A Better Sonoma County.
That's Our Business.
Member FDIC

August 31, 2026

Dear Valued Shareholders,

Our results for the quarter ended June 30, 2026 reflect near-term financial headwinds even as we continued to execute on our strategic priorities. In the second quarter, we reported a net loss of $1,307,000, or $0.19 loss per diluted share, compared to net income of $2,417,000, or $0.36 per diluted share for the second quarter ended June 30, 2025.

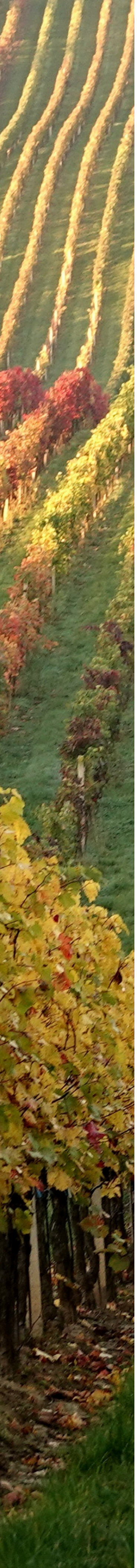
Pre-tax, pre-provision income was $3,957,000 for the second quarter of 2026, compared to $3,187,000 for the second quarter of 2025. The current quarter's results were impacted by a $5,924,000 provision for credit losses on loans. During the second quarter of 2026, the Bank recognized significant charge-offs and recorded additional provisions for credit losses as part of a comprehensive review of certain higher-risk credits. The result was a reduction of non-performing loans by ~44% compared to the prior quarter. These actions reflect the Board's and management's ongoing efforts to address identified credit risks, and pursue appropriate resolution strategies.

Our second quarter results reflect deliberate actions to address identified credit risks within the loan portfolio. While pretax, pre-provision income improved meaningfully during the quarter, driven by net interest margin expansion and disciplined expense management, our reported net loss was primarily attributable to the increased provision for credit losses. Throughout the quarter, the Board and management evaluated a range of alternatives for resolving certain problem credits and took decisive actions, including loan sales, to reduce risk and strengthen the balance sheet. Our capital and liquidity positions remain strong, which positions us well to support our customers and communities going forward. We remain confident in the underlying strength of our core business and our long-term strategy.

A highlight of the quarter was the continued expansion of our net interest margin, which grew 29 basis points year-over-year to 3.95% from 3.66% in the second quarter of 2025. This improvement was driven by a lower cost of funding, ongoing repricing of our loan portfolio, and a significant reduction in non-performing loans.

Improving operational efficiency continues to be a strategic priority across the organization. We remained disciplined in managing our expense base during the quarter, holding expenses relatively flat compared to the year ago quarter. This reflects deliberate, structural choices rather than short-term measures, and importantly, it has been achieved without compromising the quality of service our customers expect. We believe continued expense discipline represents an important measure for driving long-term shareholder value.

During the second quarter of 2026, the Bank continued to strategically manage its loan and deposit portfolios to reduce balance sheet risk and improve liquidity and capital ratios. As a result, net loans held for investment decreased 12% to $746,099,000, and total deposits decreased 8% to $846,129,000 as of June 30, 2026, compared to June 30, 2025. Building on momentum from the first quarter, we've continued to make progress in diversifying our total loan portfolio across industries and product types.



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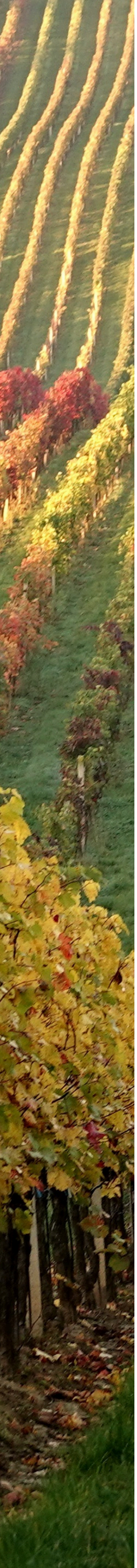

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Credit quality metrics for the second quarter are concentrated in several large relationships, rather than broad-based deterioration across the portfolio. Of the non-performing portfolio, 88% are current based on contractual payment status, although these loans remained classified as non-performing based on management's' credit assessment as of quarter-end. We are actively managing these credits. Past due loans stood at 0.13% of total loans at June 30, 2026, compared to no past due loans at June 30, 2025.

Summit State Bank maintains a strong capital position and the liquidity necessary to support our operations and strategic priorities for the remainder of the year. The Bank's Tier 1 Leverage ratio continues to exceed the minimum of 5% necessary to be categorized as "well-capitalized" for regulatory capital purposes. The Tier-1 leverage ratio for the second quarter of 2026 was 10.84%, an increase compared to 9.84% for the second quarter of 2025.

The first half of the year emphasized our strategic focus to maintain a strong balance sheet, improve credit quality, and focus on effective risk management. Looking ahead, we are confident in our ability to drive operating leverage and deliver long-term value for our shareholders. We remain proud of the progress our team has made and confident in our ability to build on it as we move forward.

Thank you for your continued trust and support. We value your confidence in our organization and remain committed to delivering long-term value for our shareholders, customers, employees, and communities.

Sincerely,

B. J. Reed

Brian Reed
President & CEO

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