



A Better Sonoma County.
That's Our Business.

Member FDIC



December 27, 2024

Dear Valued Investor,

As we conclude the fiscal year, I wanted to provide you with an update on our financial performance, nonperforming loans, dividend policy, and our ongoing cost savings initiatives.

Over the past year we faced several challenges including a continued high-interest rate environment which is having an impact on funding costs, decreased deal volumes, and increased competition. As a result, our net income has been affected and we have experienced a decline in our financial performance. However, the recent actions from the Federal Reserve to reduce rates are starting to have a favorable impact because it is lowering the Bank's cost of funds. This rate decrease, in conjunction with the Bank's loan portfolio that continues to reprice, is expected to have a positive impact on the Bank's net interest margin going forward.

The Bank has experienced growth in net operating income¹ which increased to \$2,122,000 for the third quarter 2024 compared to \$1,955,000 and \$1,267,000 for the first and second quarter 2024, respectively. However, net income has declined to \$626,000 for the third quarter 2024 compared to \$1,395,000 and \$928,000 for the first and second quarter 2024. The biggest driver of the variance between net income and net operating income are increased loan loss provisions. We currently expect the fourth quarter to reflect additional loan loss provisioning as we prepare for various asset sales that are anticipated to be completed in the first half of 2025.

The Bank has experienced sustained heightened levels of nonperforming loans on our balance sheet. About 96% of our non-performing portfolio are made up of four credits with \$3,672,000 in specific reserves to date. The Bank projects it will resolve three of these four large loans, totaling 73% of the nonperforming portfolio, in the first half of 2025, possibly as early as the first quarter of 2025. We continue to enhance our credit underwriting and monitoring policies and have strengthened our credit team with the addition of several new resources in 2024, including Mike Floyd who joined as Chief Credit Officer in March 2024.

In light of our current financial situation, the Board has made the difficult decision not to declare a dividend for the third quarter of 2024. We believe that retaining our earnings will provide us with a strong foundation to support future growth and performance. We understand the importance of returning value to our shareholders and will reevaluate our dividend policy once our capital performance improves and nonperforming loans are resolved.

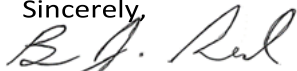
In the meantime, the Bank remains committed to driving cost efficiencies and improving our operational effectiveness. As part of this commitment, we have implemented numerous cost saving initiatives. This includes eliminating almost 8% of positions at the Bank, leveraging existing staff and technologies to reduce third-party expenses, eliminating raises and bonuses, reducing employee benefits Bank-wide and reducing director fees. These measures will result in a total savings of \$3,500,000 by the end of 2025 and will contribute to our strategy of operating a lean and efficient institution that leverages technology and improved processes.

¹Net operating income is a non-GAAP financial measure. Please see below for a reconciliation to GAAP.

We appreciate your continued support and we look forward to a strong 2025 because of the anticipated benefits that will accrue for the Bank based on the actions taken in 2024. We wish all of our stakeholders, employees and partners a joyous holiday season and a prosperous New Year.

If you have any questions or concerns, please do not hesitate to reach out to us. We look forward to keeping you informed of our progress.

Sincerely,



Brian Reed
President & CEO



707.568.6000



500 Bicentennial Way, Santa Rosa, CA



95403 summitstatebank.com



NASDAQ: SSBI / \$7.45
December 5, 2024

FACT SHEET

3Q 2024 FINANCIAL HIGHLIGHTS

- Net operating income before credit loss provision and income tax¹ increased quarter-to-date to \$2,122,000 for Q3 2024 when compared to \$1,955,000 in Q1 2024 to \$1,267,000 in Q2 2024.
- Operating expenses decreased in the third quarter of 2024 to \$6,181,000 compared to \$6,926,000 in the third quarter of 2023.
- The improvement in net income for the third quarter ended September 30, 2024 was offset by a \$1,320,000 provision for credit losses.
- Net income for the third quarter ended September 30, 2024 was \$626,000, or \$0.09 per diluted share, compared to \$1,821,000, or \$0.27 per diluted share, in the third quarter of 2023 and \$928,000, or \$0.14 per diluted share, for the second quarter ended June 30, 2024.
- The allowance for credit losses to total loans was 1.66% on September 30, 2024 which is based on estimating credit losses for the life of the loans in the portfolio.
- The Bank maintained strong total liquidity of \$458,554,000, or 41.0% of total assets as of September 30, 2024. This includes on balance sheet liquidity (cash and equivalents and unpledged available-for-sale securities) of \$148,499,000 or 13.3% of total assets, plus available borrowing capacity of \$310,055,000 or 27.7% of total assets.
- The Bank remains well-capitalized and all regulatory capital ratios were well above minimum requirements on September 30, 2024.
- Net loans decreased \$14,832,000 to \$917,367,000 at September 30, 2024, compared to \$932,199,000 one year earlier and increased \$3,853,000 compared to \$913,514,000 three months earlier.
- Total deposits decreased 3% to \$1,002,770,000 at September 30, 2024, compared to \$1,030,836,000 at September 30, 2023, and increased 4% when compared to the prior quarter end of \$966,587,000.
- Book value was \$14.85 per share, compared to \$13.77 per share a year ago and \$14.44 in the preceding quarter.

Stock Price (12/05/24)	\$7.45
Shares Outstanding	6.777 M
Market Cap	\$50.5 M
TTM EPS	\$0.72
Price/TTM EPS	10.35x
Book Value/Share	\$14.85
Price/Book Value	0.50x
NIM (annualized)	2.71%
ROAA (2024Q3)	0.23%
ROAE (2024Q3)	2.48%

ABOUT SUMMIT STATE BANK

Founded in 1982 and headquartered in Sonoma County, Summit State Bank is an award-winning community bank serving the North Bay. The Bank serves small businesses, nonprofits and the community, with total assets of \$1.1 billion and total equity of \$101 million as of September 30, 2024. The Bank has built its reputation over the past 40 years by specializing in providing exceptional customer service and customized financial solutions to aid in the success of its customers.

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. Through the engagement of its team, Summit State Bank has received many esteemed awards including: Top Performing Community Bank by American Banker, Best Places to Work in the North Bay and Diversity in Business by North Bay Business Journal, Corporate Philanthropy Award by the San Francisco Business Times, and Hall of Fame by North Bay Biz Magazine. Summit State Bank's stock is traded on the Nasdaq Global Market under the symbol SSBI. Further information can be found at www.summitstatebank.com.

Corporate Information

Summit State Bank
500 Bicentennial Way
Santa Rosa, CA 95403
Phone: 707.568.6000

Executive Management

Brian Reed
President & CEO

Camille Kazarian
EVP & Chief Financial Officer

Genie Del Secco
EVP & Chief Operating Officer

Brandy Seppi
EVP & Chief Lending Officer

Mike Floyd
EVP & Chief Credit Officer

¹ Net operating income before credit loss provision and income tax in a non-GAAP financial measure. See below for a reconciliation to GAAP.

NASDAQ: SSBI / \$7.45
December 5, 2024

FINANCIAL HIGHLIGHTS

(\$ in thousands, except share data)

Income Statement

(unaudited)

	30-Sep-24	30-Jun-24	30-Sep-23
Total interest income	\$14,977	\$14,371	\$14,931
Total interest expense	7,705	7,277	6,999
Net interest income	7,272	7,094	7,932
Provision for (reversal of) credit losses on loans	1,320	6	(27)
(Reversal of) provision for credit losses on unfunded loan commitments	(8)	(26)	(5)
Provision for (reversal of) credit losses on investments	(19)	4	27
Net interest income after provision	5,979	7,110	7,937
Total non-interest income	1030	801	1496
Total non-interest expense	6,181	6,627	6,926
Income before provision for income taxes	828	1,284	2,507
Provision for income taxes	202	356	686
Net income	\$626	\$928	\$1,821

Three Months Ended

Selected per Common Share Data

Diluted EPS (4)	\$ 0.09	\$ 0.14	\$ 0.27
Dividends per share (4)	\$ 0.04	\$ 0.12	\$ 0.12
Book value per common share (1)(4)	\$ 14.85	\$ 14.44	\$ 13.77

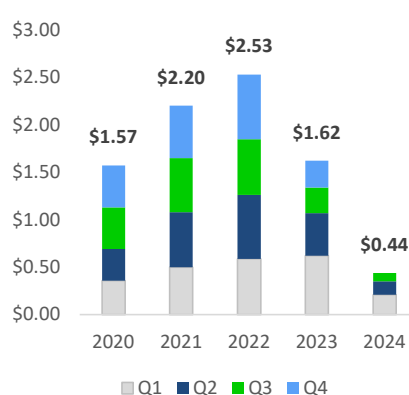
Balance Sheet

	30-Sep-24	30-Jun-24	30-Sep-23
Total assets	\$ 1,118,791	\$1,082,045	\$ 1,142,174
Total shareholders' equity	100,662	97,949	93,439
Total deposits	1,002,770	966,587	1,030,836
Loans receivable, net	917,367	913,514	932,199

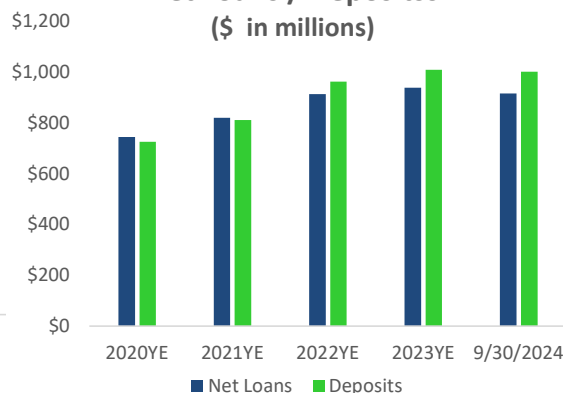
Select Financial Ratios

Return on average assets (2)	0.23%	0.35%	0.63%
Return on average common shareholders' equity (2)	2.48%	3.82%	7.59%
Efficiency ratio (3)	74.45%	83.94%	73.46%
Net interest margin (2)	2.71%	2.71%	2.80%

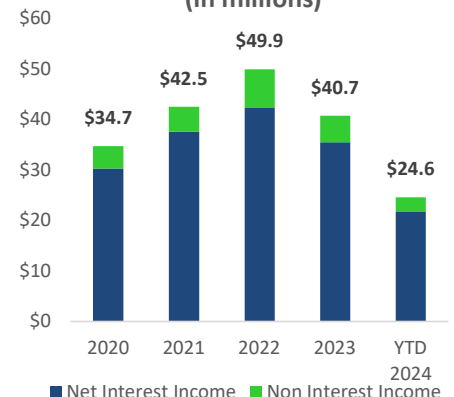
Diluted EPS



Net Loans / Deposits (\$ in millions)



Total Revenue (in millions)



Cautionary Note Regarding Forward-Looking Statements

This communication includes forward-looking statements within the meaning of the “safe-harbor” provisions of the Private Securities Litigation Reform Act of 1995, including forward-looking statements regarding our expectations and beliefs about our future financial performance and financial condition and trends in our business and markets. Words such as “expects,” “anticipates,” “believes,” “estimates” and other similar expressions or future or conditional verbs such as “will,” “should,” “would” and “could” are intended to identify such forward-looking statements. Examples of forward-looking statements include statements regarding future operating results, operating improvements, loans sales and resolutions, cost savings and dividends. The forward-looking statements in this presentation are based on current information and on assumptions that we make about future events and circumstances that are subject to a number of risks and uncertainties that are often difficult to predict and beyond our control. As a result of those risks and uncertainties, our actual future financial results and outcomes could differ, possibly materially, from those expressed in or implied by the forward-looking statements contained in this presentation. Those risks and uncertainties include, but are not limited to, the risk of incurring credit losses; the quality and quantity of our deposits; adverse developments in the financial services industry and any related impact on depositor behavior or investor sentiment; risks related to the sufficiency of our liquidity; the risk that we will not be able to maintain growth at historic rates or at all; general economic conditions, either nationally or locally in the areas in which we conduct our business; risks associated with changes in interest rates, which could adversely affect our future operating results; the risk that customers or counterparties may not performance in accordance with the terms of credit documents due a decline in credit worthiness, business conditions or other reasons; the unpredictability of any litigation; adverse conditions in real estate markets; and the inherent uncertainty of expectations regarding the performance or resolution of loans. Additional information regarding these and other risks and uncertainties to which our business and future financial performance are subject is contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and other documents we file with the FDIC from time to time. Due to these and other possible uncertainties and risks, you should not place undue reliance on the forward-looking statements contained in this communication, which speak only as of today's date. We also disclaim any obligation to update forward-looking statements contained in this communication except as may be required by law.

¹ GAAP to Non-GAAP Reconciliation

We believe the presentation of net operating income, which is a non-GAAP financial measure, provides useful information to assess our consolidated financial condition and consolidated results of operations and to assist investors in evaluating our financial results relative to our peers. The following table presents a reconciliation of net operating income (non-GAAP) to net operating income (GAAP). Not all companies use identical calculations or the same definition of net operating income, so the presentation of this non-GAAP financial measure may not be comparable to other similarly titled measures used by other companies. This non-GAAP measure should be taken together with the corresponding GAAP measure and should not be considered a substitute of the GAAP measure.

	Three Months Ended		
	September 30, 2024	June 30, 2024	March 31, 2024
	(In thousands)		
Reconciliation of non-GAAP net operating income			
Net Income	\$ 626	\$ 928	\$ 1,395
Excluding provision for (reversal of) credit losses	\$ 1,294	\$ (16)	\$ (85)
Excluding provision for income taxes	202	355	645
Net Operating Income (Non-GAAP)	\$ 2,122	\$ 1,267	\$ 1,955