula to a single-sales-factor formula for determining state income tax. As such, the Company recorded a net benefit of approximately $0.9 million relating to the current year provision, which was partially offset by a $0.7 million expense relating to the remeasuring of the deferred tax assets and liabilities as of June 30, 2025. No such adjustment was recorded during the three months ended June 30, 2024. The effective tax rates were 27.82% and 28.84% for the three months ended June 30, 2025 and June 30, 2024, respectively.

Six months ended June 30, 2025 compared to six months ended June 30, 2024

The provision for income taxes was $10.9 million for the six months ended June 30, 2025, as compared to $8.7 million for the six months ended June 30, 2024. The increase was primarily due to an overall increase in pre-tax income period-over-period. This increase was partially offset by a net $0.2 million reduction to the provision recorded during the six months ended June 30, 2025. This adjustment related to a tax law change for the state of California effective as of June 30, 2025, which requires a transition from a three-factor apportionment formula to a single-sales-factor formula for determining state income tax. As such, the Company recorded a net benefit of approximately $0.9 million relating to the current year provision, which was partially offset by a $0.7 million expense relating to the remeasuring of the deferred tax assets and liabilities as of June 30, 2025. No such adjustment was recorded during the six months ended June 30, 2024. The effective tax rates for the six months ended June 30, 2025 and 2024 were 28.24% and 28.89%, respectively.

FINANCIAL CONDITION SUMMARY

The following discussion compares our financial condition as of June 30, 2025 to our financial condition as of December 31, 2024. Table 11 summarizes selected components of our unaudited consolidated balance sheets as of June 30, 2025 and December 31, 2024.

Table 11: Selected Components of Consolidated Balance Sheets (Unaudited)

(dollars in thousands)	June 30, 2025	December 31, 2024
Total assets	$ 4,413,473	$ 4,053,278
Cash and cash equivalents	483,810	352,343
Total investments	97,575	100,914
Loans held for investment	3,758,025	3,532,686
Total deposits	3,894,622	3,557,994
Subordinated notes, net	73,968	73,895
Total shareholders' equity	416,742	396,624

Total Assets

At June 30, 2025, total assets were $4.4 billion, an increase of $360.2 million from $4.1 billion at December 31, 2024. The increase was primarily comprised of a $225.3 million increase in total loans held for investment and a $131.5 million increase in cash and cash equivalents. The $225.3 million increase in total loans held for investment between December 31, 2024 and June 30, 2025 was a result of $578.8 million in loan originations and advances, partially offset by $130.3 million and $223.1 million in loan payoffs and paydowns, respectively. The $225.3 million increase in total loans held for investment included $43.9 million in purchases of loans within the consumer concentration of the loan portfolio.

Cash and Cash Equivalents

Total cash and cash equivalents were $483.8 million at June 30, 2025, an increase of $131.5 million from $352.3 million at December 31, 2024. The increase in cash and cash equivalents primarily resulted from net cash inflows related to financing and operating activities of $328.1 million and $33.3 million, respectively, partially offset by net cash outflows related to investing activities of $229.9 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 $97.6 million at June 30, 2025 and $100.9 million at December 31, 2024, representing a decrease of $3.3 million during the same period. The decrease to available-for-sale securities was primarily due to maturities, prepayments, and calls of $4.1 million, partially offset by an unrealized gain on securities of $1.2 million, with the remainder of the change due to amortization of premiums. For the six months ended June 30, 2025, other comprehensive gain was $0.4 million, primarily due to rate changes and other market conditions on securities during that period.

Table 12 presents the carrying value of our investment portfolio as of the dates indicated.

Table 12: Carrying Value of Investment Securities

	As of			
	June 30, 2025		December 31, 2024	
(dollars in thousands)	Carrying Value	% of Total	Carrying Value	% of Total
Available-for-sale (at fair value):				
U.S. government agency securities	$ 7,002	7.18 %	$ 8,345	8.27 %
Mortgage-backed securities	49,218	50.44 %	50,570	50.10 %
Obligations of states and political subdivisions	36,588	37.50 %	37,137	36.80 %
Collateralized mortgage obligations	256	0.26 %	279	0.28 %
Corporate bonds	1,926	1.97 %	1,863	1.85 %
Total available-for-sale	94,990	97.35 %	98,194	97.30 %
Held-to-maturity (at amortized cost):				
Obligations of states and political subdivisions	2,585	2.65 %	2,720	2.70 %
Total	$ 97,575	100.00 %	$ 100,914	100.00 %

Table 13 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 13: Stated Maturities and Weighted Average Yields - Investment Securities

	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	
(dollars in thousands)	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
June 30, 2025										
Available-for-sale:										
U.S. government agency securities	$ 69	2.08 %	$ 1,066	3.72 %	$ 319	2.01 %	$ 5,548	5.42 %	$ 7,002	4.97 %
Mortgage-backed securities	—	— %	—	— %	1,488	1.82 %	47,730	1.75 %	49,218	1.75 %
Obligations of states and political subdivisions	—	— %	1,181	1.26 %	9,582	1.70 %	25,825	1.78 %	36,588	1.74 %
Collateralized mortgage obligations	—	— %	—	— %	256	1.76 %	—	— %	256	1.76 %
Corporate bonds	—	— %	1,926	1.25 %	—	— %	—	— %	1,926	1.25 %
Total available-for-sale	69	2.08 %	4,173	1.88 %	11,645	1.73 %	79,103	2.02 %	94,990	1.98 %
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	4.98 %	$ 5,078	2.62 %	$ 12,960	2.16 %	$ 79,273	2.03 %	$ 97,575	2.08 %
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 June 30, 2025 and December 31, 2024, our total loans amounted to $3.8 billion and $3.5 billion, respectively. Table 14 presents the balance and associated percentage of each major product type within our portfolio as of the dates indicated.

Table 14: Loans Outstanding

	As of			
	June 30, 2025		December 31, 2024	
(dollars in thousands)	Amount	% of Loans	Amount	% of Loans
Loans held for investment:				
Real estate:				
Commercial	$ 3,066,627	81.54 %	$ 2,857,173	80.75 %
Commercial land and development	1,422	0.04 %	3,849	0.11 %
Commercial construction	112,399	2.99 %	111,318	3.15 %
Residential construction	5,479	0.15 %	4,561	0.13 %
Residential	33,132	0.88 %	32,774	0.93 %
Farmland	51,579	1.37 %	47,241	1.34 %
Commercial:				
Secured	173,855	4.62 %	170,548	4.82 %
Unsecured	37,568	1.00 %	27,558	0.78 %
Consumer and other	278,215	7.40 %	279,584	7.90 %
Loans held for investment, gross	3,760,276	99.99 %	3,534,606	99.91 %
Loans held for sale:				
Commercial	309	0.01 %	3,247	0.09 %
Total loans, gross	3,760,585	100.00 %	3,537,853	100.00 %
Net deferred loan fees	(2,251)		(1,920)	
Total loans	$ 3,758,334		$ 3,535,933	

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 15 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 15, 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 15: Commercial Real Estate Loans

(dollars in thousands)	Loan Balance	% of Commercial Real Estate	Collateral Value	Minimum LTV	Maximum LTV
June 30, 2025					
Manufactured home community	$ 936,047	30.52 %	$ 1,659,757	16.34 %	74.52 %
RV Park	388,531	12.67 %	693,232	17.78 %	72.96 %
Retail	282,336	9.21 %	575,879	4.12 %	72.12 %
Industrial	238,907	7.79 %	545,188	2.79 %	91.71 %
Multifamily	228,793	7.46 %	488,424	13.47 %	85.00 %
Mini storage	195,044	6.36 %	404,330	14.76 %	68.72 %
Faith-based	190,900	6.23 %	503,174	9.23 %	74.09 %
Office	158,007	5.15 %	364,026	4.83 %	73.64 %
All other types[1]	448,062	14.61 %	938,659	4.00 %	134.77 %
Total[2]	$ 3,066,627	100.00 %	$ 6,172,669		
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]	$ 2,857,173	100.00 %	$ 5,723,024		

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 84.57% of loans held for investment at June 30, 2025. Commercial secured lending represents 4.62% of loans held for investment at June 30, 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 586.26% and 571.91% as of June 30, 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 June 30, 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 16 sets forth the contractual maturities of our loan portfolio as of the dates indicated.

Table 16: Contractual Maturities - Gross Loans

(dollars in thousands)	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
June 30, 2025					
Real estate:					
Commercial	$ 35,982	$ 445,593	$ 2,503,663	$ 81,389	$ 3,066,627
Commercial land and development	900	373	149	—	1,422
Commercial construction	45,537	40,812	26,050	—	112,399
Residential construction	4,228	1,251	—	—	5,479
Residential	3,917	7,026	21,293	896	33,132
Farmland	739	11,496	39,344	—	51,579
Commercial:					
Secured	41,705	58,374	73,679	406	174,164
Unsecured	3,244	13,208	21,116	—	37,568
Consumer and other	201	13,361	264,653	—	278,215
Total	$ 136,453	$ 591,494	$ 2,949,947	$ 82,691	$ 3,760,585
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 17 sets forth the sensitivity to interest rate changes of our loan portfolio as of the dates shown.

Table 17: Sensitivity to Interest Rates - Gross Loans

(dollars in thousands)	Fixed Interest Rates	Floating or Adjustable Rates	Total
June 30, 2025			
Real estate:			
Commercial	$ 653,184	$ 2,413,443	$ 3,066,627
Commercial land and development	178	1,244	1,422
Commercial construction	—	112,399	112,399
Residential construction	—	5,479	5,479
Residential	4,438	28,694	33,132
Farmland	4,766	46,813	51,579
Commercial:			
Secured	45,638	128,526	174,164
Unsecured	26,610	10,958	37,568
Consumer and other	278,034	181	278,215
Total	$ 1,012,848	$ 2,747,737	$ 3,760,585
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 and six months ended June 30, 2025, the Company sold five and ten SBA 7(a) loans, respectively, with government-guaranteed portions totaling approximately $1.6 million and $3.3 million, respectively. The Company received gross proceeds of $1.7 million and $3.5 million on the loans sold during the three and six months ended June 30, 2025, respectively, resulting in the recognition of net gains on sale of $0.1 million and $0.2 million, respectively, during the periods.

Non-accrual Loans

Table 18 provides details of our nonperforming and restructured assets and certain other related information as of the dates presented.

Table 18: Nonperforming and Restructured Assets

	As of	
(dollars in thousands)	**June 30, 2025**	**December 31, 2024**
Non-accrual loans:		
Real estate:		
Commercial	$ 2,240	$ 1,750
Commercial:		
Secured	38	48
Total non-accrual loans	2,278	1,798
Loans past due 90 days or more and still accruing:		
Total loans past due and still accruing	—	—
Total nonperforming loans	2,278	1,798
Real estate owned	—	87
Total nonperforming assets	$ 2,278	$ 1,885
Performing LMs (not included above)	$ —	$ —
Allowance for credit losses to period end nonperforming loans	1,763.26 %	2,101.78 %
Nonperforming loans to loans held for investment	0.06 %	0.05 %
Nonperforming assets to total assets	0.05 %	0.05 %
Nonperforming loans plus performing LMs to loans held for investment	0.06 %	0.05 %

The ratio of nonperforming loans to loans held for investment was 0.06% at June 30, 2025, increasing from 0.05% at 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 19 shows our levels of classified loans as of the periods indicated.

Table 19: Gross Loans Held for Investment by Credit Quality Risk Rating

(dollars in thousands)	Pass	Watch	Substandard	Doubtful	Total
June 30, 2025					
Real estate:					
Commercial	$ 2,969,422	$ 93,035	$ 4,170	$ —	$ 3,066,627
Commercial land and development	1,422	—	—	—	1,422
Commercial construction	112,399	—	—	—	112,399
Residential construction	5,479	—	—	—	5,479
Residential	33,132	—	—	—	33,132
Farmland	50,985	594	—	—	51,579
Commercial:					
Secured	160,987	12,831	37	—	173,855
Unsecured	37,568	—	—	—	37,568
Consumer and other	278,208	—	7	—	278,215
Total	$ 3,649,602	$ 106,460	$ 4,214	$ —	$ 3,760,276
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 $110.7 million at June 30, 2025 from $126.0 million at December 31, 2024. There were no loans with doubtful risk grades at June 30, 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 June 30, 2025, the Company's allowance for credit losses was $40.2 million, as compared to $37.8 million at December 31, 2024. The $2.4 million increase in the allowance is due to a $4.6 million provision for credit losses recorded during the six months ended June 30, 2025, partially offset by net charge-offs of $2.2 million, primarily attributable to commercial and industrial loans, during the same period.

While the entire allowance for credit losses is available to absorb losses from any and all loans, Table 20 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 20: Allocation of the Allowance for Credit Losses

	June 30, 2025		December 31, 2024	
(dollars in thousands)	**Allowance for Credit Losses**	**% of Loans to Total Loans**	**Allowance for Credit Losses**	**% of Loans to Total Loans**
Real estate:				
Commercial	$ 27,792	81.54 %	$ 25,864	80.75 %
Commercial land and development	33	0.04 %	78	0.11 %
Commercial construction	2,575	2.99 %	2,268	3.15 %
Residential construction	75	0.15 %	64	0.13 %
Residential	334	0.88 %	270	0.93 %
Farmland	723	1.37 %	607	1.34 %
Commercial:				
Secured	5,623	4.63 %	5,866	4.91 %
Unsecured	417	1.00 %	278	0.78 %
Consumer and other	2,595	7.40 %	2,496	7.90 %
Total allowance for credit losses	$ 40,167	100.00 %	$ 37,791	100.00 %

The ratio of the allowance for credit losses to total loans held for investment was 1.07% at June 30, 2025 and December 31, 2024.

Table 21: Activity Within the Allowance for Credit Losses

	As of and for the three months ended				As of and for the six months ended			
	June 30, 2025		June 30, 2024		June 30, 2025		June 30, 2024	
(dollars in thousands)	Activity	% of Average Loans Held for Investment	Activity	% of Average Loans Held for Investment	Activity	% of Average Loans Held for Investment	Activity	% of Average Loans Held for Investment
Average loans held for investment	$ 3,690,658		$ 3,189,505		$ 3,628,589		$ 3,129,485	
Allowance for credit losses	$ 39,224		$ 34,653		$ 37,791		$ 34,431	
Net (charge-offs) recoveries:								
Commercial:								
Secured	(1,420)	(0.04)%	(1,182)	(0.04)%	(2,101)	(0.06)%	(1,998)	(0.06)%
Unsecured	(50)	— %	(36)	— %	(50)	— %	(70)	— %
Consumer and other	13	— %	21	— %	(23)	— %	43	— %
Net charge-offs	(1,457)	(0.04)%	(1,197)	(0.04)%	(2,174)	(0.06)%	(2,025)	(0.06)%
Provision for credit losses	2,400		1,950		4,550		3,000	
Allowance for credit losses	$ 40,167		$ 35,406		$ 40,167		$ 35,406	
Loans held for investment	$ 3,758,025		$ 3,266,291		$ 3,758,025		$ 3,266,291	
Allowance for credit losses to loans held for investment	1.07 %		1.08 %		1.07 %		1.08 %	

The ratio of the allowance for credit losses to loans held for investment decreased from 1.08% as of June 30, 2024 to 1.07% as of June 30, 2025. Net charge-offs as a percent of average loans held for investment remained at 0.04% for the three months ended June 30, 2024 and June 30, 2025, respectively. Net charge-offs as a percent of average loans held for investment remained at 0.06% for the six months ended June 30, 2024 and June 30, 2025, respectively.

Liabilities

During the first six months of 2025, total liabilities increased by $340.1 million from $3.7 billion as of December 31, 2024 to $4.0 billion as of June 30, 2025. This increase was primarily due to an increase in interest-bearing deposits of $255.2 million. The increase in interest-bearing deposits was largely due to increases in money market and time deposits of $179.4 million and $101.9 million, respectively.

Deposits

Representing 97.45% of our total liabilities as of June 30, 2025, deposits are our primary source of funding for our business operations.

Total deposits increased by $336.6 million, or 9.46%, to $3.9 billion at June 30, 2025 from $3.6 billion at December 31, 2024. The increase was due to increases 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 $81.4 million from December 31, 2024 to $1.0 billion at June 30, 2025, representing 25.78% of total deposits at that date, as compared to 25.93% of total deposits at December 31, 2024. Our loan to deposit ratio was 96.50% at June 30, 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 22 summarizes our deposit composition by average deposit balances and average rates paid for the periods indicated.

Table 22: Deposit Composition by Average Balances and Rates Paid

	For the three months ended					
	June 30, 2025			June 30, 2024		
(dollars in thousands)	Average Amount	Average Rate Paid	% of Total Deposits	Average Amount	Average Rate Paid	% of Total Deposits
Interest-bearing transaction accounts	$ 283,369	1.48 %	7.58 %	$ 291,470	1.52 %	9.56 %
Money market and savings accounts	1,769,320	3.19 %	47.36 %	1,667,894	3.44 %	54.68 %
Time accounts	726,295	4.30 %	19.44 %	272,887	4.96 %	8.95 %
Demand accounts	957,034	— %	25.62 %	817,668	— %	26.81 %
Total deposits	$ 3,736,018	2.46 %	100.00 %	$ 3,049,919	2.47 %	100.00 %

	For the six months ended					
	June 30, 2025			June 30, 2024		
(dollars in thousands)	Average Amount	Average Rate Paid	% of Total Deposits	Average Amount	Average Rate Paid	% of Total Deposits
Interest-bearing transaction accounts	$ 293,539	1.48 %	8.02 %	$ 295,897	1.52 %	9.61 %
Money market and savings accounts	1,717,189	3.20 %	46.90 %	1,601,359	3.42 %	52.02 %
Time accounts	716,466	4.34 %	19.57 %	351,237	5.00 %	11.41 %
Demand accounts	934,121	— %	25.51 %	829,887	— %	26.96 %
Total deposits	$ 3,661,315	2.47 %	100.00 %	$ 3,078,380	2.50 %	100.00 %

Uninsured and uncollateralized deposits totaled approximately $1.3 billion and $1.2 billion at June 30, 2025 and December 31, 2024, respectively.

As of June 30, 2025, our 48 largest deposit relationships, each accounting for more than $10.0 million, totaled $1.9 billion, or 49.78% of our total deposits. The average age on deposit relationships of more than $5.0 million was approximately 8.34 years as of June 30, 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 23 shows the entity types making up our large deposit relationships at the dates indicated.

Table 23: Composition of Large Deposit Relationships

(dollars in thousands)	**June 30, 2025**	**December 31, 2024**
Municipalities	$ 684,410	$ 674,094
Non-profits	297,281	211,480
Businesses	590,699	605,894
Brokered deposits	366,364	299,961
Total	$ 1,938,754	$ 1,791,429

Our largest single deposit relationship at June 30, 2025 related to brokered deposits. The balance for this customer was $366.4 million, or approximately 9.41% 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 24 sets forth the maturity of time deposits as of June 30, 2025.

Table 24: Scheduled Maturities of Time Deposits

(dollars in thousands)	**$250,000 or Greater**	**Less than $250,000**	**Total**	**Uninsured Portion**
Remaining maturity:				
Three months or less	$ 257,555	$ 228,868	$ 486,423	$ 251,635
Over three through six months	84,528	152,189	236,717	80,028
Over six through twelve months	31,920	12,945	44,865	26,920
Over twelve months	3,438	642	4,080	1,688
Total	$ 377,441	$ 394,644	$ 772,085	$ 360,271

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 June 30, 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 25 is a summary of our outstanding subordinated notes as of June 30, 2025.

Table 25: 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 (7.50% as of June 30, 2025) through maturity				

Shareholders’ Equity

Shareholders’ equity totaled $416.7 million at June 30, 2025 and $396.6 million at December 31, 2024. The increase was primarily a result of net income recognized of $27.6 million and a $0.4 million increase in accumulated other comprehensive income, partially offset by $8.5 million in cash dividends paid during the six months ended June 30, 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 June 30, 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 six months ended June 30, 2025, we had cash outflows of $226.7 million in loan originations and advances, net of principal collected, and $1.4 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 June 30, 2025, off-balance sheet commitments totaled $455.4 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 six months ended June 30, 2025, we had cash inflows of $336.6 million related to an increase in deposits.

During the twelve months following June 30, 2025, approximately $768.0 million of time deposits are expected to mature, which includes $366.4 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 June 30, 2025, cash and cash equivalents represented 12.42% of total deposits.

Investment Securities

Our investment securities totaled $97.6 million at June 30, 2025. Mortgage-backed securities and obligations of states and political subdivisions comprised 50.44% and 37.50% 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 $7.7 million from our securities over the twelve months following June 30, 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 six months ended June 30, 2025, we had cash proceeds from sales, maturities, calls, and prepayments of securities of $4.1 million. Additionally, at June 30, 2025, securities available-for-sale totaled $95.0 million, of which $91.1 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 June 30, 2025, the Bank had no outstanding FHLB financing borrowings and a total financing availability of $557.9 million, net of letters of credit issued of $732.5 million.

Federal Reserve Discount Window

The Company has the ability to borrow from the Federal Reserve Discount Window when necessary. At June 30, 2025, the Bank had no outstanding Federal Reserve Discount Window borrowings and a total financing availability of $926.6 million.

Correspondent Bank Lines of Credit

At June 30, 2025, the unused and available amount for borrowing from correspondent bank lines of credit was $185.0 million.

Total Liquidity

Total liquidity (consisting of cash and cash equivalents and unused and immediately available borrowing capacity as set forth in Table 26) was approximately $2.2 billion as of June 30, 2025.

Table 26: Total Liquidity

	June 30, 2025			
(dollars in thousands)	**Line of Credit**	**Letters of Credit Issued**	**Borrowings**	**Available**
FHLB advances	$ 1,290,446	$ 732,500	$ —	$ 557,946
Federal Reserve Discount Window	926,573	—	—	926,573
Correspondent bank lines of credit	185,000	—	—	185,000
Cash and cash equivalents	—	—	—	483,810
Total	$ 2,402,019	$ 732,500	$ —	$ 2,153,329

Future Contractual Obligations

Our estimated future contractual obligations as of June 30, 2025 include both current and long-term obligations. Under our operating leases, we have an operating lease liability of $7.7 million. We have a current obligation of $768.0 million and a long-term obligation of $4.1 million related to time deposits, as discussed in Note 5, Interest-Bearing Deposits. We have net subordinated notes of $74.0 million, all of which are long-term obligations. We also have contractual obligations on unfunded loan commitments and standby letters of credit totaling $455.4 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 June 30, 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 27 summarizes our consolidated cash flow activities.

Table 27: Consolidated Cash Flow Activities

	Six months ended June 30,		
(dollars in thousands)	**2025**	**2024**	**$ Change**
Net cash provided by operating activities	$ 33,262	$ 16,271	$ 16,991
Net cash used in investing activities	(229,885)	(173,378)	(56,507)
Net cash provided by financing activities	328,090	25,890	302,200

Operating Activities

Net cash provided by operating activities increased by $17.0 million for the six months ended June 30, 2025 compared to the six months ended June 30, 2024, primarily due to lower loans originated for sale, lower net change in interest payable and other liabilities, higher provision for credit losses, and a higher deferred tax provision. 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 $56.5 million for the six months ended June 30, 2025 compared to the six months ended June 30, 2024, primarily due to higher originations of loans held for investment, net of repayments.

Financing Activities

Net cash provided by financing activities increased by $302.2 million for the six months ended June 30, 2025 compared to the six months ended June 30, 2024, primarily due to an increase in deposits and lower borrowings, partially offset by proceeds from the 2024 Public Offering, which did not reoccur during the six months ended June 30, 2025.

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 28 and 29 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 June 30, 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 June 30, 2025 and December 31, 2024 for Bancorp and the Bank are presented in Tables 28 and 29. As of June 30, 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 28: Capital Ratios for Bancorp

	Actual Ratio		Required for Capital Adequacy Purposes[1]		Ratio to be Well-Capitalized under Prompt Corrective Action Provisions	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
June 30, 2025						
Total capital (to risk-weighted assets)	$ 541,957	13.73 %	$ 346,852	8.00 %	N/A	N/A
Tier 1 capital (to risk-weighted assets)	$ 428,327	10.85 %	$ 236,893	6.00 %	N/A	N/A
Common equity tier 1 capital (to risk-weighted assets)	$ 428,327	10.85 %	$ 177,669	4.50 %	N/A	N/A
Tier 1 leverage	$ 428,327	10.03 %	$ 170,803	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 29: Capital Ratios for the Bank

(dollars in thousands)	Actual Ratio		Required for Capital Adequacy Purposes[1]		Ratio to be Well-Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
June 30, 2025						
Total capital (to risk-weighted assets)	$ 524,262	13.30 %	$ 315,418	8.00 %	$ 394,273	10.00 %
Tier 1 capital (to risk-weighted assets)	$ 484,600	12.29 %	$ 236,564	6.00 %	$ 315,418	8.00 %
Common equity tier 1 capital (to risk-weighted assets)	$ 484,600	12.29 %	$ 177,423	4.50 %	$ 256,277	6.50 %
Tier 1 leverage	$ 484,600	11.35 %	$ 170,734	4.00 %	$ 213,418	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 "2024 Policy Statement"), which outlines factors that the FDIC will consider when evaluating a proposed bank merger transaction. On May 20, 2025, the FDIC rescinded the 2024 Policy Statement and reinstated the Statement of Policy on Bank Merger Transactions that was in effect prior to the 2024 Policy Statement. The United States Department of Justice (the "DOJ") has left in place its 2023 Merger Guidelines as a framework to review bank mergers and has not reinstated the 1995 Bank Merger Guidelines that it previously applied to bank mergers and which the Federal Reserve continues to apply. Compared to the 1995 Bank Merger Guidelines, the 2023 Merger Guidelines set forth more stringent concentration limits and add several largely qualitative bases on which the DOJ may challenge a merger.

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 July 16, 2025, the agencies issued a notice of proposed rulemaking to rescind the October 2023 final rule and restore the CRA framework that existed previously, which has remained in effect due to a preliminary injunction that stayed implementation of the October 2023 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.

On October 22, 2024, the CFPB released a final rule to implement Section 1033 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). Under the final rule, financial institutions are required, upon request, to make available to a consumer or third party authorized by the consumer certain information Five Star has concerning a consumer financial product or service covered by the rule, such as a credit card or a deposit account. Industry organizations challenged the final rule in court. On May 30, 2025, the CFPB filed a motion for summary judgment in the litigation, stating that it had concluded that the final rule exceeds the agency's statutory authority and is arbitrary and capricious. The CFPB requested that the court vacate the final rule. On July 29, 2025, the CFPB filed a motion to stay the proceedings, announcing its plans to issue an advanced notice of proposed rulemaking that will serve as the starting point of an accelerated rulemaking process for a new final rule. The same day, the court granted the CFPB's motion to stay and denied the CFPB's summary judgment motion without prejudice.

On July 18, 2025, President Trump signed the Guiding and Establishing National Innovation for U.S. Stablecoins Act, or the "GENIUS Act," into law, establishing a federal licensing and supervisory framework for payment stablecoins and their issuers. The GENIUS Act may accelerate and increase the competition that non-traditional financial institutions pose to banks' payment services, but may also create opportunities for banks to hold stablecoin reserve assets, custody stablecoins, or issue stablecoins. Several key provisions of the GENIUS Act require federal regulatory agencies to adopt implementing regulations, and the Act will take effect the earlier of 18 months after its enactment or 120 days after the agencies issue final implementing regulations.

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	FFIEC	Federal Financial Institutions Examination Council
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
CFPB	Consumer Financial Protection Bureau	NII	Net Interest Income
CME	Chicago Mercantile Exchange	OCI	Other Comprehensive Income
CRE	Commercial Real Estate	RSA	Restricted Stock Award
C&I	Commercial and Industrial	ROAA	Return on Average Assets, annualized
EPS	Earnings per Share	ROAE	Return on Average Equity, annualized
EVE	Economic Value of Equity	ROUA	Right-of-Use Asset
FASB	Financial Accounting Standards Board	SBA	U.S. Small Business Administration
FDIC	Federal Deposit Insurance Corporation	SEC	Securities and Exchange Commission
Federal Reserve	Board of Governors of the Federal Reserve System	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 $60.6 million for the three months ended June 30, 2025 and $207.0 million for the year ended December 31, 2024. Our total interest expense was $24.1 million for the three months ended June 30, 2025 and $87.2 million for the year ended December 31, 2024. Overall, our net interest income was $36.5 million for the three months ended June 30, 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 June 30, 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 June 30, 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 30 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 June 30, 2025 and December 31, 2024.

Table 30: Estimated Effect on Net Interest Income and EVE from Changing Interest Rates

	June 30, 2025		December 31, 2024	
Change in Interest Rates *(in basis points)*	**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)	(4.86)%	(10.34)%	(6.32)%	(12.51)%
+200 (shock)	(3.34)%	(7.22)%	(4.09)%	(8.70)%
+100 (shock)	(1.76)%	(3.53)%	(2.15)%	(4.29)%
+ 0 (flat)	— %	— %	— %	— %
-100 (shock)	1.92 %	3.02 %	2.14 %	3.93 %
-200 (shock)	4.53 %	5.84 %	4.80 %	6.40 %
-300 (shock)	7.62 %	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 June 30, 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 June 30, 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 June 30, 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 reference to filings previously made with the SEC.

Exhibit Number	Exhibit Description	Incorporated by Reference				Herewith
		Form	File No.	Exhibit	Filing Date	
10.1*	Executive Employment Agreement, dated May 5, 2025, between Five Star Bank and James Beckwith					Filed
10.2	Form of Performance Share Award Vesting Agreement for Executives pursuant to the Five Star Bancorp 2021 Equity Incentive Plan					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

*Management contract or compensatory plan, contract, or arrangement.

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.

	Five Star Bancorp (registrant)
August 7, 2025	*/s/ James E. Beckwith*
Date	James E. Beckwith President & Chief Executive Officer (Principal Executive Officer)
August 7, 2025	*/s/ Heather C. Luck*
Date	Heather C. Luck Executive Vice President & Chief Financial Officer (Principal Financial Officer)

2025 EXECUTIVE EMPLOYMENT AGREEMENT

This 2025 Executive Employment Agreement ("Agreement") is entered into in Sacramento, California and is effective as of the 5th day of May 2025 ("Effective Date") by and between Five Star Bank, a California commercial bank ("Bank"), and James Beckwith ("Beckwith"). Bank and Beckwith are collectively referred to herein as "Parties."

RECITALS

A. Bank currently employs Beckwith and Bank and Beckwith desire to continue Bank's employment of Beckwith.

B. Beckwith possesses the requisite knowledge, skill and experience to serve as the chief executive of Bank.

C. Bank and Beckwith are parties to an Executive Employment Agreement, dated as of January 3, 2022 (the "2022 Agreement"), the "Term" (as defined therein) of which expired immediately prior to the Effective Date, and the parties desire that this Agreement will restate, supersede and replace the 2022 Agreement.

In consideration of the mutual covenants, promises and conditions set forth herein, Bank and Beckwith agree as follows:

Article 1. Term and Title

1.1 President and Chief Executive Officer of Bank. During the Term of Employment defined below, Beckwith shall serve as the President and Chief Executive Officer of Bank. The Parties contemplate that Beckwith shall report directly to the Chairman of the Board of Bank and to the Board of Bank.

1.2 President and Chief Executive Officer of Five Star Bancorp. During the Term of Employment defined below, Beckwith shall serve as the President and Chief Executive Officer of Five Star Bancorp and shall continue to serve as the President and Chief Executive Officer of Five Star Bancorp for so long as Beckwith serves as the President and Chief Executive Officer of Bank. The Parties contemplate that Beckwith, in his capacity as President and Chief Executive Officer of Five Star Bancorp, shall report directly to the Chairman of the Board of Five Star Bancorp and to the Board of Five Star Bancorp. Beckwith shall not receive any additional or supplemental compensation for his role as the President and Chief Executive Officer of Five Star Bancorp. Five Star Bancorp, Bank, and Five Star Bancorp's other subsidiaries are collectively referred to herein as "Bank Group."

1.3 Director of Bank and Five Star Bancorp. During the Term of Employment defined below, Beckwith shall serve as a member of the Board of Bank and as a member of the Board of Five Star Bancorp. Beckwith agrees to fulfill all of his duties as a member of the Board of Bank and of the Board of Five Star Bancorp and Beckwith agrees to resign immediately from the Board of Bank and the Board of Five Star Bancorp upon the termination of his employment as the President and Chief Executive Officer of Bank or of Five Star Bancorp. Beckwith shall not receive additional or supplemental compensation for his role as a Director of Bank or his role as a Director of Five Star Bancorp.

1.4 Term of Employment. Subject to any earlier termination as provided in Article 5 herein below, Beckwith's employment under this Agreement shall be deemed to have commenced on the Effective Date and shall continue for a three (3) year period from the Effective Date ("Term"), also subject to any extension as set forth herein. Upon expiration of the Term, and each subsequent term or extension thereof, this Agreement shall automatically be extended for an additional term of one (1) year, unless Beckwith or Bank shall have notified the other party hereto of his or its election to terminate this Agreement not later than sixty (60) days prior to the end of such subsequent term or extension thereof (the Term, together with any extensions, until termination in accordance herewith, shall be referenced herein as the "Term of Employment"). Nothing stated in this Agreement or represented orally or in writing to either Party shall create any obligation to renew this Agreement and the decision of Bank not to extend the Term or any subsequent term, shall not be deemed a termination of employment entitling Beckwith to any severance compensation or separation benefits under either this Agreement or any Bank or Bank severance plan or practice then in effect.

Article 2. Duties of Beckwith

2.1 Compliance with Law. Beckwith hereby agrees to use his best efforts as President and Chief Executive Officer of Bank and President and Chief Executive Officer of Five Star Bancorp and agrees to perform such related duties as are customary for the chief executive officer of a financial institution or as may reasonably be required by Bank Group from time to time. Beckwith agrees during the Term of Employment to remain knowledgeable of, and to comply with, all applicable rules and regulations relating to banking and to keep informed of, and to comply with, all applicable federal, state and local laws, regulations, and/or ordinances governing the conduct of Bank Group's business, including, but not limited to, relevant sections of federal banking laws, the California Financial Code and the applicable rules and regulations of the Federal Deposit Insurance Corporation ("FDIC"), the Department of Financial Protection and Innovation ("DFPI"), the Board of Governors of the Federal Reserve System (the "Federal Reserve"), the Consumer Financial Protection Bureau, and the Financial Crimes Enforcement Network of the U.S. Department of the Treasury, and the policies and procedures of Bank Group.

2.2 Bank Management Obligations. Pursuant to, and in accordance with, the policies and procedures of Bank Group, as may be amended from time to time in Bank Group's discretion, Beckwith shall be responsible for the general management of Bank Group consistent with the intent of this Agreement and sound business practices. Beckwith shall assist Bank Group in (1) the creation, maintenance and monitoring of Bank Group's relationships to ensure the legal and ethical conduct of business, (2) the supervising of Bank Group personnel and to ensure compliance with all applicable state and federal laws, and (3) the recruiting of senior executive staff as needed.

2.3 Full Time Employment. Beckwith shall devote his full energies, abilities and productive time to the performance of the services contemplated under this Agreement, unless an alternative arrangement is agreed to by the Chairman of the Board of Bank. Beckwith shall not engage in any business or personal activities that would interfere or conflict with the performance of Beckwith's duties under this Agreement, without the prior written consent of the Chairman of the Board of Bank.

2.4 Location. Beckwith agrees to perform the services contemplated under this Agreement at the office location(s) authorized and approved by the Chairman of the Board of Bank.

Article 3. Beckwith's Compensation, Incentive and Benefits

3.1 Base Salary. During the Term of Employment, Bank shall pay Beckwith a competitive base salary as determined by the Compensation Committee of Bank and Compensation Committee of Five Star Bancorp (collectively, the "Committees"). Base salary will be payable in accordance with the standard payroll procedures of Bank. Beckwith's base salary may be adjusted periodically to reflect such changes as the Committees determine appropriate.

3.2 Annual Bonus. During the Term of Employment, Beckwith shall be eligible for an annual bonus in accordance with the terms of the applicable bonus program and subject to the oversight and discretion of the Committees. Unless otherwise determined by the Committees or set forth in the applicable program, Beckwith must be employed in good standing on the date of payment to receive an annual bonus. The Committees shall determine Beckwith's eligibility for and payment under any other incentive program.

3.3 Equity Compensation. Beckwith may receive equity awards in Five Star Bancorp during the Term of Employment as determined by the Compensation Committee of Five Star Bancorp in its sole discretion.

3.4 Participation In Five Star Bank Benefit Plans. Beckwith shall be eligible to participate in those group employee benefit plans, including, without limitation, medical, dental, and life insurance, which Bank makes available to similarly situated employees from time to time, subject to all terms and conditions of those plans and amendments thereto, including, without limitation, any and all provisions concerning eligibility for participation.

3.5 Expenses. Upon presentation of appropriate vouchers and receipts, Bank shall reimburse Beckwith, in a manner similar to other senior Bank executives, for all reasonable business expenses incurred by Beckwith.

3.6 Retirement Plan. During the Term of Employment, Beckwith shall be entitled to participate in retirement plans generally offered to other senior Bank executives.

3.7 Salary Continuation Agreement. Beckwith shall be entitled to the benefits set forth in the Five Star Bank Salary Continuation Agreement dated September 1, 2007, as amended on December 31, 2008 and on July 1, 2014, all of which are attached hereto as Exhibit A (the "Salary Continuation Agreement").

3.8 Automobile. Bank shall provide an automobile or auto allowance to Beckwith at the discretion of the Committees.

3.9 Vacation. During the Term of Employment, Beckwith shall be entitled to vacation according to Bank's vacation policies.

Article 4. Beckwith's Confidentiality, Unfair Competition and Related Obligations

4.1 Safeguarding Customer Information. Beckwith has and will learn of, and come into possession of, non-public information regarding borrowers or prospective borrowers ("Customer Information"). Beckwith agrees to comply with all Bank Group policies regarding Customer Information, to take all reasonable measures to ensure the security and confidentiality of Customer Information, to protect against any anticipated threats or hazards to the security of such information and to protect against the unauthorized access to or use of Customer Information, which could result in substantial harm or inconvenience to any borrower or prospective borrower. Beckwith agrees that he will use such Customer Information only for the limited purpose(s) for which it is disclosed, and for no other purpose. Beckwith further agrees to comply with all federal and state laws governing the disclosure of Customer Information. Customer Information includes, regardless of the form in which it is handled or maintained, without limitation, names, addresses, banking history, bank and credit card account numbers, income and credit information and social security numbers.

4.2 Confidential Information. Beckwith acknowledges that Bank Group owns proprietary Confidential Information which constitutes a valuable, special and unique asset. This Confidential

Information has been compiled and developed by Bank Group over time at considerable expense and effort, has not been divulged to third parties, and is not known to Bank Group's competitors, who could have obtained economic value from such information had it been known. As used herein, the term "Confidential Information" includes all information and materials belonging to, used by, or in the possession of Bank Group relating to its products, processes, services, technologies, inventions, patents, ideas, contracts, forms, records, data, processes, financial information, business strategies, pricing, marketing plans, customer lists, and trade secrets of every kind and character, but shall not include (a) information that was already within the public domain at the time the information was acquired by Beckwith, or (b) information that subsequently becomes public through no act or omission of Beckwith or anyone at Beckwith's direction. Beckwith agrees that all Confidential Information is and shall continue to be the exclusive property of Bank Group, whether or not prepared in whole or in part by Beckwith and whether or not disclosed to or entrusted to Beckwith's custody. Beckwith's obligation to preserve the secrecy of Confidential Information shall survive the termination or expiration of this Agreement and his employment. Upon termination of Beckwith's employment, Beckwith agrees to return to Bank all files, papers, and materials of any kind containing or relating to Confidential Information or Customer Information.

4.3 Non-Solicitation. Beckwith acknowledges that Bank Group's relationships with its employees are of important and immeasurable value, and Bank Group would be materially harmed if, following his termination of employment, Beckwith solicited Bank Group's employees. Beckwith agrees that if Bank terminates Beckwith for any reason under Section 5.2, Beckwith leaves employment with Bank for any reason under Section 5.3, or Beckwith's employment terminates on account of the expiration of the Term or a renewal period, then for a period of twenty-four (24) months following such termination, he shall not induce or attempt to induce any employee of Bank Group (a) to discontinue employment or association with Bank, (b) to obtain employment with a competitor of Bank Group, or (c) to provide services to Beckwith or any company or venture affiliated with Beckwith.

4.4 Non-Disparagement. During and after the Term of Employment, Beckwith will not (a) make, publish or communicate, to any entity or person or in any public forum, any negative, defamatory, maliciously false or otherwise disparaging remarks, comments or statements concerning Bank Group or its officers, directors, employees, agents, business, products or services, or (b) make disparaging remarks which would violate Beckwith's fiduciary duties. This Section 4.4 does not restrict or impede Beckwith from exercising rights under Section 7 of the National Labor Relations Act (or any other protected rights) to the extent that such rights cannot be waived by agreement.

4.5 Certain Disclosures. Pursuant to the Defend Trade Secrets Act of 2016, Beckwith will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law, or is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Beckwith files a lawsuit for retaliation by Bank Group for reporting a suspected violation of law, Beckwith may disclose Bank Group's trade secrets to Beckwith's attorney and use the trade secret information in the court proceeding if Beckwith: (i) files any document containing the trade secret under seal; and (ii) does not disclose the trade secret, except pursuant to court order. Nothing in this Agreement shall be construed to prevent disclosure of Confidential Information or Customer Information, or Beckwith providing truthful statements in order to comply with any applicable law or regulation or any valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed the extent required by such law, regulation or order. To the extent permitted, Beckwith shall promptly provide written notice of any such order or requirement to the Board of Bank. Nothing in this Agreement prohibits Beckwith from (1) filing a charge with, reporting possible violations of federal, state, or local law or regulation to, participating in any investigation by, or cooperating with any governmental agency or entity or making other disclosures that are protected under the whistleblower provisions of applicable law or regulation or (2) communicating directly with, cooperating with, or providing information in confidence to, any federal, state or local government regulator (including, but not limited to, the Securities and Exchange Commission, the Department of Justice, the FDIC, the Federal Reserve or the National Labor Relations Board) for the purpose of reporting or investigating a suspected violation of law, or from providing such information to the undersigned's attorney or in a sealed complaint or other document filed in a lawsuit or other governmental proceeding. Further, nothing in this Agreement prevents Beckwith from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that Beckwith has reason to believe is unlawful.

4.6 Prior Agreements. Beckwith represents and covenants that he is not bound by any agreement in effect with any prior employer, or anyone else, which would preclude, limit or in any manner restrict the performance of his duties under this Agreement or on behalf of Bank Group. Without limiting the foregoing, Beckwith expressly acknowledges and agrees that during the performance of his duties under this Agreement, he has not and will not violate the terms and conditions of any agreement with respect to the use or misappropriation of proprietary information or trade secrets of any former employer. Beckwith further acknowledges and agrees that he has not divulged or used any such information for the benefit of Bank Group.

Article 5. Termination

5.1 Death or Disability.

a) In the event of Beckwith's death during the Term of Employment, the Term of Employment shall automatically terminate.

b) Bank and Beckwith respectively shall each have the right to terminate the Term of Employment in the event of Beckwith's Disability. "Disability" as used in this Agreement shall have the meaning set forth in Section 22(e)(3) of the Internal Revenue Code (the "Code"), which, as of the date of this Agreement, is as follows:

> An individual is permanently and totally disabled if he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

A termination of Beckwith's employment by either party for Disability shall be communicated to the other party by written notice, and shall be effective on the tenth (10th) day after receipt of such notice by the other party (the "Disability Effective Date"), unless Beckwith returns to full-time performance of his duties before the Disability Effective Date.

5.2 By Bank.

a) Bank shall have the right to terminate Beckwith's employment for Cause. "Cause" as used in this Agreement shall mean:

i) Beckwith's charge of or conviction by, or entry of a plea of guilty or *nolo contendere* in a court of competent jurisdiction, for any crime involving moral turpitude or a felony in the jurisdiction involved;

ii) Beckwith's willful refusal or negligent failure to perform Beckwith's duties as required by this Agreement;

iii) Beckwith's gross negligence, insubordination or material violation of any duty of loyalty or fiduciary duty to Bank Group or any other material misconduct on the part of Beckwith;

iv) Revocation of any approvals required by the FDIC or the DFPI, or any other governmental agency with jurisdiction over any member of Bank Group, for Beckwith to perform his assigned duties and responsibilities with Bank Group, including without limitation, Beckwith's removal or prohibition from participating in the conduct of Bank's affairs by an order issued under section 8(e)(3) or (g)(1) of the Federal Deposit Insurance Act (12 U.S.C. §1818(e)(3) and (g)(1)) or sections 585-589 of the California Financial Code, or Beckwith otherwise becoming ineligible to perform his assigned duties under applicable law;

v) Beckwith's material failure to comply with all applicable federal, state and local laws, regulations, and/or ordinances governing his duties with Bank Group; or

vi) Beckwith's material breach of any other provision of this Agreement.

b) Bank shall also have the right to terminate Beckwith's employment without "Cause" at any time, with or without notice, subject solely to the requirements set forth in Section 5.8 below.

5.3 By Beckwith.

a) Beckwith shall have the right to terminate the Employment Term for Good Reason (as defined below), upon thirty (30) days' written notice to Bank delivered within thirty (30) days following the occurrence of an event constituting Good Reason; provided that Bank shall have thirty (30) days after the date such notice has been received by Bank in which to cure the conduct specified in such notice. Beckwith's continued employment during such thirty (30) day period shall not constitute Beckwith's consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder. For purposes of this Agreement "Good Reason" shall mean, without Beckwith's consent:

i) a significant material adverse change in Beckwith's position or responsibilities, including (1) following a change in control, Beckwith ceasing to serve as Chief Executive Officer of the acquiring or surviving entity, as applicable, (2) a material change in duties that represents a substantial reduction in the position or responsibilities in effect immediately prior thereto, or (3) the assignment to Beckwith of any significant duties or responsibilities that are materially inconsistent with such position or responsibilities; except in connection with the termination of Beckwith's employment for Cause, as a result of his Disability or death, or by Beckwith other than for Good Reason;

ii) a material reduction in Beckwith's Base Salary other than in connection with a general reduction in wages for all senior executive employees of Bank;

iii) Bank requiring Beckwith to be based at any place outside a sixty (60) mile radius of his initial place of employment with Bank as of the Effective Date, except for reasonably required travel on Bank's business;

iv) Bank's failure to provide Beckwith with any material compensation, including salary, bonuses, and benefits, as outlined in this Agreement; or

v) any material breach by Bank of its obligations to Beckwith under this Agreement.

b) Beckwith shall have the right to terminate his employment hereunder without Good Reason by providing Bank with a written notice of termination, and such termination shall not in and of itself be a breach of this Agreement.

5.4 Bank's Default. If Bank is in default (as defined in section 3(x)(1) of the Federal Deposit Insurance Act), all obligations under this Agreement shall terminate as of the date of default, except to the extent determined that continuation of the Agreement is necessary for the continued operation of Bank:

a) by the FDIC at the time the FDIC enters into an agreement to provide assistance to or on behalf of the association under the authority contained in 13(c) of the Federal Deposit Insurance Act; or

b) by the FDIC at the time of approval of a supervisory merger to resolve problems related to operation of the association or when the association is determined by the FDIC to be in an unsafe or unsound condition.

5.5 Beckwith's Temporary Suspension. If Beckwith is suspended or temporarily prohibited from participating in the conduct of Bank's or Bank Group's affairs by a notice served under section 8(e)(3) or (g)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1818(e)(3) and (g)(1)) or sections 585-589 of the California Financial Code, Bank's obligations under this Agreement shall be suspended as of the date of service unless stayed by appropriate proceedings. If the charges in the notice are dismissed, Bank may in its discretion (i) pay Beckwith all or part of the compensation withheld while its obligations under this Agreement were suspended, and (ii) reinstate (in whole or in part) any of its obligations which were suspended.

5.6 Loan Files. Upon termination of Beckwith's employment for any reason, all loan files, whether pending or closed, shall remain with, or promptly be returned to Bank, at Bank's election, along with any Confidential Information in Beckwith's possession. Beckwith acknowledges and agrees that all such files and Confidential Information are the sole and exclusive property of Bank and no copies shall be retained by Beckwith.

5.7 Computers/Equipment. Immediately upon the termination of Beckwith's employment for any reason, any and all computer hardware and other equipment provided to Beckwith by Bank Group shall be returned to Bank.

5.8 Effect of Termination Upon Beckwith's Compensation.

a) General. In the event Beckwith's employment terminates for any reason, Beckwith shall be entitled to his Base Salary through the effective date of termination (the "Termination Date"), reimbursement for reasonable business expenses incurred through the Termination Date in accordance with Section 3.5, and benefits accrued and vested under the employee benefits plans in which Beckwith participants in accordance with the terms of such plans.

b) Termination by Bank Without Cause or by Beckwith With Good Reason.

i) In the event Beckwith's employment is terminated by Bank without Cause or should Beckwith terminate his employment for Good Reason in accordance with Section 5.3a), then, in addition to the payments and benefits set forth in Section 5.8a), subject to Beckwith complying with the requirements set forth in this Section 5.8b), Beckwith shall receive a "Severance Payment" equal to the sum of (1) twenty-four (24) months of Base Salary plus (2) two (2) times the most recently paid annual cash bonus received by Beckwith. Subject to the other provisions set forth herein, the Severance Payment shall be paid in lump sum in the seventh (7th) month following termination and in accordance with the requirements of Section 409A of the Code. Beckwith shall not be entitled to any other severance or separation payments or benefits under any Bank Group policy, program or arrangement, except as may be provided under the Salary Continuation Agreement.

ii) Beckwith's rights to the Severance Payment shall be conditioned on Beckwith signing and not revoking a separation agreement, in a form provided by Bank, that confirms Beckwith's continuing obligations to Bank Group and includes a release of all claims against Bank Group and its affiliates, officers, directors, employees and related parties (the "Release Agreement") and such Release Agreement becoming effective and irrevocable within sixty (60) days following the Termination Date. Beckwith's rights to the Severance Payment shall also be conditioned on Beckwith complying with Beckwith's continuing obligations under Article 4. In the event that Beckwith breaches or violates any such obligations, Beckwith will forfeit his right to receive any unpaid portion of the Severance Payment and will promptly repay to Bank any portion of the Severance Payment previously paid to Beckwith.

c) Golden Parachute Payments. Bank Group shall have no obligation to make any Severance Payment or other payment that is prohibited by or subject to approval under section 359 of Title 12 of the Code of Federal Regulations. 12 C.F.R. § 359 (2011).

d) Clawback Policy. All payments and benefits from Bank Group shall be subject to the Five Star Bancorp Compensation Clawback Policy, adopted October 19, 2023, as may be amended from time to time, to the extent set forth therein.

Article 6. Tax Considerations

6.1 Withholding. All payments and benefits shall be subject to applicable taxes and withholding, as required by applicable law or authorized by Beckwith.

6.2 Section 409A. The Parties intend that the payments and benefits under this Agreement comply with, or meet an exemption from, Section 409A of the Code, and this Agreement shall be interpreted consistent with this intent; provided, however, that nothing herein shall be transfer liability for any tax, including any tax under Section 409A of the Code, from Beckwith to Bank, Five Star Bancorp, or any other person or entity. Any payment that is subject to Section 409A of the Code and that is contingent on a termination of employment is contingent on a "separation from service" within the meaning of Section 409A of the Code. Each such payment shall be considered to be a separate payment for purposes of Section 409A of the Code. If, upon separation from service, Beckwith is a "specified employee" within the meaning of Section 409A, any payment under this Agreement that is subject to Section 409A of the Code, and triggered by a separation service, and would otherwise be paid within six months after Beckwith's separation from service will instead be paid in the seventh month following Beckwith's separation from service (to the extent required by Section 409A(a)(2)(B)(i)). Any taxable reimbursement shall be paid no later than December 31 of the year after the year in which the expense is incurred, and all taxable reimbursements and in-kind benefits shall be provided in accordance with Treas. Reg. § 1.409A-3(i)(1)(iv).

6.3 Section 280G "Best Net". If any payments or benefits to Beckwith under this Agreement or otherwise would constitute a "parachute payment" within the meaning of Section 280G of the Code and, but for this Section 6.3, would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then Beckwith's payments and benefits shall be reduced to the greatest amount that would not be subject to the Excise Tax if, after taking into account applicable federal, state, local and foreign income and employment taxes, the Excise Tax, and any other applicable taxes, Beckwith would retain a greater amount on an after-tax basis following such reduction. Payments and benefits shall be reduced in the following order, in each case, in reverse chronological order: (a) cash payments not subject to Section 409A of the

Code; (b) cash payments subject to Section 409A of the Code; (c) equity-based payments and acceleration; and (d) non-cash forms of benefits. Unless Bank and Beckwith otherwise agree in writing, any determination required under this Section 6.3 shall be made by an accounting firm selected by Bank (the "Accountant"), whose determination shall be conclusive and binding. The Accountant may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. Bank and Beckwith will furnish to the Accountant such information and documents as the Accountant may reasonably request in order to make a determination under this Section 6.3. Bank shall bear all costs the Accountant may reasonably incur in connection with such calculations.

Article 7. Notices

7.1 Notices. Any notice given hereunder by either Party to the other may be effected either by personal delivery in writing or by mail, registered or certified, postage prepaid, with return receipt requested. Mailed notices shall be addressed to the Parties at the following addresses:

Bank or Bank Group:

Chairman of the Board
Five Star Bank
3100 Zinfandel Dr. #100
Rancho Cordova, CA 95670

James Beckwith: at the address in Bank's payroll or personnel file

Each Party may change his or its address by written notice in accordance with this section of the Agreement. Notices delivered personally shall be deemed communicated as of the actual date of receipt. Mailed notices shall be deemed communicated no later than three (3) business days after deposit in the United States mail.

Article 8. Dispute Resolution

8.1 Dispute Resolution Procedures. Any controversy, claim, or dispute arising out of, relating to, or resulting from this Agreement or any other matter in any way relating to or arising out of Beckwith's employment with Bank (collectively "Dispute"), shall first be subject to good faith negotiation between the Parties. If the Dispute cannot be settled through negotiation, the Parties agree to attempt in good faith to settle the Dispute by mediation administered by JAMS, as set forth in Section 8.2. If the Parties are unsuccessful at resolving the Dispute through such mediation, the Parties agree to arbitration as set forth in Section 8.3. This Article 8 replaces all prior agreements regarding the resolution of disputes covered by this Agreement and is the full and final agreement relating to the formal resolution of disputes covered by this Agreement. This Article 8 shall survive the termination of Beckwith's employment, and can only be revoked or modified by a writing signed by an officer of Bank and Beckwith, which specifically states an intent to revoke or modify this Article 8.

8.2 Mediation. Either Party may commence mediation of a good faith Dispute by providing to the Judicial Arbitration and Mediation Services ("JAMS") and the other Party a written request for mediation. Such request shall set forth the subject of the Dispute and the relief requested. The Parties will cooperate with JAMS and with one another in selecting a mediator from the JAMS panel of neutrals, and in scheduling the mediation proceedings which shall be conducted in Sacramento, California. The Parties covenant that they will participate in the mediation in good faith. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the Parties and/or their respective agents, employees, experts and attorneys, and by the mediator or any JAMS employees, are confidential, privileged, and inadmissible for any purpose, including impeachment, in any arbitration or other proceeding involving the Parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation.

8.3 Arbitration.

a) The Parties agree that any and all Disputes shall be subject to binding arbitration pursuant to the Federal Arbitration Act (9 U.S.C. sec. 1 et seq.) (the "FAA"). The FAA's substantive and procedural provisions shall exclusively govern and apply with full force and effect to this Agreement, including its enforcement, and any state court of competent jurisdiction shall compel arbitration in the same manner as a federal court under the FAA. Both Bank and Beckwith are giving up any right that either of them might have to have a judge or jury decide any Dispute, and such Disputes include without limitation claims arising out of or relating to interpretation or application of this arbitration provision, including without limitation the enforceability, revocability, or validity of the arbitration provision. The Parties agree that the arbitrator's award shall be final and binding on the Parties, provided that any award shall be reviewable by a court of law to the fullest extent allowed by law including for any error of law by the arbitrator. This provision to arbitrate shall not apply to Disputes that cannot be subject to a pre-dispute arbitration agreement, to claims for injunctive or other equitable relief as provided in Section 8.4, or to any claims or disputes arising out of or relating to any Bank plan subject to the Employee Retirement Income and Security Act ("ERISA"), which claims or disputes shall be subject to ERISA. Except for any representative claims which cannot be waived under applicable law and are therefore excluded from this agreement to arbitrate ("Excluded Claims"), the Parties expressly intend and agree that: (i) any Dispute shall be brought in the individual capacity of Bank or Beckwith, and not as a collective or representative claim on behalf of any persons or class; and (ii) class action and representative action procedures are hereby waived and shall not be asserted, nor will they apply, in any arbitration pursuant to this Agreement. The Parties expressly understand and acknowledge that by signing this Agreement they are waiving their rights to pursue class action, collective action, multiple-party, and private attorney general remedies in any court and in any arbitration forum except as expressly provided herein. To the extent that the Parties' Dispute involves both timely filed Excluded Claims and claims subject to this Agreement, the Parties agree to bifurcate and stay for the duration of the arbitration proceedings any such Excluded Claims. This Agreement is intended to require arbitration of every claim or dispute that lawfully can be arbitrated.

b) Any arbitration will be administered by JAMS, pursuant to each of its Employment Arbitration Rules & Procedures and subject to JAMS Policy on Employment Arbitration Minimum Standards of Procedural Fairness, each as then in effect. A copy of the current JAMS rules can be obtained at https://www.jamsadr.com/rules-employment-arbitration/, or by requesting a copy from the Company. The Parties will each bear their own costs for legal representation, discovery, deposition, expert witnesses, and other legal costs ordinarily borne by a party in litigation. The Parties shall share the cost of the arbitrator and arbitration proceedings equally, except that the costs of the arbitrator and arbitration proceedings to be paid by Beckwith shall not exceed the amount Beckwith would have had to pay in court costs to initiate or respond to a civil action had the matter been pursued in court. The arbitrator shall have discretion to award monetary and other damages or to award no damages, and to fashion any other relief the arbitrator deems appropriate but only to the extent consistent with law. The Parties agree that the arbitrator shall have discretion to award the prevailing party reasonable costs and attorney's fees incurred in bringing or defending a Dispute under this Section 8.3, to the fullest extent allowed by law at the time of the arbitration. Any award by the arbitrator shall be accompanied by a written statement of the factual and legal bases for the award. Any arbitration shall take place in the City of Sacramento, County of Sacramento, California, and both Bank and Beckwith agree to submit to the jurisdiction of the arbitrator.

c) Beckwith understands that this Agreement does not prohibit him from pursuing an administrative claim with a local, state, or federal administrative body or government agency that is authorized to enforce or administer laws related to employment. This Agreement does, however, preclude Beckwith from pursuing a court action regarding any such claim, except as permitted by law.

8.4 Injunctive Relief. In accordance with Rule 1281.8 of the California Code of Civil Procedure, the Parties agree that any Party may also petition the court for injunctive relief where either party alleges or claims a violation of Article 4 or any other agreement regarding intellectual property, confidential information or noninterference. In the event either Party seeks injunctive relief, the prevailing party shall be entitled to recover reasonable costs and attorneys' fees to the extent permitted by law.

Article 9. Miscellaneous Provisions

9.1 Integration. This Agreement supersedes any and all other agreements, either oral or in writing, between Bank and Beckwith with respect to Beckwith's performance of services as an agent or employee of Bank, including, without limitation, the 2022 Agreement, and contains all the covenants and agreements between the Parties with respect to such services in any manner whatsoever. Each Party to this Agreement acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by the other Party which are not embodied herein, and that no other agreement statement or promise not contained in this Agreement shall be valid or binding.

9.2 Assignment. This Agreement may not be assigned by Beckwith, but shall inure to the benefit of, and shall be binding upon, the successors and assigns of Bank.

9.3 Receipt of Agreement. Each of the Parties acknowledges that he or it has read this Agreement in its entirety and hereby acknowledges receipt of a fully-executed copy thereof.

9.4 Governing Law/Jurisdiction/Venue. This Agreement shall be governed by and construed under the laws of the State of California, without regard to its conflicts of laws principles. The Parties agree that any action taken to enforce the terms of this Agreement, including judicial action not inconsistent with the arbitration provisions hereunder, shall come under the jurisdiction of, and be properly heard and adjudicated in the Courts of the State of California and that venue shall be proper in the County of Sacramento.

9.5 Captions and Section Headings. Captions and section headings used herein are for convenience only and are not part of this Agreement and shall not be used in construing it.

9.6 Amendments and Waiver. This Agreement may be amended from time to time only by a writing signed by both Parties. A waiver of any of the terms and conditions hereof shall not be construed as a waiver of any other provision, nor shall any waiver constitute a continuing waiver or commit a-Party to providing a waiver in the future.

9.7 Survival. The covenants, agreements, representations and warranties made herein shall survive the termination of this Agreement, unless the context clearly provides otherwise. Specific survival provisions shall not lessen the survival nature of provisions without such specificity.

9.8 Severability. If a court or arbitrator of competent jurisdiction finds any provision in this Agreement to be invalid, illegal, or otherwise unenforceable, that determination will not affect any other provision of this Agreement. The invalid provision will be severed from this Agreement and all remaining provisions will continue to be enforceable by their terms and of full force and effect.

9.9 Interpretation. Any ambiguity in the language, words, phrases, gender identifiers, sentences, or provisions contained herein is not to be interpreted against a Party merely by reason of that Party having drafted, suggested, transcribed, or dictated such provision. In interpreting this Agreement the intentions of the Parties, as expressed in this Agreement, shall be paramount and this Agreement shall be read as a whole document in order to ascertain the intentions of the Parties with respect to any particular word, phrase, sentence, or provision. This Agreement shall not be deemed to have been prepared or drafted by one Party or another, and shall be construed accordingly.

9.10 Rights and Remedies. No right, power or remedy conferred upon a party in this Agreement shall be exclusive, and each such right, power and remedy shall be cumulative and in addition to every other right, power, or remedy, whether conferred in this Agreement or any other agreement, or now or hereafter available at law or in equity or by statute or otherwise.

9.11 Third-party Beneficiary. This Agreement has been made by, and is made solely for the benefit of Bank Group, Bank Group's successors and assigns. Nothing in this Agreement is intended to confer any rights or remedies under or because of this Agreement on any persons or entities other than the Parties to it and Bank Group's successors and assigns. Nothing in this Agreement is intended to relieve or discharge the obligation or liability of any third persons or entities to any Party to this Agreement.

9.12 Counterparts. This Agreement may be executed in counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same instrument. The Parties agree that a signed copy of this Agreement transmitted by one Party to the other by facsimile transmission shall be binding upon the sending Party to the same extent as a signed original of this Agreement.

This Agreement is entered into by and between the Parties to be effective as of the above written Effective Date.

Dated: 5/11/2025

/s/ James E. Beckwith
JAMES BECKWITH

Dated: 5/14/2025

FIVE STAR BANK

By: /s/ Robert T. Perry-Smith
Name: Robert T. Perry-Smith
Its: Chairman of Board

Attachment:
Exhibit A: Five Star Bank Salary Continuation Agreement and amendments

Exhibit A

Five Star Bank Salary Continuation Agreement

Exhibit A

Five Star Bank Salary Continuation Agreement

FIVE STAR BANK
SALARY CONTINUATION AGREEMENT

THIS SALARY CONTINUATION AGREEMENT (this "Agreement") is adopted this 1st day of September, 2007, by and between FIVE STAR BANK, located in Rocklin, California (the "Bank"), and JAMES BECKWITH (the "Executive").

The purpose of this Agreement is to provide specified benefits to the Executive, a member of a select group of management or highly compensated employees who contribute materially to the continued growth, development and future business success of the Bank. This Agreement shall be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended from time to time.

Article 1
Definitions

Whenever used in this Agreement, the following words and phrases shall have the meanings specified:

1.1 "Beneficiary" means each designated person or entity, or the estate of the deceased Executive, entitled to any benefits upon the death of the Executive pursuant to Article 4.

1.2 "Beneficiary Designation Form" means the form established from time to time by the Plan Administrator that the Executive completes, signs and returns to the Plan Administrator to designate one or more Beneficiaries.

1.3 "Board" means the Board of Directors of the Bank as from time to time constituted.

1.4 "Change in Control" means a change in the ownership or effective control of the Bank, or in the ownership of a substantial portion of the assets of the Bank, as such change is defined in Code Section 409A and regulations thereunder.

1.5 "Code" means the Internal Revenue Code of 1986, as amended, and all regulations and guidance thereunder, including such regulations and guidance as may be promulgated after the Effective Date.

1.6 "Early Termination" means the Executive's Separation from Service before attainment of Normal Retirement Age except when such Separation from Service occurs due to death or Termination for Cause or is made with Good Reason within twenty-four (24) months following Change in Control.

1.7 "Effective Date" means September 1, 2007.

1.8 "Good Reason" means the occurrence of any of the following events prior to Normal Retirement Age:

(a) Without the Executive's express written consent, the assignment to the Executive of any material duties or responsibilities inconsistent with the Executive's positions, or a change in the Executive's reporting responsibilities, titles, or offices, or any removal of the Executive from or any failure to re-elect the Executive to any of such positions;

(b) A reduction by the Bank in the Executive's base salary;

(c) The Bank requiring the Executive to be based anywhere beyond one hundred (100) miles from the location where the Executive is based on the date of a Change in Control except for required travel on the Bank business to an extent substantially consistent with the Executive's present business travel obligations or, in the event the Executive consents to any relocation, the failure by the Bank to pay (or reimburse the Executive) for all reasonable moving expenses incurred by the Executive relating to a change of the Executive's principal residence in connection with such relocation and to indemnify the Executive against any loss realized on the sale of the Executive's principal residence in connection with any such change of residence.

1.9 "Normal Retirement Age" means the Executive's age sixty-five (65).

1.10 "Plan Administrator" means the Board or such committee or person as the Board shall appoint.

1.11 "Plan Year" means each twelve (12) month period commencing on January 1 and ending on December 31 of each year. The initial Plan Year shall commence on the Effective Date of this Agreement and end on the following December 31.

1.12 "Schedule A" means the schedule attached to this Agreement and made a part hereof. Schedule A shall be updated upon a change in any of the benefits under Articles 2 or 3.

1.13 "Separation from Service" means termination of the Executive's employment with the Bank for reasons other than death. Whether a Separation from Service has occurred is determined in accordance with the requirements of Code Section 409A based on whether the facts and circumstances indicate that the Bank and Executive reasonably anticipated that no further services would be performed after a certain date or that the level of bona fide services the Executive would perform after such date (whether as an employee or as an independent contractor) would permanently decrease to no more than twenty percent (20%) of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding thirty-six (36) month period (or the full period of services to the Bank if the Executive has been providing services to the Bank less than thirty-six (36) months).

1.14 "Specified Employee" means an employee who at the time of Separation from Service is a key employee of the Bank, if any stock of the Bank is publicly traded on an established securities market or otherwise. For purposes of this Agreement, an employee is a key employee if the employee meets the requirements of Code Section 416(i)(1)(A)(i), (ii), or (iii) (applied in accordance with the regulations thereunder and disregarding section 416(i)(5)) at any time during the twelve (12) month period ending on December 31 (the "identification period"). If the employee is a key employee during an identification period, the employee is treated as a key employee for purposes of this Agreement during the twelve (12) month period that begins on the first day of April following the close of the identification period.

1.15 "Termination for Cause" means Separation from Service for:

a) Gross negligence or gross neglect of duties to the Bank;

b) Conviction of a felony or of a gross misdemeanor involving moral turpitude in connection with the Executive's employment with the Bank; or

c) Fraud, disloyalty, dishonesty or willful violation of any law or significant Bank policy committed in connection with the Executive's employment and resulting in a material adverse effect on the Bank.

1.16 "Years of Participation" means the consecutive twelve (12) month period beginning on the Effective Date of this Agreement and any twelve (12) month anniversary thereof during the entirety of which time the Executive is a participant in this Agreement.

Article 2
Distributions During Lifetime

2.1 Normal Retirement Benefit. At Normal Retirement Age, the Bank shall distribute to the Executive the benefit described in this Section 2.1 in lieu of any other benefit under this Article.

2.1.1 Amount of Benefit. The annual benefit under this Section 2.1 is One Hundred Twenty-Five Thousand Dollars ($125,000).

2.1.2 Distribution of Benefit. The Bank shall distribute the annual benefit to the Executive in twelve (12) equal monthly installments commencing on the first day of the month following Normal Retirement Age. The annual benefit shall be distributed to the Executive for ten (10) years.

2.2 Early Termination Benefit. If Early Termination occurs, the Bank shall distribute to the Executive the benefit described in this Section 2.2 in lieu of any other benefit under this Article.

2.2.1 Amount of Benefit. The annual benefit under this Section 2.2 shall be a percentage of the Normal Retirement Benefit described in Section 2.1.1, determined according to the following table:

Completed Years of Participation at Separation from Service	Percent of Normal Retirement Benefit
0-9	0%
10	50%
11	70%
12	90%
13 or more	100%

2.2.2 Distribution of Benefit. The Bank shall distribute the annual benefit to the Executive in twelve (12) equal monthly installments commencing on the first day of the month following Normal Retirement Age. The annual benefit shall be distributed to the Executive for ten (10) years.

2.3 Change in Control Benefit. If a Change in Control occurs, followed within twenty-four (24) months by Separation from Service for Good Reason the Bank shall distribute to the Executive the benefit described in this Section 2.3 in lieu of any other benefit under this Article.

2.3.1 Amount of Benefit. The annual benefit under this Section 2.3 is the Normal Retirement Benefit amount described in Section 2.1.1.

2.3.2 Distribution of Benefit. The Bank shall distribute the benefit to the Executive in twelve (12) equal monthly installments commencing on the first day of the month following Normal Retirement Age. The annual benefit shall be distributed to the Executive for ten (10) years.

2.4 Restriction on Commencement of Distributions. Notwithstanding any provision of this Agreement to the contrary, if the Executive is considered a Specified Employee, the provisions of this Section 2.4 shall govern all distributions hereunder. If benefit distributions which would otherwise be made to the Executive due to Separation from Service are limited because the Executive is a Specified Employee, then such distributions shall not be made during the first six (6) months following Separation from Service. Rather, any distribution which would otherwise be paid to the Executive during such period shall be accumulated and paid to the Executive in a lump sum on the first day of the seventh month following Separation from Service. All subsequent distributions shall be paid in the manner specified.

2.5 Distributions Upon Taxation of Amounts Deferred. If, pursuant to Code Section 409A, the Federal Insurance Contributions Act or other state, local or foreign tax, the Executive becomes subject to tax on the amounts deferred hereunder, then the Bank may make a limited distribution to the Executive in a manner that conforms to the requirements of Code section 409A. Any such distribution will decrease the Executive's benefits distributable under this Agreement.

2.7 Change in Form or Timing of Distributions. For distribution of benefits under this Article 2, the Executive and the Bank may, subject to the terms of Section 8.1, amend this Agreement to delay the timing or change the form of distributions. Any such amendment:

a) may not accelerate the time or schedule of any distribution, except as provided in Code Section 409A;

b) must, for benefits distributable under Sections 2.1, 2.2 and 2.3, be made at least twelve (12) months prior to the first scheduled distribution

c) must, for benefits distributable under Sections 2.1, 2.2 and 2.3, delay the commencement of distributions for a minimum of five (5) years from the date the first distribution was originally scheduled to be made; and

d) must take effect not less than twelve (12) months after the amendment is made.

Article 3
Distribution at Death

3.1 Death During Active Service. If the Executive dies prior to Separation from Service, the Bank shall distribute to the Beneficiary the benefit described in this Section 3.1. This benefit shall be distributed in lieu of any benefit under Article 2.

3.1.1 Amount of Benefit. The annual benefit under this Section 3.1 is the Normal Retirement Benefit amount described in Section 2.1.1.

3.1.2 Distribution of Benefit. The Bank shall distribute the annual benefit to the Beneficiary in twelve (12) equal monthly installments for ten (10) years commencing on the first day of the fourth month following the Executive's death. The Beneficiary shall be required to provide to the Bank the Executive's death certificate.

3.2 Death During Distribution of a Benefit. If the Executive dies after any benefit distributions have commenced under this Agreement but before receiving all such distributions, the Bank shall distribute to the Beneficiary the remaining benefits at the same time and in the same amounts they would have been distributed to the Executive had the Executive survived.

3.3 Death Before Benefit Distributions Commence. If the Executive is entitled to benefit distributions under this Agreement but dies prior to the date that commencement of said benefit distributions are scheduled to be made under this Agreement, the Bank shall distribute to the Beneficiary the same benefits to which the Executive was entitled prior to death, except that the benefit distributions shall be paid in the manner specified in Section 3.1.2 and shall commence on the first day of the fourth month following the Executive's death.

Article 4
Beneficiaries

4.1 In General. The Executive shall have the right, at any time, to designate a Beneficiary to receive any benefit distributions under this Agreement upon the death of the Executive. The Beneficiary designated under this Agreement may be the same as or different from the beneficiary designated under any other plan of the Bank in which the Executive participates.

4.2 Designation. The Executive shall designate a Beneficiary by completing and signing the Beneficiary Designation Form and delivering it to the Plan Administrator or its designated agent. If the Executive names someone other than the Executive's spouse as a Beneficiary, the Plan Administrator may, in its sole discretion, determine that spousal consent is required to be provided in a form designated by the Plan Administrator, executed by the Executive's spouse and returned to the Plan Administrator. The Executive's beneficiary designation shall be deemed automatically revoked if the Beneficiary predeceases the Executive or if the Executive names a spouse as Beneficiary and the marriage is subsequently dissolved. The Executive shall have the right to change a Beneficiary by completing, signing and otherwise complying with the terms of the Beneficiary Designation Form and the Plan Administrator's rules and procedures. Upon the acceptance by the Plan Administrator of a new Beneficiary Designation Form, all Beneficiary designations previously filed shall be cancelled. The Plan Administrator shall be entitled to rely on the last Beneficiary Designation Form filed by the Executive and accepted by the Plan Administrator prior to the Executive's death.

4.3 Acknowledgment. No designation or change in designation of a Beneficiary shall be effective until received, accepted and acknowledged in writing by the Plan Administrator or its designated agent.

4.4 No Beneficiary Designation. If the Executive dies without a valid beneficiary designation, or if all designated Beneficiaries predecease the Executive, then the Executive's spouse shall be the designated Beneficiary. If the Executive has no surviving spouse, any benefit shall be paid to the Executive's estate.

4.5 Facility of Distribution. If the Plan Administrator determines in its discretion that a benefit is to be distributed to a minor, to a person declared incompetent or to a person incapable of handling the disposition of that person's property, the Plan Administrator may direct distribution of such benefit to the guardian, legal representative or person having the care or custody of such minor, incompetent person or incapable person. The Plan Administrator may require proof of incompetence, minority or guardianship as it may deem appropriate prior to distribution of the benefit. Any distribution of a benefit shall be a distribution for the account of the Executive and the Beneficiary, as the case may be, and shall completely discharge any liability under this Agreement for such distribution amount.

Article 5
General Limitations

5.1 Termination for Cause. Notwithstanding any provision of this Agreement to the contrary, the Bank shall not distribute any benefit under this Agreement if the Executive's employment with the Bank is terminated by the Bank or an applicable regulator due to a Termination for Cause.

5.2 Suicide or Misstatement. No benefit shall be distributed if the Executive commits suicide within two (2) years after the Effective Date, or if an insurance company which issued a life insurance policy covering the Executive and owned by the Bank denies coverage (i) for material misstatements of fact made by the Executive on an application for such life insurance, or (ii) for any other reason.

5.3 Removal. Notwithstanding any provision of this Agreement to the contrary, the Bank shall not distribute any benefit under this Agreement if the Executive is subject to a final removal or prohibition order issued by an appropriate federal banking agency pursuant to Section 8(e) of the Federal Deposit Insurance Act. Notwithstanding anything herein to the contrary, any payments made to the Executive pursuant to this Agreement, or otherwise, shall be subject to and conditioned upon compliance with 12 U.S.C. 1828 and FDIC Regulation 12 CFR Part 359, Golden Parachute Indemnification Payments and any other regulations or guidance promulgated thereunder.

Article 6
Administration of Agreement

6.1 Plan Administrator Duties. The Plan Administrator shall administer this Agreement according to its express terms and shall also have the discretion and authority to (i) make, amend, interpret and enforce all appropriate rules and regulations for the administration of this Agreement and (ii) decide or resolve any and all questions, including interpretations of this Agreement, as may arise in connection with this Agreement to the extent the exercise of such discretion and authority does not conflict with Code Section 409A.

6.2 Agents. In the administration of this Agreement, the Plan Administrator may employ agents and delegate to them such administrative duties as the Plan Administrator sees fit, including acting through a duly appointed representative, and may from time to time consult with counsel who may be counsel to the Bank.

6.3 Binding Effect of Decisions. Any decision or action of the Plan Administrator with respect to any question arising out of or in connection with the administration, interpretation or application of this Agreement and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in this Agreement.

6.4 Indemnity of Plan Administrator. The Bank shall indemnify and hold harmless the Plan Administrator against any and all claims, losses, damages, expenses or liabilities arising from any action or failure to act with respect to this Agreement, except in the case of willful misconduct by the Plan Administrator.

6.5 Bank Information. To enable the Plan Administrator to perform its functions, the Bank shall supply full and timely information to the Plan Administrator on all matters relating to the date and circumstances of the Executive's death or Separation from Service, and such other pertinent information as the Plan Administrator may reasonably require.

6.6 Annual Statement. The Plan Administrator shall provide to the Executive, within one hundred twenty (120) days after the end of each Plan Year, a statement setting forth the benefits to be distributed under this Agreement.

Article 7
Claims And Review Procedures

7.1 Claims Procedure. An Executive or Beneficiary ("claimant") who has not received benefits under this Agreement that he or she believes should be distributed shall make a claim for such benefits as follows:

7.1.1 Initiation — Written Claim. The claimant initiates a claim by submitting to the Plan Administrator a written claim for the benefits. If such a claim relates to the contents of a notice received by the claimant, the claim must be made within sixty (60) days after such notice was received by the claimant. All other claims must be made within one hundred eighty (180) days of the date on which the event that caused the claim to arise occurred. The claim must state with particularity the determination desired by the claimant.

7.1.2 Timing of Plan Administrator Response. The Plan Administrator shall respond to such claimant within ninety (90) days after receiving the claim. If the Plan Administrator determines that special circumstances require additional time for processing the claim, the Plan Administrator can extend the response period by an additional ninety (90) days by notifying the claimant in writing, prior to the end of the initial ninety (90) day period, that an additional period is required. The notice of extension must set forth the special circumstances and the date by which the Plan Administrator expects to render its decision.

7.1.3 Notice of Decision. If the Plan Administrator denies part or all of the claim, the Plan Administrator shall notify the claimant in writing of such denial. The Plan Administrator shall write the notification in a manner calculated to be understood by the claimant. The notification shall set forth:

(a) The specific reasons for the denial;

(b) A reference to the specific provisions of this Agreement on which the denial is based;

(c) A description of any additional information or material necessary for the claimant to perfect the claim and an explanation of why it is needed;

(d) An explanation of this Agreement's review procedures and the time limits applicable to such procedures; and

(e) A statement of the claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review.

7.2 Review Procedure. If the Plan Administrator denies part or all of the claim, the claimant shall have the opportunity for a full and fair review by the Plan Administrator of the denial as follows:

7.2.1 Initiation — Written Request. To initiate the review, the claimant, within sixty (60) days after receiving the Plan Administrator's notice of denial, must file with the Plan Administrator a written request for review.

7.2.2 Additional Submissions — Information Access. The claimant shall then have the opportunity to submit written comments, documents, records and other information relating to the claim. The Plan Administrator shall also provide the claimant, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the claimant's claim for benefits.

7.2.3 Considerations on Review. In considering the review, the Plan Administrator shall take into account all materials and information the claimant submits relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

7.2.4 Timing of Plan Administrator Response. The Plan Administrator shall respond in writing to such claimant within sixty (60) days after receiving the request for review. If the Plan Administrator determines that special circumstances require additional time for processing the claim, the Plan Administrator can extend the response period by an additional sixty (60) days by notifying the claimant in writing, prior to the end of the initial sixty (60) day period, that an additional period is required. The notice of extension must set forth the special circumstances and the date by which the Plan Administrator expects to render its decision.

7.2.5 Notice of Decision. The Plan Administrator shall notify the claimant in writing of its decision on review. The Plan Administrator shall write the notification in a manner calculated to be understood by the claimant. The notification shall set forth:

(a) The specific reasons for the denial;

(b) A reference to the specific provisions of this Agreement on which the denial is based;

(c) A statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the claimant's claim for benefits; and

(d) A statement of the claimant's right to bring a civil action under ERISA Section 502(a).

Article 8
Amendments and Termination

8.1 Amendments. This Agreement may be amended only by a written agreement signed by the Bank and the Executive. However, the Bank may unilaterally amend this Agreement to conform with written directives to the Bank from its auditors or banking regulators or to comply with legislative changes or tax law, including without limitation Code Section 409A.

8.2 Plan Termination Generally. This Agreement may be terminated only by a written agreement signed by the Bank and the Executive. The benefit shall be the entire amount accrued by the Bank with respect to the Bank's obligations hereunder as of the date this Agreement is terminated. Except as provided in Section 8.3, the termination of this Agreement shall not cause a distribution of benefits under this Agreement. Rather, upon such termination benefit distributions will be made at the earliest distribution event permitted under Article 2 or Article 3.

8.3 Plan Terminations Under Code Section 409A. Notwithstanding anything to the contrary in Section 8.2, if the Bank terminates this Agreement in the following circumstances:

a) Within thirty (30) days before or twelve (12) months after a Change in Control, provided that all distributions are made no later than twelve (12) months following such termination of this Agreement and further provided that all the Bank's arrangements which are substantially similar to this Agreement are terminated so the Executive and all participants in the similar arrangements are required to receive all amounts of compensation deferred under the terminated arrangements within twelve (12) months of such termination;

b) Upon the Bank's dissolution or with the approval of a bankruptcy court provided that the amounts deferred under this Agreement are included in the Executive's gross income in the latest of (i) the calendar year in which this Agreement terminates; (ii) the calendar year in which the amount is no longer subject to a substantial risk of forfeiture; or (iii) the first calendar year in which the distribution is administratively practical; or

c) Upon the Bank's termination of this and all other arrangements that would be aggregated with this Agreement pursuant to Treasury Regulations Section 1.409A-1(c) if the Executive participated in such arrangements ("Similar Arrangements"), provided that (i) the termination and liquidation does not occur proximate to a downturn in the financial health of the Bank, (ii) all termination distributions are made no earlier than twelve (12) months and no later than twenty-four (24) months following such termination, and (iii) the Bank does not adopt any new arrangement that would be a Similar Arrangement for a minimum of three (3) years following the date the Bank takes all necessary action to irrevocably terminate and liquidate the Agreement;

the Bank may distribute the entire amount accrued by the Bank with respect to the Bank's obligations hereunder, determined as of the date of the termination of this Agreement, to the Executive in a lump sum subject to the above terms.

Article 9
Miscellaneous

9.1 Binding Effect. This Agreement shall bind the Executive and the Bank and their beneficiaries, survivors, executors, administrators and transferees.

9.2 No Guarantee of Employment. This Agreement is not a contract for employment. It does not give the Executive the right to remain as an employee of the Bank nor interfere with the Bank's right to discharge the Executive. It does not require the Executive to remain an employee nor interfere with the Executive's right to terminate employment at any time.

9.3 Non-Transferability. Benefits under this Agreement cannot be sold, transferred, assigned, pledged, attached or encumbered in any manner.

9.4 Tax Withholding and Reporting. The Bank shall withhold any taxes that are required to be withheld, including but not limited to taxes owed under Code Section 409A from the benefits provided under this Agreement. The Executive acknowledges that the Bank's sole liability regarding taxes is to forward any amounts withheld to the appropriate taxing authorities. The Bank shall satisfy all applicable reporting requirements, including those under Code Section 409A.

9.5 Applicable Law. This Agreement and all rights hereunder shall be governed by the laws of the State of California, except to the extent preempted by the laws of the United States of America.

9.6 Unfunded Arrangement. The Executive and the Beneficiary are general unsecured creditors of the Bank for the distribution of benefits under this Agreement. The benefits represent the mere promise by the Bank to distribute such benefits. The rights to benefits are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment by creditors. Any insurance on the Executive's life or other informal funding asset is a general asset of the Bank to which the Executive and Beneficiary have no preferred or secured claim.

9.7 Reorganization. The Bank shall not merge or consolidate into or with another bank, or reorganize, or sell substantially all of its assets to another bank, firm or person unless such succeeding or continuing bank, firm or person agrees to assume and discharge the obligations of the Bank under this Agreement. Upon the occurrence of such an event, the term "Bank" as used in this Agreement shall be deemed to refer to the successor or survivor entity.

9.8 Entire Agreement. This Agreement constitutes the entire agreement between the Bank and the Executive as to the subject matter hereof. No rights are granted to the Executive by virtue of this Agreement other than those specifically set forth herein.

9.9 Interpretation. Wherever the fulfillment of the intent and purpose of this Agreement requires and the context will permit, the use of the masculine gender includes the feminine and use of the singular includes the plural.

9.10 Alternative Action. In the event it shall become impossible for the Bank or the Plan Administrator to perform any act required by this Agreement due to regulatory or other constraints, the Bank or Plan Administrator may perform such alternative act as most nearly carries out the intent and purpose of this Agreement and is in the best interests of the Bank, provided that such alternative act does not violate Code Section 409A.

9.11 Headings. Article and section headings are for convenient reference only and shall not control or affect the meaning or construction of any provision herein.

9.12 Validity. If any provision of this Agreement shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Agreement shall be construed and enforced as if such illegal or invalid provision had never been included herein.

9.13 Notice. Any notice or filing required or permitted to be given to the Bank or Plan Administrator under this Agreement shall be sufficient if in writing and hand-delivered or sent by registered or certified mail to the address below:

Five Star Bank
Attention: Plan Administrator
6810 Five Star Bank Boulevard
Rocklin, CA 95677

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

Any notice or filing required or permitted to be given to the Executive under this Agreement shall be sufficient if in writing and hand-delivered or sent by mail to the last known address of the Executive.

9.14 Deduction Limitation on Benefit Payments. If the Bank reasonably anticipates that the Bank's deduction with respect to any distribution under this Agreement would be limited or eliminated by application of Code Section 162(m), then to the extent deemed necessary by the Bank to ensure that the entire amount of any distribution from this Agreement is deductible, the Bank may delay payment of any amount that would otherwise be distributed under this Agreement. The delayed amounts shall be distributed to the Executive (or the Beneficiary in the event of the Executive's death) at the earliest date the Bank reasonably anticipates that the deduction of the payment of the amount will not be limited or eliminated by application of Code Section 162(m).

9.15 Compliance with Section 409A. This Agreement shall be interpreted and administered consistent with Code Section 409A.

IN WITNESS WHEREOF, the Executive and a duly authorized representative of the Bank have signed this Agreement.

EXECUTIVE	BANK
/s/ James E. Beckwith	By: /s/ Michael R. Stodden
James Beckwith	
	Title: Chairman of Board

Five Star Bank
Salary Continuation Agreement
Beneficiary Designation Form

{ } New Designation
{ } Change in Designation

I, James Beckwith, designate the following as Beneficiary under this Agreement:

Primary: ____ ____	____ ____
Contingent: ____ ____	____ ____

Notes:

- **Please PRINT CLEARLY or TYPE the names of the beneficiaries.**
- **To name a trust as Beneficiary, please provide the name of the trustee(s) and the <u>exact</u> name and date of the trust agreement.**
- **To name your estate as Beneficiary, please write "Estate of [<u>your name</u>]"**
- **Be aware that none of the contingent beneficiaries will receive anything unless ALL of the primary beneficiaries predecease you.**

I understand that I may change these beneficiary designations by delivering a new written designation to the Plan Administrator, which shall be effective only upon receipt and acknowledgment by the Plan Administrator prior to my death. I further understand that the designations will be automatically revoked if the Beneficiary predeceases me, or, if I have named my spouse as Beneficiary and our marriage is subsequently dissolved.

Name: ______________________________

Signature______________________________ Date:__________

SPOUSAL CONSENT (Required if someone other than spouse is named Beneficiary and Plan Administrator requests):

I consent to the beneficiary designation above, and acknowledge that if I am named Beneficiary and our marriage is subsequently dissolved, the designation will be automatically revoked.

Spouse Name:______________________________

Signature: ______________________________ Date:______________________________

Received by the Plan Administrator this ___ day of _______, 200______

By: ______________________________

Title:______________________________

IMPORTANT NOTICE ON CODE SECTION 409A COMPLIANCE

It is critical that you consult with your legal and tax advisors to determine the impact of Internal Revenue Code Section 409A to your particular situation. On April 10, 2007 the Treasury Department issued final regulations implementing the requirements of Section 409A which apply to nonqualified deferred compensation arrangements. The regulations will be effective on January 1, 2008.

FIRST AMENDMENT TO FIVE STAR BANK

SALARY CONTINUATION AGREEMENT

THIS FIRST AMENDMENT FIVE STAR BANK SALARY CONTINUATION AGREEMENT (this "**First Amendment**") is made as of the 31st day of December 2008, by and between FIVE STAR BANK, located in Rocklin California (the "Bank") and JAMES BECKWITH (the "Executive"), with reference to the following facts:

A. Effective September 1, 2007, the Bank and Executive entered into the FIVE STAR BANK SALARY CONTINUATION AGREEMENT (the "Agreement").

B. The Parties desire to amend the Agreement to conform to the requirements of Internal Revenue Code section 409A.

NOW, THEREFORE, the Parties agree to amend and modify the Agreement set upon the terms and subject to the conditions of this First Amendment.

1. Section 9.14., Deduction Limitation on Benefit Payments is amended and restated in its entirety to read as follows:

> 9.14. Deduction Limitations on Benefit Payments. Subject to the requirements of Section 2.7, above, if the Bank reasonably anticipates that the Bank's deduction with respect to any distribution under this Agreement would be limited or eliminated by application of Code Section 162(m), then to the extent deemed necessary by the Bank to ensure that the entire amount of any distribution from this Agreement is deductible, the Bank may delay payment of any amount that would otherwise be distributed under this Agreement. The delayed amounts shall be distributed to the Executive (or the Beneficiary in the event of the Executive's death) at the earliest date permitted under Section 2.7 that the bank reasonably anticipates that the deduction of the payment of the amount will not be limited or eliminated by application of Code Section 162(m).

2. To the extend not amended hereby, the provisions of the FIVE STAR BANK SALARY CONTINUATION AGREEMENT shall remain in full force and effect.

IN WITNESS WHEREOF, the Executive and the Bank have entered into this FIRST AMENDMENT effective as of the date first set forth above.

EXECUTIVE:

/s/ James Beckwith

JAMES BECKWITH

BANK:

FIVE STAR BANK

By /s/ Michael R. Stodden

Name Michael R. Stodden

Title Chairman 12/31/09

SECOND AMENDMENT
TO THE
FIVE STAR BANK
SALARY CONTINUATION AGREEMENT

THIS SECOND AMENDMENT is made by Five Star Bank (the "Bank"), a banking corporation organized and existing under the laws of the State of California, and James Beckwith (the "Executive"), this 1st day of July, 2014.

RECITALS:

WHEREAS, the Five Star Bank Salary Continuation Agreement (the "Plan") was adopted on September 1. 2007; and amended on December 31, 2008; and

WHEREAS, pursuant to Section 8.1 of the Plan, the Bank and the Executive may amend the Plan by written mutual agreement; and

WHEREAS, the parties desire to amend the Plan to clarify the Executive's Normal Retirement Benefit under Section 2.1;

NOW, THEREFORE, the parties hereby amend the Plan as follows:

Section 2.1.1 shall be deleted in its entirety and replaced with the following:

2.1.1 Amount of Benefit. The annual benefit under this Section 2.1 is One Hundred Seventy-Five Thousand Dollars ($175,000.00).

Except as otherwise amended by the First Amendment and this Amendment, all provisions of the Plan shall remain in full force and effect and the Plan, First Amendment, and this Amendment shall be construed together and considered one and the same agreement.

IN WITNESS WHEREOF, the parties execute this Amendment as of the date first written above.

EXECUTIVE:	**FIVE STAR BANK:**
/s/ James Beckwith	By: /s/ Michael R. Stodden
James Beckwith	
	Its: CHAIRMAN

**FORM OF PERFORMANCE SHARE AWARD AGREEMENT
FOR FIVE STAR BANCORP
2021 EQUITY INCENTIVE PLAN**

[_________] (the "**Participant**" or "**you**") is hereby granted a performance share award (the "**Award**") by Five Star Bancorp pursuant to the Five Star Bancorp 2021 Equity Incentive Plan, as amended (the "**2021 Plan**"). The Award is subject to the terms and conditions of the 2021 Plan and this Performance Share Award Agreement, including the attached Terms and Conditions ("**Award Agreement**"). Capitalized terms used in this Award Agreement and not otherwise defined shall have the meanings assigned to such terms in the 2021 Plan.

1.	**Target Number of Shares Subject to Your Award:**	_______	shares of Common Stock ("**Shares**"), subject to adjustment pursuant to the 2021 Plan (the "**Target Award**").
2.	**Grant Date:**	[DATE]	

This Award of performance-based restricted stock units ("**PSUs**") will vest on [DATE] (the "**Vesting Date**") based on the achievement of the performance conditions set forth in Section 1(b) of the Terms and Conditions, subject to the other provisions of the Terms and Conditions.

[*signature page follows*]

IN WITNESS WHEREOF, Five Star Bancorp, acting by and through the Committee, has caused this Award Agreement to be executed as of the Grant Date set forth above.

FIVE STAR BANCORP

By:

____
Name:
Title:

Accepted by Participant:

____

____
Date

TERMS AND CONDITIONS

1. **Grant and Vesting Conditions.**

(a) Grant Date and Target Number of PSUs. The Grant Date and target number of Shares underlying your Award are stated on page 1 of this Award Agreement. Depending on the satisfaction of the vesting conditions described in Section 1(b), and other term and conditions of this Award, you may earn [__]% to [__]% of the Target Award.

(b) Vesting Conditions. Subject to your continued employment with the Company through the Vesting Date (except as set forth in Section 3 below), the PSUs will vest as follows:

- [__]% of the Target Award will vest upon achievement of a Consolidated ROAA Percentile of less than the [__]th of the Comparator Group at the end of the Performance Period;
- [__]% of the Target Award will vest upon achievement of a Consolidated ROAA Percentile of [__]th of the Comparator Group at the end of the Performance Period;
- [__]% of the Target Award will vest upon achievement of a Consolidated ROAA Percentile of [__]th of the Comparator Group at the end of the Performance Period;
- [__]% of the Target Award will vest upon achievement of a Consolidated ROAA Percentile of [__]th of the Comparator Group at the end of the Performance Period.

If the Consolidated ROAA Percentile falls between the [__]th and [__]th of the Comparator Group, or between the [__]th and [__]th of the Comparator Group, the Target Award will vest at the end of the Performance Period on a proportional basis determined using straight-line interpolation. For example, if the Company achieves a Consolidated ROAA Percentile of [__]th, then [__]% of the Target Award will vest at the end of the Performance Period. For the avoidance of doubt, the Consolidated ROAA Percentile must be at least [__]th of the Comparator Group for any of the Target Award to vest.

"**Comparator Group**" means a peer group of publicly traded banks and bank holding companies utilizing the S&P Global Broad Market Index - Western Region.

"**Consolidated ROAA**" means the Company's consolidated return on average assets, annualized.

"**Consolidated ROAA Percentile**" means the percentile ranking of the Company's Consolidated ROAA relative to the Comparator Group.

"**Performance Period**" means the three year period from [DATE] through [DATE].

2. **Committee Determination and Settlement.**

(a) Following the end of the Performance Period, the Committee shall determine and certify the Consolidated ROAA and the Consolidated ROAA Percentile.

(b) Following the Committee's determination, each PSU that vests under this Award shall be settled in Shares on or before [DATE].

3. **Restrictions.** Your Award is subject to the following restrictions:

(a) Alienation. The Award and the rights and privileges conferred hereby shall not be transferred, assigned, pledged, or otherwise encumbered in any way (whether by operation of law or otherwise), other than by will or by the laws of descent and distribution. Upon any attempt to transfer, assign, pledge, or otherwise encumber the Award or any right or privilege conferred hereby contrary to the provisions hereof, the Award and the rights and privileges conferred hereby shall immediately become null and void.

(b) Termination of Employment. If your employment with the Company terminates prior to the Vesting Date for any reason other than as set forth in Section 3 hereof, then the Award shall not vest and you will forfeit all of your rights, title and interest in this Award as of your termination date.

(c) Clawback. This Award may be subject to recoupment or clawback by the Company in accordance with the Company's recoupment, clawback or similar policy as such may be in effect from time to time, as well as any similar provisions of applicable law, or Securities and Exchange Commission rule or regulation, or stock exchange requirement, which could in certain circumstances require repayment or forfeiture of the Award or any Shares or other cash or property received with respect to the Award (including any value received from a disposition of Shares acquired upon payment of the Award).

4. **Treatment Upon Death, Disability or Change in Control.**

(a) Death or Disability. If your employment with the Company terminates by reason of death or Disability (as defined below), your Award will not forfeit upon your termination. Instead, the number of PSUs that shall vest upon the Vesting Date (if any) shall be determined based on the vesting conditions set forth in Section 1(b) and pro-rated based on the fraction obtained by dividing the number of full months from the Grant Date through the termination date by thirty-six (36).

"**Disability**" means (1) the Participant's inability, due to physical or mental incapacity, to substantially perform the Participant's duties and responsibilities with the Company or any Affiliate for one hundred eighty (180) days out of any three hundred sixty-five (365) day period or one hundred twenty (120) consecutive days; or (2) the Participant's eligibility to receive long-term disability benefits under a long-term disability plan sponsored by the Company or any of its Affiliates.

(b) Change in Control. If there is a Change in Control during the Performance Period, then the date of the Change in Control shall be the Vesting Date and the number of PSUs vesting on such Vesting Date shall be 100% of the Target Award.

5. **Dividend Equivalents.** If the Company declares and pays a dividend in respect of its Shares and, on the record date for such dividend, the Participant holds PSUs granted pursuant to this Award Agreement, the Participant shall have an unvested right to receive an amount (the "**Dividend Equivalent**") equal to the dividends that the Participant would have received if the Participant were the holder of record, as of such record date, of the number of Shares related to the PSUs that the Participant holds as of such record date. Any Dividend Equivalent will vest if, when and to the extent that the related PSUs vest (or will be vested immediately if the underlying PSU is vested but has not yet been settled) and will be paid to the Participant at the same time the underlying PSUs are settled. No interest will be paid with respect to a Dividend Equivalent. If any of the PSUs are forfeited or otherwise do not vest or settle, any Dividend Equivalent with respect to such PSUs shall also be forfeited.

6. **Regulatory Requirements.**

(a) The Committee reserves the right to adjust executive incentive-based compensation, including this Award and any payment thereunder, downward for excessive risk taking that develops from your management actions and/or inactions as demonstrated, documented, or reported through internal audits, examinations, outside ratings providers, reviews, and risk assessments. The Committee may use an approach like the CAMELS ratings system used by regulators when reviewing and determining whether the Company and/or Five Star Bank (the "**Bank**") is being exposed to excessive or reckless levels of risk that would warrant a reduction in incentive-based compensation, including this Award and any payment thereunder.

(b) Notwithstanding anything to the contrary in this Award Agreement, the vesting and settlement of this Award shall be conditioned upon the Company and the Bank being continuously "well-capitalized" (as such term is defined in 12 CFR § 225.2(r)(1) and (r)(2)(i), respectively) for the period commencing on the Grant Date and ending on the Vesting Date; *provided* that if the Company and the Bank fail to be "well-capitalized" for a period of 30 days or less, such failure shall not constitute a breach of the foregoing condition.

(c) The parties agree that any payments under this Award Agreement are subject to and conditioned upon their compliance (if required) with the provisions of 12 U.S.C. § 1828(k) and implementing rules thereunder (including 12 C.F.R. Part 359) restricting certain "golden parachute and indemnification payments" as such laws and regulations may hereafter be amended from time to time (the "**FDIC Compensation Restrictions**"), and that notwithstanding any other provisions of the 2018 Plan and this Award Agreement, the Company shall in no case be obligated to make any payment to the Participant that would be impermissible under the FDIC Compensation Restrictions.

(d) The Company or its successors retain the legal right to demand the return of any "golden parachute" payments from the Participant in the event that it shall be determined, by legal process or by order of the Company's federal regulator(s) that the Participant:

(i) has committed any fraudulent act or omission, breach of trust or fiduciary duty, or insider abuse with regard to the Company that has had or is likely to have a material adverse effect on the Company; or

(i) is substantially responsible for the insolvency of, the appointment of a conservator or receiver for, or the troubled condition, as defined by applicable regulations of the appropriate federal banking agency, of the Company or any FDIC insured depository institution subsidiary of the Company; or

(ii) has materially violated any applicable federal or state banking law or regulation that has had or is likely to have a material effect on the Company; or

(iii) has violated or conspired to violate section 215, 656, 657, 1005, 1006, 1007, 1014, 1032, or 1344 of title 18 of the United States Code, or section 1341 or 1343 of such title affecting a federally insured financial institution as defined in title 18 of the United States Code.

(e) The Company and its successors-in-interest further retain the legal right to demand the return by the Participant of incentive compensation paid to the Participant, including under the Award, within the fifteen (15) months prior to such demand (or any longer period of time required by applicable law) pursuant to the terms of any compensation "clawback" or recoupment policy of the Company applicable to similarly-situated employees of the Company (as may be amended from time to time and as may hereafter be adopted) or required to comply with applicable law.

7. **No Voting Rights.** You have no voting rights with respect to the Award unless and until you receive a distribution of Shares.

8. **No Right of Continued Employment.** Nothing in this Award Agreement will interfere with or limit in any way the right of the Company to terminate your employment at any time, nor confer upon you any right to continue in the employ of the Company.

9. **Taxes and Withholding.**

(a) The Company shall, in its discretion, have the right to deduct or withhold from payments of any kind otherwise due to the Participant, or require the Participant to remit to the Company, an amount sufficient to satisfy taxes imposed under any federal, state, local, non-U.S., or other law, including but not limited to income taxes, capital gain taxes, transfer taxes, and social security contributions that are required by law to be withheld with respect to the 2021 Plan, grants of restricted stock units, payment of Shares under this Award Agreement, the sale of Shares acquired hereunder, and/or the payment of dividends on Shares acquired hereunder, as applicable. A sufficient number of the Shares resulting from payout of this Award at vesting may, in the Company's discretion, be retained by the Company to satisfy any tax-withholding obligation.

(b) Subject to the Committee's approval, the Participant may satisfy the Participant's tax withholding obligation through a program in which payment of any tax-withholding obligation may be satisfied, in whole, or in part, by delivery of an irrevocable direction to a securities broker to sell Shares and to deliver all or part of the sale proceeds to the Company in payment of the amount necessary to satisfy the Company's withholding obligations (such program a "sell to cover" program). For the avoidance of doubt, any Share withholding or "sell to cover" shall, to the extent applicable, be carried out in accordance with Treas. Reg. § 1.409A-3(j)(4)(vi) or (xi).

10. **Section 409A.** This Award Agreement and the Award granted hereunder shall be interpreted to be compliant with or exempt from the requirements of Section 409A of the Internal Revenue Code, as amended, and the regulations promulgated thereunder (collectively, "**Section 409A**"). If the Award is subject to Section 409A and payment is due upon a termination of employment or service, payment shall be made only if such termination constitutes a "separation from service" as defined under Treas. Reg. § 1.409A-1(h). If the Award is subject to Section 409A and payment is due on account of a Change in Control, no Change in Control shall be deemed to have occurred with respect to the Award unless and until such event also constitutes a "change in the ownership", "change in effective control", and/or a "change in the ownership of a substantial portion of assets" of the Company as those terms are defined under Treas. Reg. § 1.409A-3(i)(5). In all cases, the Participant shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on the Participant or for the Participant's account in connection with the Award (including any taxes and penalties under Section 409A), and neither the Committee, the Company nor any of the Company's affiliates shall have any obligation to indemnify or otherwise hold the Participant harmless from any or all of such taxes or penalties.

11. **Plan Incorporated.** The terms contained in the 2021 Plan are incorporated into and made a part of this Award Agreement and this Award Agreement shall be governed by and construed in accordance with the 2021 Plan.

12. **Successors.** This Award Agreement shall be binding upon any successor of the Company, in accordance with the terms of this Award Agreement and the 2021 Plan.

13. **Severability.** If any one or more of the provisions contained in this Award Agreement is deemed to be invalid, illegal or unenforceable, the other provisions of this Award Agreement will be construed and enforced as if the invalid, illegal or unenforceable provision had never been included in this Award Agreement.

14. **Notice.** Notices and communications to be made hereunder shall be in writing and shall be delivered in person, by registered mail, by confirmed facsimile or by a reputable overnight

courier service to the Company at its principal office or to the Participant at his or her address contained in the records of the Company. Alternatively, notices and other communications may be provided in the form and manner of such electronic means as the Company may permit.

15. **Electronic Delivery.** The Company may, in its sole discretion, deliver any documents related to the PSUs and the Participant's participation in the 2021 Plan (including any prospectuses, annual reports and other information required to be delivered by applicable securities laws, rules and regulations), or future awards that may be granted under the 2021 Plan, by electronic means or request the Participant's consent to participate in the 2021 Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and, if requested, agrees to participate in the 2021 Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

*   *   *

EXHIBIT 31.1

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.

August 7, 2025	*/s/ James E. Beckwith*
Date	James E. Beckwith President & Chief Executive Officer

EXHIBIT 31.2

**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.

August 7, 2025	*/s/ Heather C. Luck*
Date	Heather C. Luck
	Executive Vice President & Chief Financial Officer

EXHIBIT 32.1

**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 June 30, 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.

August 7, 2025	*/s/ James E. Beckwith*
Date	James E. Beckwith President & Chief Executive Officer

EXHIBIT 32.2

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 June 30, 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.

August 7, 2025	*/s/ Heather C. Luck*
Date	Heather C. Luck
	Executive Vice President & Chief Financial Officer