



SUMMIT

STATE BANK

Member FDIC

Making a Significant Impact

ANNUAL REPORT
2021



To be a successful community bank, we must be significant in the lives of those we touch - our employees, customers and community. Significance is the legacy that is left behind long after a leader leaves an organization. Their influences on values, attitudes and culture will endure and their impact on peers, managers and followers will last a lifetime. We believe it is our role to leave a lasting impression on our community, today and into the future.

Our guiding principles provide direction and focus on our beliefs, values and goals, which shape our company philosophy. It is the driver for everything that happens in our organization. - Brian Reed, President and CEO

MISSION STATEMENT

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.

VISION STATEMENT

To be the community bank leader committed to providing superior service and enriching the communities we serve, today and into the future.

CORE VALUES

Our core values support our vision and shape our company culture. The guiding principles that drive our attitudes, actions, and decision-making are:

- Integrity
- Collaboration
- Respect
- Adaptable
- Can-Do Attitude



Letter to the Shareholders

Letter to our Shareholders, Employees, Customers and Community

We are pleased to report that in 2021 the Bank reported record earnings and growth. Led by our Executive and Management team, we channeled the strength and resiliency of our dedicated employees to adapt and meet the needs of our customers and community.

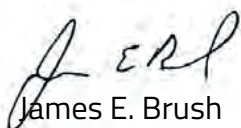
The Bank increased its returns 40% by growing its net operating income at a greater rate than overhead expenses. Earnings primarily grew in its core operations through loan and deposit growth, both of which increased over 19%. In addition, growth in the SBA 7A lending portfolio allowed the Bank to increase non-interest income. We also had an uplift in net income from recognizing interest and fee income from PPP loans, but the majority of its gain in net income was in core operations, which is a more sustainable form of revenue.

At Summit State Bank, we strive to achieve success. However, success is more than just record earnings and growth. To leave a legacy, true success of an organization is making a significant impact on others. Assisting others to accomplish their goals in life and business is a winning combination that is far reaching and part of our mission. This year we engaged our team to evaluate the Bank's guiding principles including our Mission Statement, Vision Statement and Core Values. We fully embrace these ideals at all levels of our company and use them to guide our attitudes, actions, and decision-making.

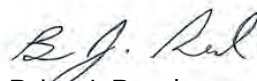
In collaboration with the Small Business Administration's (SBA) Payroll Protection Program (PPP), our team assisted over 860 customers and nonprofits with PPP loans totaling \$134,000,000. Once the loans were funded, we actively worked to assist and encourage customers to seek forgiveness on those loans. In addition, we granted temporary payment deferrals on 148 loans totaling \$207,000,000 to assist our customers weather the pandemic.

We take great pride in giving back to our community and continue that focus through our Nonprofit Partner Program now in its thirteenth year. Since its inception, we have donated over \$2,900,000 to local nonprofits. In 2021, through this program and additional charitable contributions we donated over \$600,000 to over 200 local nonprofit organizations, which provide critical services such as food, shelter, childcare, and other essential services. In the fall, we hosted our first North Bay Nonprofit Event to deepen the relationship with our Nonprofit Partners by providing education, resources, support, and fellowship. The speakers included several nonprofit experts who shared valuable information to our nonprofit customers.

On behalf of the Board of Directors and management, we thank you, our customers, employees, shareholders, and community for the confidence and trust you have placed in us. We are committed to building A Better Sonoma County by encouraging sustainability and small business growth. – That's Our Business.



James E. Brush
Chairman of the Board



Brian J. Reed
President & CEO



Executive Leadership



Our Executive Team stayed the course managing our business along with monitoring the ever-changing pandemic restrictions for the second consecutive year. Like previous years, they met consistently and communicated regularly with our team on the latest health and safety protocols. Their unwavering commitment to ensure the welfare of our team, customers, and community provided a secure environment to conduct our business.

One of the biggest challenges brought on by the pandemic was managing and maintaining appropriate staffing levels. With competing priorities of work and home life we were able to provide schedule flexibility and a majority of our more than 100 employees were able to work from home or adopt modified work schedules throughout the year.



Summit State Bank Executive Team: L to R: Michael Castlio, Brandy Seppi, Genie Del Secco, Camille Kazarian, and Brian Reed



A Better Sonoma County.
That's Our Business.

Member FDIC



Board of Directors



Our board members are carefully vetted to ensure their values are in alignment with the Bank. Individuals are selected based on their integrity, business acumen, community involvement and engagement. We live in a diverse community and strive to emulate that diversity across our organization. Each board member brings their professional experience, knowledge and unique views, which we believe makes our community bank effective and successful.

To that end, in 2021 we added Belinda Guadarrama, President and CEO of GC Micro, to our Board of Directors. Belinda's experience and advocacy of small and minority businesses, and dedication to the community, has earned her local and national recognition through various prestigious awards, including California State Small Business Person of the Year by the Small Business Association, and Hispanic Business Woman of the Year by the United States Hispanic Chamber of Commerce, making her an excellent addition to our Board of Directors.



James E. Brush
Chairman of the Board
Business Consultant



Brian J. Reed
President and CEO
Summit State Bank



Jeffrey B. Allen
President and Founder
Allen Land Design



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



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



Belinda S. Guadarrama
President and CEO
GC Micro



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



Nicholas J. Rado
President
Rado Consulting Services



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



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



John W. Wright
Business Consultant



Sharon S. Wright
Governmental Relations
and Public Affairs Consultant



Personal and Leadership Development



Keeping in step with our mission to hire and invest in exceptional people, we continued to look for opportunities to provide personal and professional development for our employees. We know that investing in our team is one of the many ways to attract and retain the finest talent to ensure we achieve the best business growth and performance outcomes.

We make every effort to promote inclusion where employees have a voice, and their views and opinions are heard and considered for the betterment of our organization. We also understand that providing professional growth and development is a critical component of career satisfaction, retention, and engagement of our workforce.



Linda Bohn
Learning and Development Specialist

We invest in our employees and encourage leadership development by offering programs such as:

- Employee Activity Committee
- Mentorship Program
- Diversity, Equity & Inclusion Committee
- Leadership Training
- Guest Speakers
- Banking School



Nonprofit & Community Commitment

NBNE North Bay Nonprofit Event

We hosted our inaugural North Bay Nonprofit Event in an effort to deepen the relationships with our existing Nonprofit Partners by providing education, resources, support, and fellowship. The half day event included local nonprofit experts who shared valuable information to the attendees.



Sheridan Rapolla of LandPaths and Phyllis Rosenfeld of Listening for a Change, share a conversation at the NBNE.



Ray Eggersgluss & Maggie Grover
Volunteering at the
Redwood Empire Food Bank

We take serving our community seriously and are committed to making a difference. Some examples of our 2021 support include:

- Contributed over \$600,000 to over 200 local nonprofits through our Nonprofit Partner Program
- Invested in affordable housing
- Helped to provide micro-loans to local underserved businesses
- Volunteered 902 community service hours
- 16 Bank Officers and staff served on nonprofit boards or committees
- Provided Financial Literacy and Education
- Contributed to Homeless Services, Food & Shelter

Accolades

BEST BUSINESS BANK

NORTHBAY biz Magazine

BEST PLACE TO WORK

North Bay Business Journal

TOP COMMUNITY BANK LOAN PRODUCER

Independent Community Bankers of America

SUPER PREMIER PERFORMANCE BANK

Findley Research

RAYMOND JAMES BANKERS CUP AWARD





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 saving and loan. On January 15, 1999, the Bank received authority to convert its charter to a California state-chartered 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 related regulations of the FDIC.

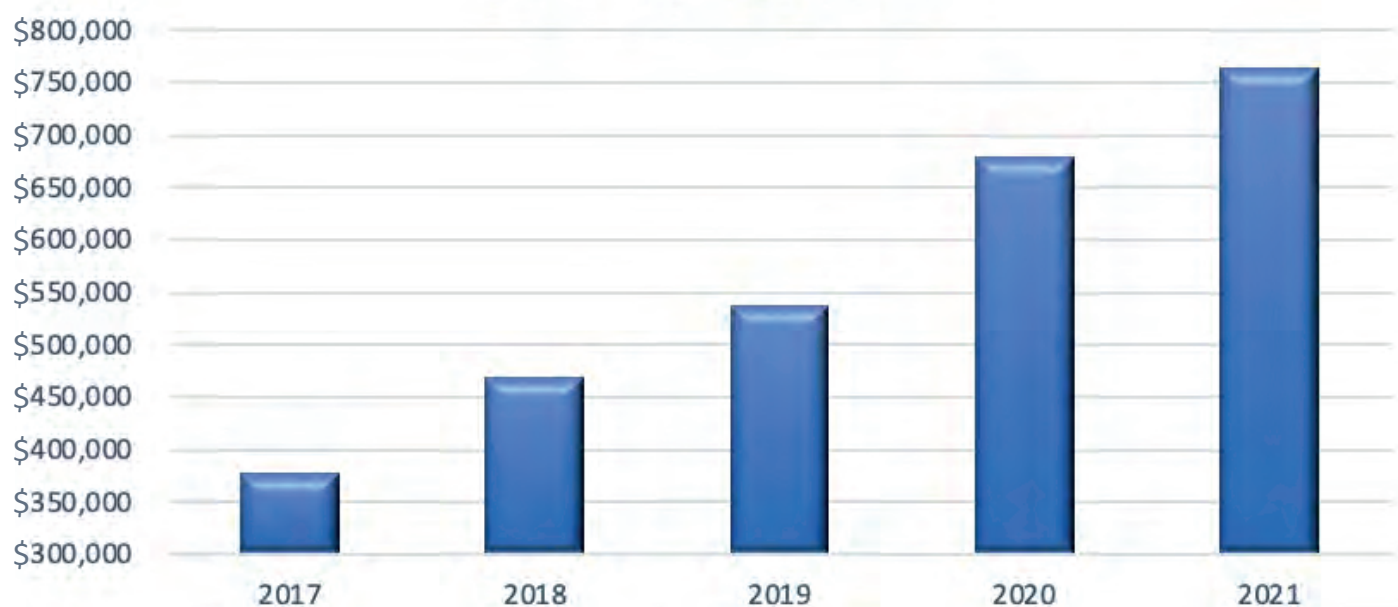
We provide a broad array of financial services to small to medium-size businesses and their owners and employees, entrepreneurs, families, foundations, estates, and individual consumers. We believe that our principal competitive advantages are personal service, flexibility, and responsiveness to customers' needs. Our lending activities are primarily focused on commercial real estate, construction, and business loans to our targeted clientele. We emphasize relationship banking, and believe we offer our customers many of the management capabilities of a larger 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, 65% of management are women and minorities with 60% represented on the Executive Management Team.

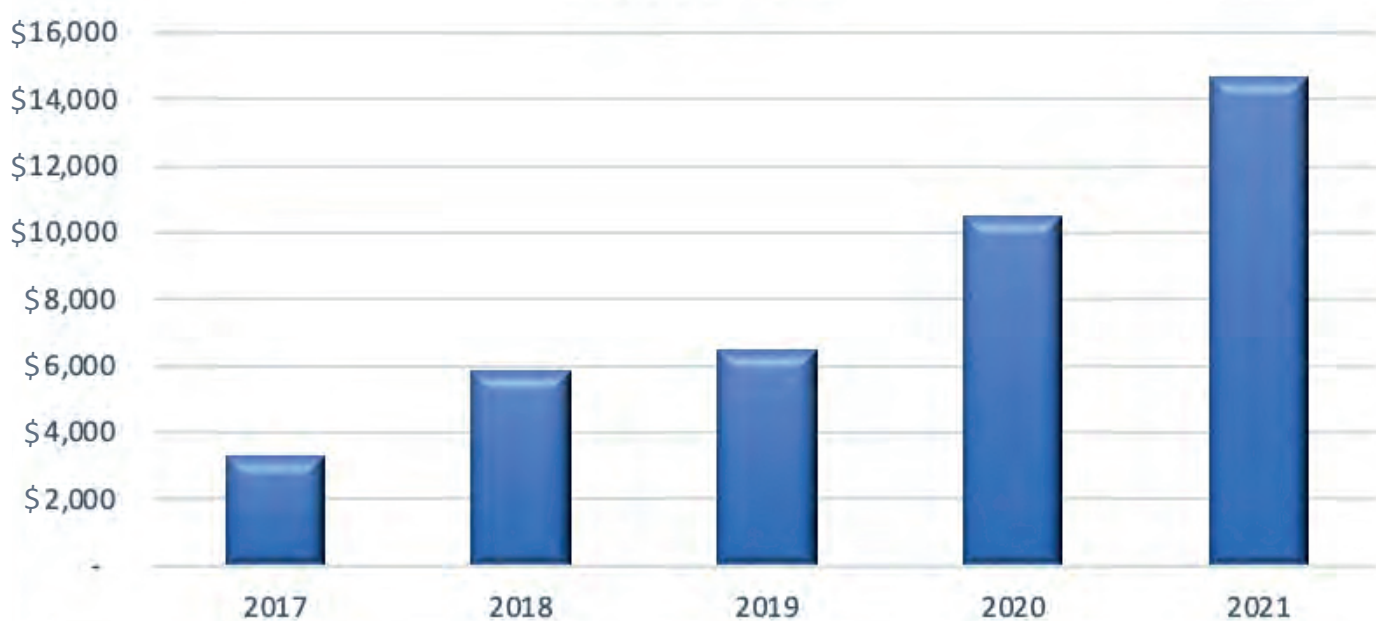


Financials at a glance (in thousands)

Total Average Loans



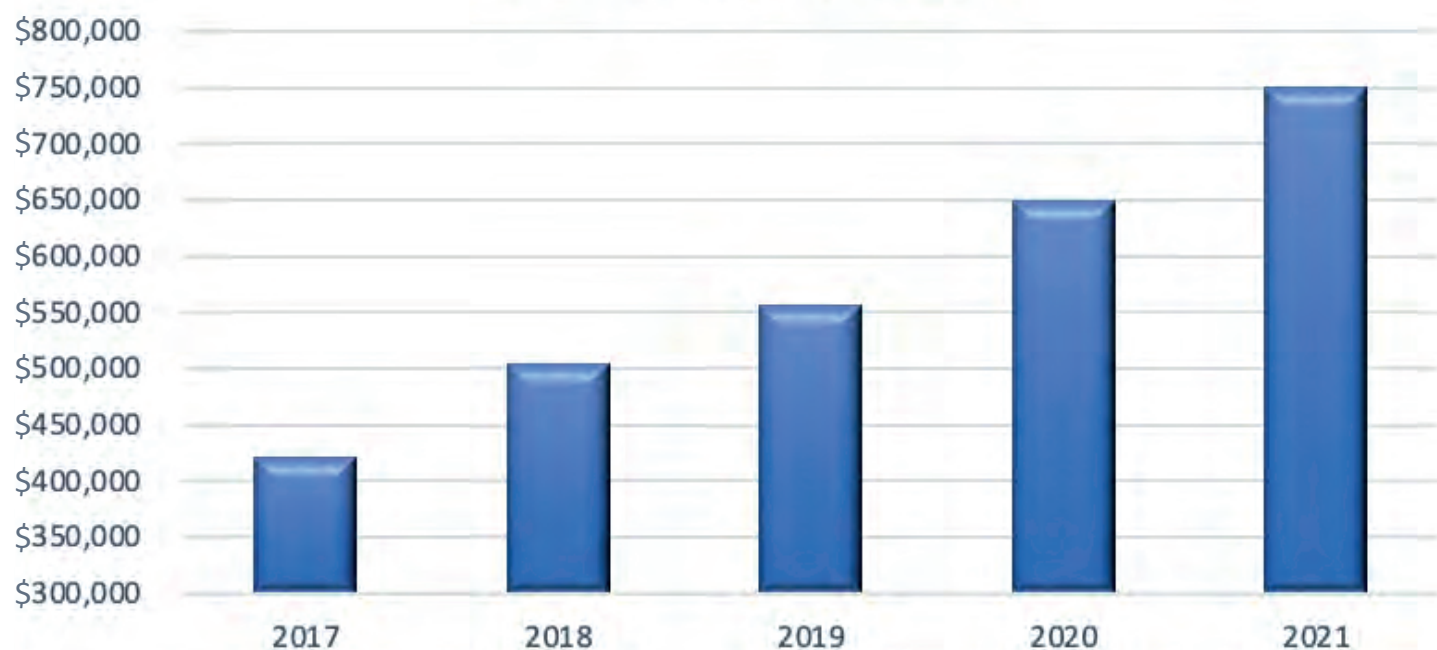
Net Income



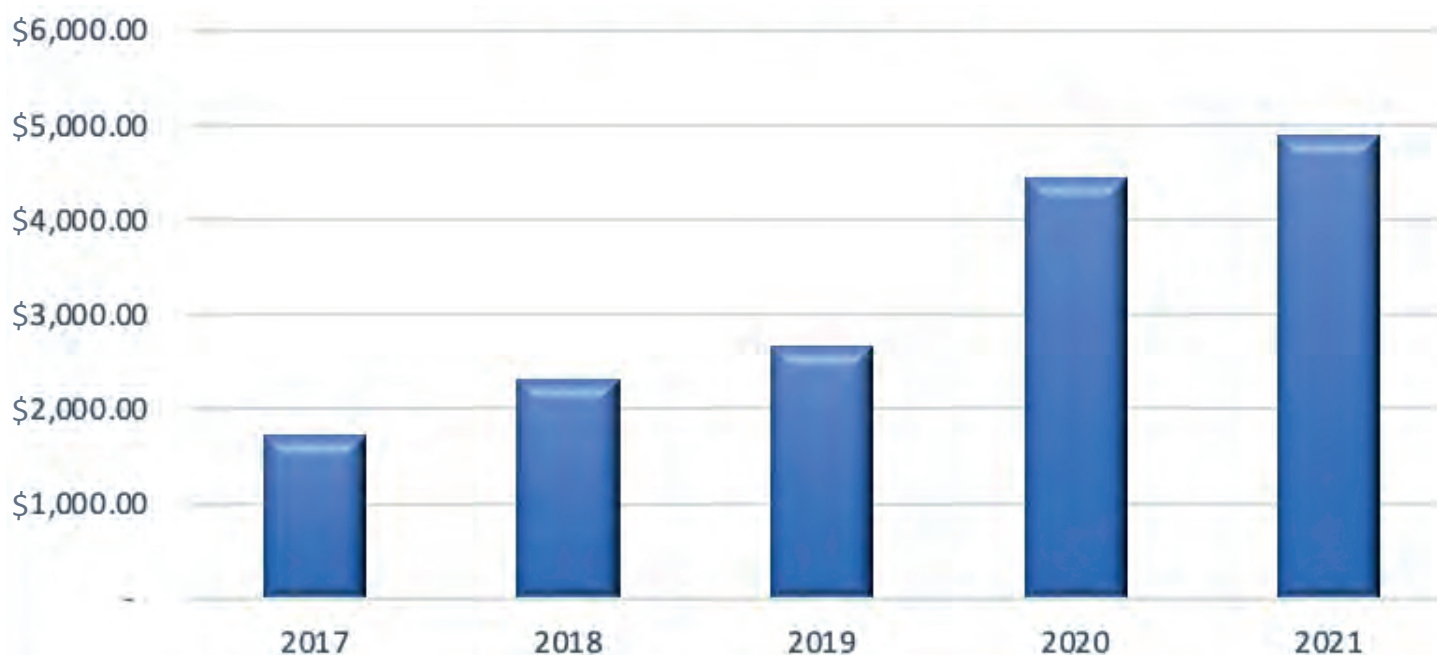


Financials at a glance (in thousands)

Total Average Deposits



Non - Interest Income





Selected Financial Data

(in thousands except per share data)

Year Ended December 31

Income statement data:

	2021	2020	2019	2018
Interest income	\$41,973	\$36,425	\$30,001	\$25,572
Net interest income before provision for (reversal of) loan losses	37,606	30,261	22,976	21,622
Provision for (reversal of) loan losses	1,294	2,100	700	530
Total non-interest income	4,901	4,448	2,662	2,309
Total non-interest expense	20,333	17,671	16,063	15,357
Income before provision for income taxes	20,880	14,938	8,875	8,044
Provision for income taxes	6,182	4,421	2,398	2,217
Net income	\$14,698	\$10,517	\$6,477	\$5,827
Net income available to common shareholders	\$14,698	\$10,517	\$6,477	\$5,827

Balance sheet data:

Assets	\$958,080	\$865,854	\$695,978	\$622,104
Loans, net	820,987	745,939	576,548	504,549
Earning assets	942,518	851,341	680,607	609,956
Deposits	811,600	726,295	573,837	501,189
Federal Home Loan Bank advances	48,500	53,500	45,600	56,800
Shareholders' equity	84,282	75,629	67,344	61,520

Selected per common share data:

Earnings per common share - basic (1)	\$2.20	\$1.58	\$0.97	\$0.87
Common shares outstanding at year end (1)	6,685	6,677	6,677	6,673
Cash dividends per share (1)	\$0.44	\$0.44	\$0.44	\$0.44
Book value per common share (1) (2)	\$12.61	\$11.33	\$10.09	\$9.22

Selected ratios:

Return on average common shareholders' equity (3)	18.48%	14.68%	9.99%	9.66%
Return on average assets (3)	1.64%	1.33%	1.00%	0.99%
Common dividend payout ratio (4)	20.33%	27.70%	44.97%	49.97%
Net interest margin (3)	4.28%	3.91%	3.66%	3.75%
Efficiency ratio (5)	47.91%	52.23%	62.64%	64.24%
Tier 1 leverage capital ratio	8.65%	8.15%	9.26%	9.86%
Nonperforming loans to total loans (6)	0.06%	0.03%	0.05%	0.42%
Allowance for loan losses to total loans excluding PPP (7)*	1.51%	1.30%	1.16%	1.18%

- (1) Adjusted for 10% stock dividend declared; effective October 29, 2021.
- (2) Total shareholders' equity divided by total common shares outstanding.
- (3) Annualized.
- (4) Common dividends divided by net income available for common shareholders.
- (5) Non-interest expenses to net interest and non-interest income, net of securities gains.
- (6) 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.
- (7) Allowance in 2021 reported using current expected credit loss ("CECL") method, all 2020 and prior periods' allowance are reported in accordance with previous GAAP using the incurred loss method.

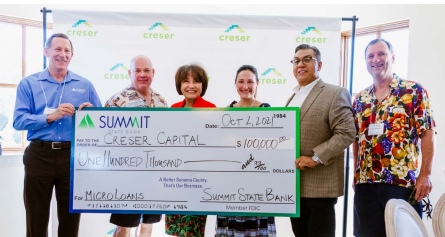
***Non-GAAP Financial Measures:**

In addition to results presented in accordance with GAAP, this Form 10-K contains a non-GAAP (Generally Accepted Accounting Principles) financial measure for the allowance for credit losses to total loans excluding PPP loans. The Bank has presented this non-GAAP financial measure in the report because it believes that it provides useful information to assess the Bank's allowance for credit losses; interest and principal on PPP loans are fully guaranteed by the SBA and are generally not subject to potential loss. 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 credit losses to total loans determined in accordance with GAAP and may not be comparable to similarly titled measures reported by other financial institutions. A reconciliation of this non-GAAP financial measure to the allowance for credit losses to total loans is presented below in the "Allowance for credit losses to total loans excluding PPP" section.

Women in Conversation

The Press Democrat

We are pleased to continue our support of the speaker series Women in Conversation, which we have been the Presenting Sponsor since its beginning in 2016. Like many programs, it continued on a virtual platform for most of 2021. The topics presented this year included: Motherhood & More, The Joy of Pets, and Creating Your Calm. In the fall, we were able to host the Women in Conversation Experience in-person, featuring Olympians - Kristi Yamaguchi, Kerry Walsh Jennings and Brandi Chastain.





Summit State Bank Petaluma Team: L to R: Kathy Moore, Guadalupe Gonzalez, Kimberly Bell, and Luz Pelayo

Company Contact Information

Nasdaq: SSBI

Summit State Bank

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707/568-6000

Corporate Secretary: Barbara Gradman

Transfer Agent

Computershare
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Louisville, KY 40202
800/962-4284

Investor Information:

See "Investor Relations" on our website:
SummitStateBank.com

Bicentennial

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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



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