

Annual Report 2020

A Year of Challenges,
Transition, Growth and
Record Earnings.

A low-angle photograph of a modern Summit State Bank building. The building features a white facade with large glass windows that reflect the clear blue sky. The bank's name, "SUMMIT STATE BANK", is displayed in large, three-dimensional letters along the top edge of the building. The "SUMMIT" portion is in green, and "STATE BANK" is in blue. To the left of the text is a green triangular logo. The sky is a solid, clear blue.

 **SUMMIT STATE BANK**

Awards

- ★ Best Places to Work (NBBJ)
- ★ Best Business Bank (NorthBay biz)
- ★ Raymond James Bankers Cup Award
- ★ Super Premier Performance (Findley Reports)

Letter to the Shareholders

2020 was a year of inconceivable challenges and ended with record earnings. Led by our Executive and Management team, we successfully adapted to meet the needs of our customers, employees and community, with uninterrupted service.

It is with great pride that our diligent team of 100 employees, stepped up to support each other, our customers, and community as an essential business when we were needed the most. While striving to maintain a safe environment we collaborated with our small business customers and nonprofits so they could continue to provide vital services to the community.

Our team worked tirelessly during the year to provide ongoing education, guidance, and access to loans through the Small Business Administration's (SBA) Paycheck Protection Program (PPP). We processed and funded almost \$97 million PPP loans to over 600 businesses and have actively worked with customers on the loan forgiveness process. In addition, we granted temporary payment deferrals on 26% of our loan portfolio to assist customers with cash flow management. We are happy to report that well over 80% of those customers were no longer on deferral as of year-end.

We maintained our community focus through our Nonprofit Partner Program, in its twelfth year, along with additional charitable contributions, donating over \$550,000 to local nonprofits. These funds supported over 200 nonprofit organizations, which brought food, shelter, childcare, and other crucial services to our community.

We continually look for opportunities to align ourselves with programs that elevate and enrich the lives of our diverse community. One such program includes the speaker series Women in Conversation. We have been the Presenting Sponsor since its inception in 2016. Like many other events we were forced to pivot and successfully migrated to a virtual platform renamed Women in Conversation at Home.

Summit State Bank recognizes its talented and diverse board of directors and workforce as a key competitive advantage. We take pride in fostering a welcoming work environment where differences are accepted and celebrated. We promote inclusion where employees have a voice, and their views and opinions are heard and considered for the betterment of our organization. Our business success is dependent on our ability to attract and retain the finest talent to ensure top business growth and performance. In addition to providing a collaborative and inclusive work culture, we encourage professional growth and development as a means of career satisfaction, retention, and engagement of our workforce.

Despite the challenges faced in 2020, Summit State Bank is pleased to share that we reported record results. The Bank grew core loans and deposits by over 17%, all while increasing net interest margin by 25 basis points in a year where margins were compressed. Additionally, our efficiency ratio improved significantly from 63% to 52%. The stable growth, margin improvement, and efficiency gains all resulted in our record earnings. Our success is reflective of our focus on effectively streamlining operational efficiencies and leveraging the talent of our team. This strategy allows us to expand our capacity for growth, without substantially growing our operating expenses.

As we continue to navigate through these unpredictable times, we know that our team, customers, and community will continue to adapt and thrive. We remain committed to our focus on the economic vitality of Sonoma County encouraging small business growth and sustainability of our community today and well into the future.

A Better Sonoma County. That's Our Business.

Sincerely,

James E. Brush
Chairman of the Board
Business Consultant

Brian J. Reed
President and
Chief Executive Officer





Executive Leadership

It was anything but business as usual in 2020. The Executive Team met and communicated on a regular basis providing employees with continual updates on local health and safety protocols including: social distancing, wearing masks, proper cleaning practices, daily self-check ins, travel restrictions and quarantine guidance when necessary. Management was also diligent in coordinating appropriate staffing levels since many team members required adjusted schedules to care for their children or parents. Approximately 51 percent of our staff has a modified work schedule that includes working from home either full or part time.

Our experienced Executive Leadership Team, whose collective years of experience total over 138 years, have been challenged by multiple natural disasters over the past couple years, but the pandemic provided an extraordinary leadership opportunity. Communication has been key to keeping the team abreast on the nuances of managing our business.

For several consecutive years, the Bank has given its employees a year-end bonus. This year in addition to that bonus, employees were awarded bonuses due to the extraordinary income received for processing the PPP loans. Instead of adding the extra income to the bottom line, the Executive Team shared it with our employees to show appreciation for all their hard work.

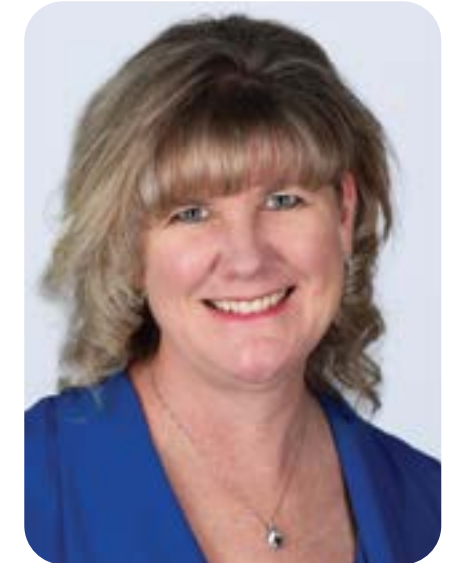
Devoted to Community



Brian J. Reed
President and
Chief Executive Officer



Brandy A. Seppi
EVP & Chief Lending Officer



Genie M. Del Secco
EVP & Chief Operating Officer



Camille D. Kazarian
EVP & Chief Financial Officer



Michael D. Castlio
EVP & Chief Credit Officer



Board of Directors

We choose our board members carefully and seek individuals who bring integrity, honesty, financial responsibility, engagement, business acumen and who are active in our community. Given the dynamics of community banking, continuing education, participation with industry trade groups and regulatory seminars are an integral part of ensuring a competent and knowledgeable board. We believe that the make-up and diversity of experience, education, views and opinions is a powerful component of what makes a community bank effective and successful.



James E. Brush
Chairman of the Board
Business Consultant



Brian J. Reed
President & CEO
Summit State Bank



Dawn M. Ross
Managing Partner at Carle
Mackie, Power and Ross, LLP



Nicholas J. Rado
President
Rado Consulting Services



Jeffrey B. Allen
President
Allen Land Design



Sharon S. Wright
Governmental Relations and
Public Affairs Consultant



Josh C. Cox, Jr.
Banking Consultant
Josh Cox & Associates



Marshall T. Reynolds
Chairman of the Board
Champion Industries, Inc.



Todd R. Fry
Chief Accounting Officer
Installed Building
Products, Inc.



John W. Wright
Business Consultant



Richard E. Pope
Environmental and
Engineering Consultant
Coddling Investment Inc.

Culture, Diversity & Engagement



Brian Reed & Debbie Butwill



Kim August & grandson Ollie

Summit State Bank's mission is to hire and invest in exceptional people, provide superior service and solutions for our customers, increase value for our shareholders, and continuously support and enrich the communities in which we serve. – Summit State Bank's Mission Statement

We take pride in fostering a welcoming work environment where differences are accepted and celebrated. We promote inclusion where employees have a voice, and their views and opinions are heard and considered for the betterment of our organization. Our business success is dependent on our ability to attract and retain the finest talent to ensure top business growth and performance. In addition to providing a collaborative and inclusive work culture, we encourage professional growth and development as a means of career satisfaction, retention, and engagement of our workforce. – Summit State Bank's Diversity Statement

To be the community bank leader committed to providing superior service and enriching the community we serve, today and into the future. – Summit State Bank's Vision Statement

Now more than ever the focus on diversity, equity and inclusion is at the forefront of most value driven businesses. At Summit State Bank, we recognize the importance of cultivating and fostering a culture of empathy, collaboration and creating a work environment where employees can flourish and perform their best work. We know that maintaining a happy, engaged, knowledgeable workforce translates to delivering a high level of customer service.



Dawn M. Ross
Board Member
Managing Partner at Carle
Mackie, Power and Ross, LLP



Sharon S. Wright
Board Member
Governmental Relations and
Public Affairs Consultant

This past year we have taken a systematic approach in reviewing our practices surrounding diversity and inclusion. The process began by evaluating the composition of our Board of Directors, Executive Leadership Team and all our team members. Based on the outcome of that assessment, ***Dawn Ross and Sharon Wright joined the Board of Directors, improving the gender equity at the Board level.***

Reinforcing the Bank's mission statement, the Executive Leadership Team engaged leadership expert, bestselling author and world class speaker, Cindy Solomon, to present multiple training programs, the first of which called Leading with Impact, included the entire management team and subsequent training included all employees and focused on Customer Engagement.

We have a unique culture, where caring, belonging and participation is paramount. The Employee Activity Committee played a significant role in coordinating fun and engaging ways to keep the team spirit up throughout the year including those who were working from home. Some of those activities included interactive Bingo, Employee Appreciation Day, where employees had the opportunity to recognize others in a meaningful way, and socially distanced holiday festivities which almost always included food from one of our customers to lend community support.

Our employees are our most valuable resource and in 2019, we created a Mentoring Program designed to cultivate opportunities for advancement and provide the right type of support for our future leaders. Senior leaders are partnered with mentees, who are accepted into the program through an application process. The program continued in 2020 through virtual and phone conversations, in lieu of in-person interactions. This program reinforces the Bank's commitment to employee satisfaction and career development.

Devoted to Diversity



Family Works - L to R: Michele Corona, Michael Diehl, and Diana Wilkins

Nonprofit & Community Commitment

Traditional fundraising for local organizations has been significantly altered by the pandemic. Most local nonprofits hold annual events, sometimes more than one to sustain the work they do in the community. At the onset of the pandemic, in-person events were cancelled, and many were never rescheduled. By the second quarter of the year, virtual meetings became the new norm to include virtual events.

We remained steadfast in our commitment to the nonprofit community, especially those whose mission is to provide basic human needs like food, shelter, and childcare, to mention a few. The leadership of the Bank reviewed our philanthropic program and made some extraordinary donations throughout the year to human services organizations such as the Redwood Empire Food Bank, Catholic Charities, St. Vincent de Paul and Corazon Healdsburg. In addition, the Bank was able to advocate and secure match funding for the aforementioned nonprofits through the Federal Home Loan Bank.

Through our Nonprofit Partner Program, we contributed \$309,866, to 182 of our nonprofit customers. Since its inception in 2009, the Bank has contributed more than **\$2 million to Sonoma County Nonprofits through this program.**

The Nonprofit Partner Program provides an annual cash contribution to its nonprofit customers, above and beyond the typical community donations, sponsorships and volunteering that Summit and its employees provide during the year.

In addition to the nonprofit community, tourism is another large business segment that has endured significant loss of revenue. Lodging, restaurants, wineries, breweries, distilleries, and family entertainment are among the industries impacted the most. Seeing many of our own customers struggling the Executive Team gifted each employee with a restaurant gift card at the end of the year, purchased from a local establishment to increase our community support. Through our Featured Partner Program, we promoted and encouraged our team and customers to support these related businesses.

Information About Summit State Bank

Summit State Bank (the “Bank”) is a state-chartered commercial bank operating a traditional community banking business within our primary service area of Sonoma County in California. We operate through five depository offices located in Santa Rosa, Rohnert Park, Healdsburg and Petaluma. The Bank also has a loan production office in Roseville, California. The Bank was incorporated on December 20, 1982 and commenced operations as a California state-chartered savings and loan. On January 15, 1999, the Bank received authority to convert its charter to a California state-chartered commercial bank. On July 13, 2006, the Bank completed an underwritten initial public offering and listed its stock on the Nasdaq Global Market under the symbol SSBI. The Bank’s deposits are insured by the FDIC in accordance with the Federal Deposit Insurance Act and the related regulations of the FDIC.

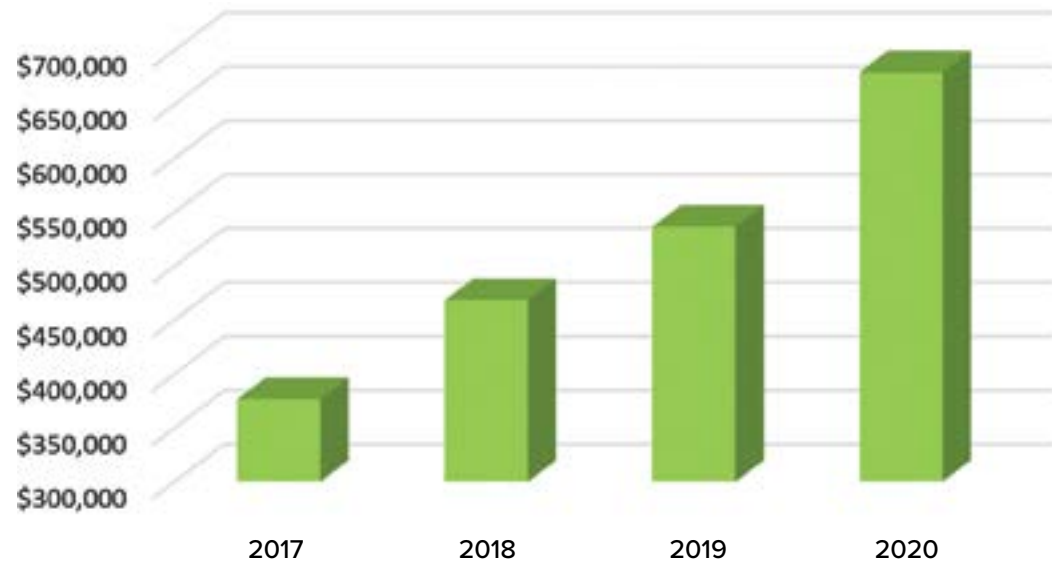
We provide a broad array of financial services to small to medium-sized businesses and their owners and employees, entrepreneurs, families, foundations, estates and individual consumers. We believe that our principal competitive advantages are personal service, flexibility and responsiveness to customer needs. Our lending activities are primarily focused on commercial real estate, construction, and business loans to our targeted clientele. We emphasize relationship banking, and we believe we offer our customers many of the management capabilities of a large financial institution, together with the resourcefulness and superior customer service of a community bank. Through our branches and the use of technology, we offer a broad array of deposit products and services for both commercial and consumer customers, including digital banking, cash management services and bill payment. We provide a comprehensive set of loan products, such as commercial loans and leases, lines of credit, commercial real estate loans, Small Business Administration, or SBA, loans, and construction loans.

We believe that local decision-making ensures that our lending process is fast, efficient, and focused on maintaining our high credit quality and underwriting standards. Summit State Bank is committed to embracing the diverse backgrounds, cultures, and talents of its employees to create high performance and support the evolving needs of its customers and community it serves. At the center of diversity is inclusion, collaboration, and a shared vision for delivering superior service and results for shareholders. Presently, 76% of management are women and minorities with 60% represented on the Executive Management Team.

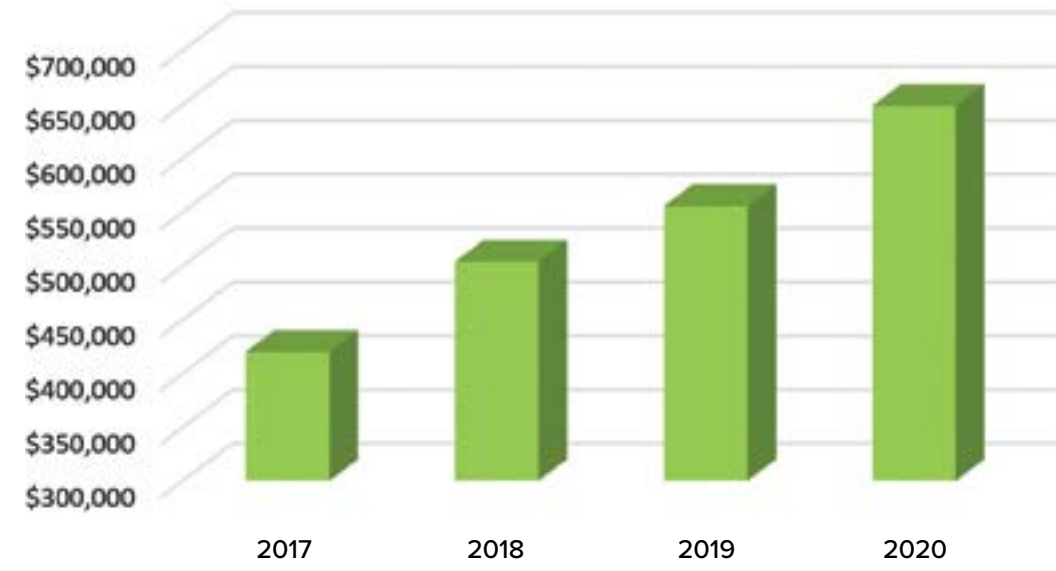


Financials at a glance (in thousands)

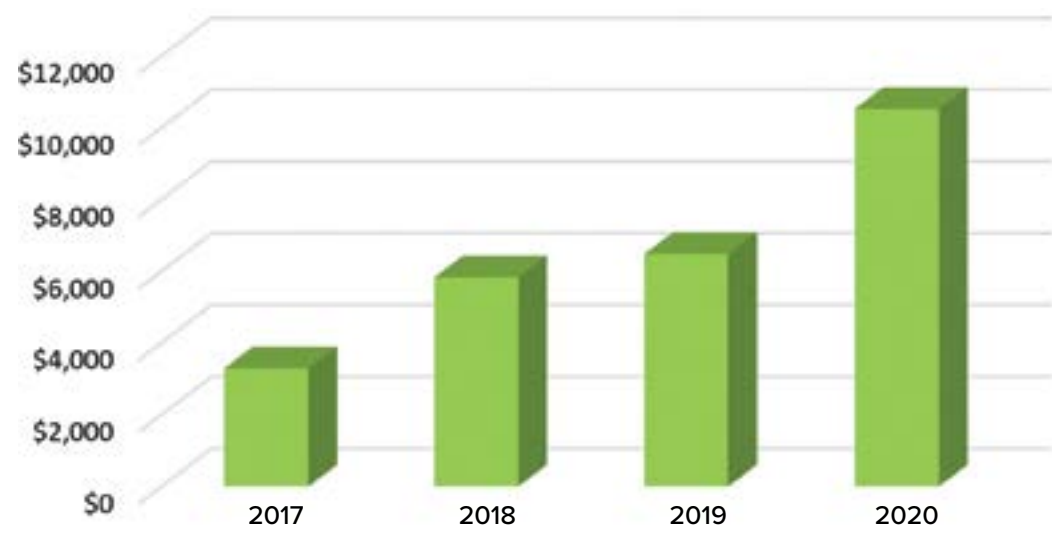
Total Average Loans



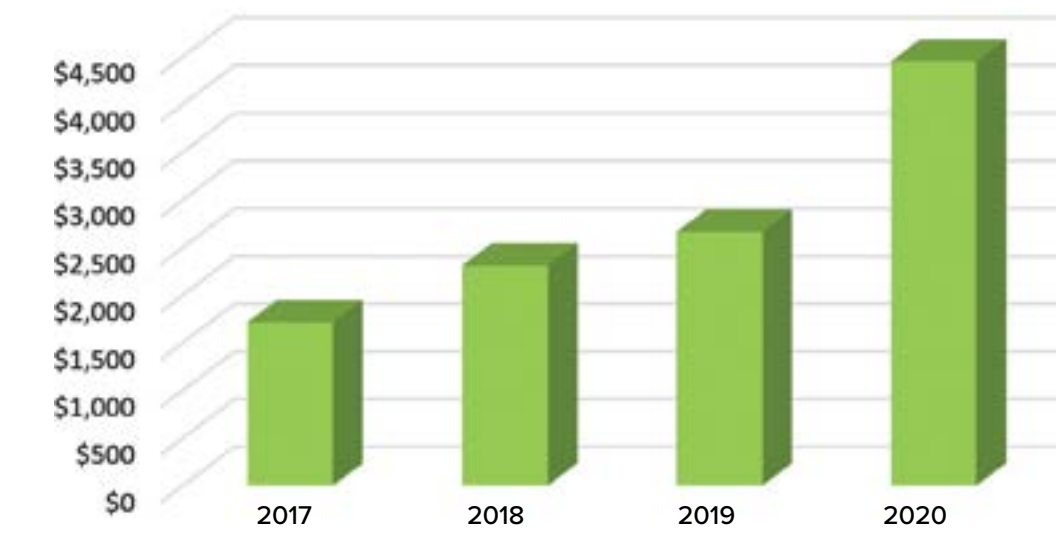
Total Average Deposits



Net Income

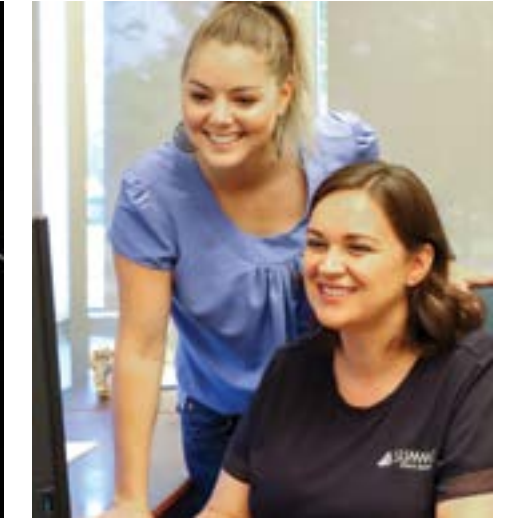


Non-Interest Income



Selected Financial Data

(in thousands except per share data)	Year Ended December 31				
	2020	2019	2018	2017	2016
Income statement data:					
Interest income	\$36,425	\$30,001	\$25,572	\$20,713	\$19,907
Net interest income before provision for (reversal of) loan losses	30,261	22,976	21,622	18,572	18,673
Provision for (reversal of) loan losses	2,100	700	530	520	-0
Total non-interest income	4,448	2,662	2,309	1,715	2,021
Total non-interest expense	17,671	16,063	15,357	13,845	12,245
Income before provision for income taxes	14,938	8,875	8,044	5,922	8,449
Provision for income taxes	4,421	2,398	2,217	2,630	3,482
Net income	\$10,517	\$6,477	\$5,827	\$3,292	\$4,967
Net income available to common shareholders	\$10,517	\$6,477	\$5,827	\$3,292	\$4,967
Balance sheet data:					
Assets	\$865,854	\$695,978	\$622,104	\$610,864	\$513,704
Loans, net	745,939	576,548	504,549	437,594	354,638
Earning assets	851,341	680,607	609,956	599,619	502,121
Deposits	726,295	573,837	501,189	533,513	384,251
Federal Home Loan Bank advances	53,500	45,600	56,800	15,000	68,900
Shareholders' equity	75,629	67,344	61,520	59,677	58,622
Selected per common share data:					
Earnings per common share - basic	\$1.73	\$1.07	\$0.96	\$0.55	\$0.83
Common shares outstanding at year end	6,070	6,070	6,066	6,041	6,020
Cash dividends per share	\$0.48	\$0.48	\$0.48	\$0.46	\$0.38
Book value per common share	\$12.46	\$11.09	\$10.14	\$9.88	\$9.74
Selected ratios:					
Return on average common shareholders' equity	14.68%	9.99%	9.66%	5.49%	8.37%
Return on average assets	1.33%	1.00%	0.99%	0.62%	0.97%
Common dividend payout ratio	27.70%	44.97%	49.97%	83.57%	46.43%
Net interest margin	3.91%	3.66%	3.75%	3.55%	3.72%
Efficiency ratio (1)	52.23%	62.64%	64.24%	68.49%	61.22%
Tier 1 leverage capital ratio	8.15%	9.26%	9.86%	10.23%	11.08%
Nonperforming loans to total loans (2)	0.03%	0.05%	0.42%	0.62%	0.93%
Allowance for loan losses to total loans excluding PPP (3)	1.30%	1.16%	1.18%	1.18%	1.33%



Devoted to Service

(1) Efficiency ratio is commonly used in the Banking industry and is defined as non-interest expenses to net interest and non-interest income, net of securities gains (losses)

(2) Nonperforming loans is defined as loans on nonaccrual and accruing loans past due 90 days or more, Nonperforming assets is defined as nonperforming loans and other real estate owned through foreclosure

(3) At December 31, 2020 the ratio of 1.30% is calculated by dividing the allowance for credit losses on loans of \$8,882,000 by loans receivable of \$754,821,000 less PPP loans of \$69,583,000. There were no PPP loans reported prior to June 30, 2020 so this calculation is not being provided for any time prior to June 30, 2020.

This is a non-GAAP (Generally Accepted Accounting Principles) financial measure in addition to results presented in accordance with GAAP for the allowance for loan losses to total loans excluding PPP loans. The Bank has presented this non-GAAP financial measure because it believes that it provides useful information to assess the Bank's allowance for loan loss reserves. This non-GAAP financial measure has inherent limitations, is not required to be uniformly applied, and is not audited. Further, this non-GAAP financial measure should not be considered in isolation or as a substitute for the allowance for loan losses to total loans determined in accordance with GAAP and may not be comparable to similarly titled measures reported by other financial institutions.



Summit State Bank Healdsburg Team: - L to R: Kalie Jones, Matt Denny, Alyssa Cole, and Nicolette Crackbon

Company Contact Information

Nasdaq: SSBI

Summit State Bank

500 Bicentennial Way
Santa Rosa, CA 95403
707/568-6000

Corporate Secretary: Barbara Gradman

Transfer Agent:

Computershare
462 South 4th Street
Suite 1600
Louisville, KY 40202
800/962-4284

Investor Information:

See "Investor Relations" on our website:

SummitStateBank.com

Bicentennial

500 Bicentennial Way Suite 100
Santa Rosa, CA 95403 | 707/568-6100

Healdsburg

1001 Vine Street
Healdsburg, CA 95448 | 707/433-5959

Montgomery Village

2300 Midway Drive
Santa Rosa, CA 95405 | 707/568-4975

Petaluma

100 Petaluma Blvd. S. Suite A
Petaluma, CA 94952 | 707/283-1120

Rohnert Park

10 Raley's Towne Centre
Rohnert Park, CA 94928 | 707/568-4955

