



FIVE STAR BANCORP

2022 Environmental, Social & Governance Report

www.fivestarkbank.com | NASDAQ: FSBC

**CHICO • DOWNTOWN SACRAMENTO (LPO) • ELK GROVE • NATOMAS
RANCHO CORDOVA • REDDING • ROSEVILLE • YUBA CITY**

*LPO: Loan Production Office

Five Star Bancorp is committed to
Environmental, Social & Governance objectives that
empower and inspire our shareholders, employees,
clients and community partners.





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LETTER FROM OUR CEO

We are very pleased to present Five Star Bancorp's first Environmental, Social & Governance Report as a public company!

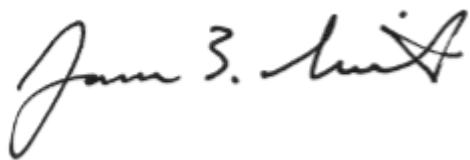
It has been said it is not what you do, but how you do it. Through our speed to serve and certainty of execution, we are proud to have earned the trust of our employees, clients, and community partners. We hope to gain further trust as thought leaders focused on ESG initiatives.

The Company has taken a proactive approach to ESG and believes our ability to manage these initiatives demonstrates strength in leadership and governance essential to sustainable growth. We are executing ESG strategies that we believe will drive positive change while focusing on the impacts of our business, social factors in the communities we serve and the governance of our board of directors.

As stewards of our environment, we support clients focused on sustainable energy and environmental impact, from affordable energy to climate action. We believe social impact is inherent in banking and we work with clients and partners committed to the same values.

We also support clients who provide innovative environmental solutions and restore life and vitality to areas devastated by catastrophic events. In this report, we will outline this engagement and the purpose-driven banking that defines the ESG trajectory of our organization.

Best,



James E. Beckwith
President & CEO



Five Star Bancorp's Environmental, Social & Governance Objectives

The Company strives to drive positive change while honoring the dynamic regulatory environment surrounding ESG reporting. The Company remains steadfast in this commitment and is ready to build upon a sturdy foundation.

We are pleased to share highlights in our 2022 inaugural ESG Report.



Environmental

Environmentally Sustainable Solutions

Sacramento Municipal Utility District

We are proud to partner with energy efficiency and sustainability-focused organizations, including those who provide energy efficiency loan programs. In 2021, Five Star Bank was selected to work with Sacramento Municipal Utility District (“SMUD”) on a new energy efficiency loan program that allows for the community to “go green” and bring energy efficient devices into their homes. Beginning in June 2021, we onboarded over 2,000 loans in this micro-loan program which funded residential energy efficiency equipment. This program is ongoing.

Selby’s Soil Erosion Control

We are committed to developing policies, procedures and products that can contribute to reducing the effects of climate change, including funding client business ventures that create positive environmental impact. Five Star Bank client and industry leader, Selby’s Soil Erosion Control (“SSEC”), has been protecting the earth’s natural resources for more than 50 years. SSEC rebuilds, restores and renews our region after catastrophic wildfires. Through erosion and sediment control practices they continue to protect environmental sustainability and wildlife ecosystems.

Minimizing and Managing Climate Impact

Finding ways to conserve resources and reduce environmental impact is a continuous effort. In 2022, the Company made progress toward sustainability practices. Green activities such as shredding unused paper, having and using recycle bins across the enterprise, and using energy efficient lighting have contributed to minimizing climate impact. In recognition of our efforts, the Rancho Cordova office locations received a designation as a Sacramento Area Sustainable Business office. The program encourages businesses to take voluntary actions to prevent pollution and conserve resources. In addition, the Company’s paper waste program saved approximately 690 trees in 2022.



FIVE STAR BANK is proud to partner with SMUD, a leader in clean energy and zero carbon innovation. Together, FIVE STAR BANK and SMUD support customers across the Sacramento region in choosing clean energy solutions that reduce their carbon footprint at home, at work and on the road. We'll continue to do our part to lead the way in protecting our environment, improving public health and powering the Capital Region forward with innovative clean energy solutions.

Pictured Left to Right: Brandy Bolden, Chief Customer Officer, SMUD;
Paul Lau, Chief Executive Officer & General Manager, SMUD;
Lora Anguay, Chief Zero Carbon Officer, SMUD

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In partnership with:

SMUD



**FIVE
STAR
BANK**



Key Performance Indicators

Sustainable Home Improvement (“SHIL”) Loans

- Increased the portfolio by 10% Year-Over-Year
- Funded over 200 SHIL micro-loans in 2022

Paper Waste Reduction Program

- Across 10 office locations, the Company saved approximately 690 trees
- The locations saving the most trees were the Rancho Cordova offices at approximately 426 trees saved

Support for Energy Efficient Buildings

- In 2022, 3 of the 10 office locations occupied within 8 facilities are Sacramento Area Sustainable Business offices





Social

Diversity

Championing our Clients & Community:

Cultural Banking

Effective banking depends on the trust of our clients. We believe trust between client and banker is best facilitated by embracing and understanding shared experiences as well as differences. By building a diverse workforce, we aim to create opportunities to develop positive and impactful business relationships with all of the communities we serve. We believe a diverse workforce will ultimately benefit both the Company and those the Company serves.

Championing our Clients & Community:

Empowering Women Entrepreneurs & Leaders

We believe in the impact of connecting, supporting and celebrating women in business. In 2022, we hosted our “Women in Business” event highlighting the success of our clients and partners. The celebration connected women entrepreneurs and women leaders across the region, resulting in business collaborations and partnerships. Influencing our clients success while celebrating our brand loyalty translate to revenue. The Company’s support of women in business and in leadership also positively affects corporate culture by promoting authentic, meaningful, and mutually beneficial business relationships.

Championing our Colleagues:

Diversifying Talent through Strategic Partnerships

Supporting educational institutions is critically important to us. The Company supports robust educational programs at elementary, high school, trade school, college and university levels. The programs we support provide access and pathways to work experience programs, internships, mentors, leadership webinars, career guidance and advice. The following are the programs we currently support.

Cristo Rey High School Sacramento

Capital College & Career Academy

City Year Sacramento

Sacramento State University - Business Honors Program

University of the Pacific - Leadership Development Program

University of California, Davis - Athletes in Business Group



“FIVE STAR BANK is proud to support practice and professional services clients like BAL & ASSOCIATES, CPA INC., through purpose-driven and integrity-based banking solutions. Our clients are entrepreneurs who have direct access to us at all times. This connectivity matters to our clients and it matters to us. Together, we lead and impact our region’s economy.”

Lakhwinder Kaur, SVP, Sacramento Valley Market President
Five Star Bank

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Lakhwinder Kaur pictured with Baljit Bal, CEO, Bal & Associates, CPA Inc.



Equity

Championing our Clients & Community:

WellSpace Health

Meeting the Needs of Underserved Communities

Since 1953, WellSpace Health has provided care and support to individuals and families throughout the Sacramento region focusing on offering a full range of quality medical care, dental care for children and adolescents, mental health and behavioral health services to underserved populations. WellSpace Health is a statewide leader in designing and delivering integrated care that treats the whole person, body and mind. Their people-first approach to comprehensive healthcare means patients are embraced by a “blanket of care” delivered with competence and compassion. In 2022, we financed the build-out of an existing building into a 128-bed medical care facility focused on recuperative care for the unhoused.

Championing our Clients & Community:

Capital College & Career Academy

Next Generation Advocates

Our commitment to educational initiatives as mentors, funders and advocates, includes Capital College & Career Academy (“CCCA”). This support is critical to our region and the success of the next generation leaders. CCCA’s unique approach to education is aimed at increasing the number of young people learning real world, transferrable skills. Students who graduate are expected to earn an excellent wage in construction trades. We promote the meaningful work of those who serve students from low-to-moderate income communities.

Championing our Colleagues:

Equity of Opportunity

We create opportunity for the advancement of our employees through on-the-job and off-site training. Some of this training has resulted in significant promotions. One such training is aimed at those on the front line who aspire to grow and thrive in their careers. The training offers perspective on emotional intelligence, employee engagement, hiring and leading a team. In 2022, we promoted 43 employees, 27 of whom were women and 29 of whom were from diverse races and ethnic backgrounds.



Photos by Ryan Greenleaf

“Graduates from **UNIVERSITY OF CALIFORNIA, DAVIS**, and **UNIVERSITY OF THE PACIFIC**, enter the workforce prepared to be among the Capital Region’s greatest leaders. Five Star Bank proudly employs young professionals and mentors the next generation.”

James Beckwith, President & CEO, Five Star Bank

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TOP ROW (left to right):
Makayla Ciminelli, VP, Senior Credit Administrator, Pacific; **Eric Spence**, SBA Loan Officer, Pacific;
Giverny Yang, SBA Credit Analyst, UC Davis; **Ata Ibrahim**, Loan Officer, Pacific

CENTER ROW (left to right):
Logan Montgomery, Loan Officer, UC Davis; **Jasmine Washington**, Loan Administrator, UC Davis;
Robert Yang, AVP, SBA Loan Officer, UC Davis; **Montana Gately**, Treasury Specialist, UC Davis

BOTTOM ROW (left to right):
Heather Pugh, VP, Senior Data Analyst, Pacific; **Eduardo Chavez-Askew**, SBA Credit Analyst, Pacific;
Aimee Rivera, Financial Analyst, Pacific; **Reagan Ballo**, Business Banking Manager, UC Davis



Inclusion

Championing our Clients & Community:

American River Parkway Foundation

Humanitarian Relief Efforts

We are proud to partner with organizations focused on humanitarian relief efforts. In 2022, the Company and The American River Parkway Foundation (“ARPF”) leadership encouraged others to join the Voice of the Parkway Coalition to take a proactive approach to homelessness, preservation and safety. Today, ARPF is the only nonprofit organization focused on actively conserving the 23 miles of the American River Parkway, a regional treasure. Through programs like volunteer clean-ups, infrastructure improvements, trail maintenance, fire mitigation and education, the ARPF leads the community in conserving and nurturing the parkway as a unique, accessible resource for all to enjoy. In 2022, we volunteered in the Great American River Clean-Up where over 41,000 pounds of trash were removed which provided tremendous environmental benefit.

Championing our Clients & Community:

Sacramento Asian Pacific Chamber of Commerce

Economic Empowerment

Founded in 1993, the Sacramento Asian Pacific Chamber of Commerce (“SACC”) is the largest minority chamber in the region, serving the interests of over 6,000 Asian American and Pacific Islander owned businesses. They offer technical assistance support, resources and advocacy needed for businesses to thrive as part of an inclusive economy in the Sacramento region. In 2022, we committed \$60,000 to support a full-time employee to manage the SACC’s Small Business Credit Education Program (“SBCE”). The SBCE Program conducts outreach to over 3,000 businesses and offers a webinar to educate businesses on the Small Business Credit Education Loan Program.

Championing our Colleagues:

Building an Inclusive and Belonging Culture

To support our efforts to create a culture of inclusion and belonging, we launched training and feedback opportunities. We conducted an anonymous Employee Engagement survey to receive honest employee feedback which set actionable items for Company leadership. Quarterly, Company leadership meets with all employees to discuss their feedback, keys wins, opportunities and successes experienced over the previous quarter. Lastly, the Human Resources team engages in one-on-one meetings with every employee to discuss career aspirations, growth, and training opportunities.



Dianna Poggetto, Executive Director,
American River Parkway Foundation,
and Keith Wade, Captain/Public Information Officer,
Sacramento City Fire Department

IT'S TIME TO ACT.

THE AMERICAN RIVER PARKWAY is impacted by ongoing environmental and humanitarian crises. While the parkway is besieged by crime and waste, and burned by uncontrolled fires, the unhoused lack shelter and critical services. We must create impactful solutions.

Join **FIVE STAR BANK** and the **AMERICAN RIVER PARKWAY FOUNDATION** by becoming an advocate with the Voice of the Parkway Coalition to address parkway safety for everyone. Through political action, fundraising and advocacy, we will make a difference in our community.

Visit www.fivestarb.com or www.arpf.org to join these efforts.



Key Performance Indicators

Volunteer Hours¹

- Employees contributed a total of 1,651 hours across 34 organizations performing 231 activities
- Increased volunteerism by 8% year-over-year
- Averaged 8.7 hours per full time employee

Community Development Loans & Investments¹

Community Development Loans: \$87,946,000 or 3.09% of Average Assets within the Sacramento, Chico and Redding Assessment Areas for the following purposes:

- Affordable Housing
- Community Services
- Economic Development
- Revitalize or Stabilize

Community Investments: \$21,990,000 or 0.77% of Average Assets

- \$20,000,000 – prior period investments 2020/2021
- \$1,990,000 – 2022

Workforce DE&I Metrics

Workforce Demographics^{2,3,4}

- 60% of total workforce were women
- 46% of total workforce were from diverse races and ethnic backgrounds

Senior Vice Presidents & Above^{2,3,4}

- 50% of the Executive team were women or from diverse races and ethnic backgrounds
- 40% were women
- 22% were from diverse races and ethnic backgrounds

1. Community Reinvestment Act Reporting as of year-end 2022

2. Based on categories defined by 2021 U.S. Employer Information Report (EEO-1) for Black/African American, Hispanic/Latino, Asian, Native American, or Alaskan Native, Native Hawaiian, or Pacific Islander, and two or more races

3. Based on self-identified characteristics

4. As of year-end 2022



“Sacramento State University graduates enter the workforce prepared to be among the Capital Region’s greatest leaders. Five Star Bank is proud to employ Sacramento State graduates who represent 22% of our workforce. Stingers Up!”

James Beckwith, President & CEO

TOP ROW (left to right)

Lydia Ramirez, SVP, Chief Operations & DE&I Officer, MBA. **Jeremiah Taylor**, Customer Service Officer, BA.
Christa Aldrete, VP, Senior Loan Officer, BS. **Brett Wait**, SVP, Chief Information Officer, MBA.

CENTER ROW (left to right)

Jason Saslow, SVP, Business Development Officer, Private Client Manager, BS.
Stephanie Petrakos, SVP, Director of Data Analytics, BS.
Ryan Chan, AVP, SBA Production Supervisor, BS and MBA. **Kiersten Quant**, VP, Senior Loan Officer, BS.

BOTTOM ROW (left to right)

Adriana Coronel, AVP, Treasury Solutions Advisor, BA. **Cody Copier**, SVP, Senior Loan Officer, BA.
Shelley Wetton, SVP, Chief Marketing Officer, BA and MA. **Mike Rizzo**, SVP, Chief Banking Officer, BS.



Photos by Ryan Greenleaf





Governance

Practicing Responsible Governance

Role of the Board of Directors

The Company's directors, in their role of overseeing the sound management of the Company, have the responsibility to exercise their business judgment in what they believe to be in the best interests of the Company and the shareholders, taking into account the interests of the employees, the clients and the community at large, and in so doing manage risk and enhance the long-term value of the Company.

Ethics - Code of Conduct

The Board expects its directors, as well as officers and employees, to act ethically at all times and to acknowledge their adherence to the policies comprising the Company's Code of Conduct, as well as its Code of Conduct and Ethics and Conflict of Interest Policy for Directors (collectively, "Code of Ethics"). Directors are expected to be familiar with and to follow the Code of Ethics to the extent applicable to them. If an actual or potential conflict of interest arises that involves a director, that director shall promptly inform the Governance and Nominating Committee. The Governance and Nominating Committee shall recommend to the Board the appropriate action to be taken. If the Board determines that a significant conflict exists which cannot be resolved or addressed, the director should resign.

Board Structure

The Board will have at all times an Audit Committee, Compensation Committee and a Governance and Nominating Committee. Members of these committees will be independent directors of the Board and independent under any criteria also applicable to the relevant Board committee, in each case as established by the SEC, Nasdaq and any applicable laws and regulations. The Board may, from time to time, establish or maintain additional committees, as it deems necessary or appropriate.

Director Participation

Each Board member is free to suggest the inclusion of items on a meeting agenda and to present any Board meeting subjects not on the agenda for that meeting. Information and data important to the Board's understanding of the business to be conducted at a Board or Board committee meeting should generally be distributed to the directors before the meeting.

Board members are expected to dedicate the time and resources sufficient to ensure the diligent performance of their duties, including advance review of meeting materials for each Board or Board committee meeting attended and attending all Board meetings and Board committee meetings of which the individual is a member except when prevented by good cause.

Director Independence

Independent directors play an important role in assuring investor confidence by overseeing and guarding against conflicts of interest. The Board shall be comprised of a majority of independent directors, as defined under the Nasdaq Stock Market Rules (the “Nasdaq Rules”).

Access to and Communication with the Board of Directors

Shareholders and interested parties who wish to contact the Board of Directors or Chairperson of the Board should address correspondence to the Corporate Secretary, Five Star Bancorp, 3100 Zinfandel Drive, Suite 650, Rancho Cordova, CA 95670. The Corporate Secretary will review and forward correspondence to the appropriate person or persons for response.

Each communication should specify the applicable addressee or addressees to be contacted as well as the general topic of the communication. Communications may be confidential or anonymous. Communications may also be referred to other departments within the Company. The Company generally shall not forward to the directors a communication that it determines to be primarily commercial in nature or related to an improper or irrelevant topic, or that requests general information about the Company.

Board Refreshment

The Governance and Nominating Committee is responsible for periodically reviewing with the Board the independence of each person proposed for election or appointment to the Board. Directors are requested to inform the Chairperson of the Board and the Chairperson of the Governance and Nominating Committee of any circumstance that might reasonably affect his or her independence under the standards described in these guidelines. The Board shall publicly disclose its independence determination for each director when the director is first elected to the Board and annually thereafter.



The success of one woman is inspiration for another. At FIVE STAR BANK, we celebrate the women on our Board of Directors who lead with vision and ignite a spirit of entrepreneurship in our region.

Pictured L to R: Leigh White (CRO, Vydiant, Inc.), Director, Five Star Bancorp;
Shannon Deary-Bell (President & CEO, Nor-Cal Beverage), Director, Five Star Bancorp;
Donna Lucas (President & CEO, Lucas Public Affairs), Director, Five Star Bancorp



What can we do for you? | www.fivestarkbank.com



Key Performance Indicators

Independence Oversight as set Forth by Nasdaq Listing Standards

Our board of directors has evaluated the independence of its members based upon the rules of Nasdaq and the SEC. Applying these standards, our board of directors has affirmatively determined that, except for two, each of our current and former directors who served during the fiscal year ended December 31, 2022, is an independent director, as defined under the applicable rules.

- 82% Independence Oversight

Board of Directors DE&I Metrics

Board of Directors Demographics^{1,2,3}

- 42% were women or from diverse races and ethnic backgrounds
- 25% were women
- 17% were from diverse races and ethnic backgrounds

1. Based on categories defined by the 2021 U.S. Employer Information Report (EEO-1) for Black/African American, Hispanic/Latino, Asian, Native American, or Alaskan native, Native Hawaiian, or Pacific Islander, and two or more races
2. Based on self-identified characteristics
3. As of year-end 2022

CORE VALUES

We foster a sense of urgency toward thoughtful action.

We hire, retain and develop client-centric talent.

We create a culture of belonging and engagement through a diverse and inclusive workforce.

We engage with our community for mutual success through representation, innovation and investment.

We fulfill commitments as promised, on time and with the highest standards.

We serve clients and colleagues with professionalism and respect.



FIVE STAR BANCORP

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