

News Release

For Immediate Release

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Summit State Bank Reports Third Quarter Operating Results and Declaration of Dividend

SANTA ROSA, CA – (October 24, 2017) – Summit State Bank (Nasdaq: SSBI) today reported net income for the quarter ended September 30, 2017 of \$1,001,000 and diluted earnings per share of \$0.17. A quarterly dividend of \$0.12 per share was declared for common shareholders.

Dividend

The Board of Directors declared a \$0.12 per share quarterly dividend to be paid on November 22, 2017 to shareholders of record on November 15, 2017.

Net Income and Results of Operations

The Bank had net income of \$1,001,000 or \$0.17 per diluted share, for the third quarter ended September 30, 2017, compared to net income of \$1,198,000 or \$0.20 per diluted share, for the quarter ended September 30, 2016.

Net income and diluted earnings per common share for the nine months ended September 30, 2017 and 2016 were \$2,813,000 or \$0.46 and \$3,779,000 or \$0.63. Return on average assets for the quarter and nine months ended September 30, 2017 were 0.73% and 0.71% compared to 0.95% and 0.98% for the same periods in 2016. Return on average common shareholders' equity for the quarter and nine months ended September 30, 2017 was 6.6% and 6.3% compared to 7.9% and 8.5% for the same periods in 2016.

“We have started to see positive results from our strategy of increasing our lending staff as net loans have increased 12% since the 2016 year-end,” said Jim Brush, President and CEO. “Our thoughts are with the Sonoma County North Bay community in which we serve and with those that have suffered losses in the fires. We have made an initial assessment of the fires' impact on the Bank and currently do not expect a material financial impact.”

On October 9, 2017, wildfires in northern California caused major damage in many areas, including Santa Rosa and Sonoma County. All the Bank's employees and families are safe, and our branches have not suffered any physical damage. As the fires are subsiding, some of our customers have not been able to return to their homes and businesses to assess damage. The impact on the Bank's operations and allowance for loan loss will continue to evolve through the fourth quarter, however at this time no material financial impact to the Bank has been identified. Insurance is generally required on all real estate secured credit extensions. Insurance proceeds and government assistance are expected to be substantial. Coverage gaps and delays in payment may create liquidity issues for some customers. To assist our customers and employees the Bank has provided free ATM usage through October 31, will provide loan payment deferrals for those in

need and established an employee fire relief fund to assist our employees who may have been impacted.

We continue our strategy to position our Bank for stronger core results in the future. Net loans increased \$41 million during the nine months ended September 30, 2017, to a total of \$396 million. Total assets were \$539 million at September 30, 2017 compared to \$514 million at December 31, 2016 and September 30, 2016.

The increase in loans was partially funded by the sale of investment securities, reducing the total of investment securities to \$104 million at September 30, 2017 compared to \$116 million at December 31, 2016. The shift in asset composition from investments to loans, should help improve the Bank's net interest margin.

Total deposits increased \$58 million or 15% during the nine months ended September 30, 2017, with \$17 million increase in demand, savings and money market deposits and a \$41 million increase in time deposits. Federal Home Loan Bank borrowings declined \$35 million since year end 2016. The cost of funds for the Bank has increased primarily due to the increases in market interest rates that have impacted rates paid on time deposits and the FHLB borrowings.

Net interest income was relatively flat between the quarters ended September 30, 2017 and 2016, while net interest income declined \$513,000 or 3.7% for the nine-month periods. The stabilization of net interest income for the third quarter was partially due to the higher volume of loans outstanding during the third quarter of 2017 which offset the increased interest expense.

Non-interest operating expenses increased in the third quarter of 2017 compared to the same quarter of 2016 by 14.5% or \$412,000, which was primarily attributable to increased personnel costs as the Bank increased its lending staff to help increase loan production.

Nonperforming loans, defined as loans past due over 90 days or on nonaccrual status, declined to \$3,142,000 from \$3,430,000 at September 30, 2017 compared to September 30, 2016. This represents a ratio of nonperforming loans to total loans of 0.78% compared to 0.93%. The coverage of allowance for loan losses to gross loans was 1.22% at September 30, 2017 compared to 1.29% at September 30, 2016. The Bank had an allowance for loan loss provision expense of \$170,000 for the third quarter and nine-month period of 2017 compared to no provision in 2016. The provision was made due to the increase in loans outstanding.

Summit State Bank continues to concentrate on its location in the heart of Sonoma Wine Country, which has provided a diverse economic base for its banking activities. Strategic plans have focused on supporting the net interest margin by increasing the percentage of assets invested in local loans, while increasing asset funding from core deposit increases.

About Summit State Bank

Summit State Bank, a local community bank, has total assets of \$539 million and total equity of \$60 million at September 30, 2017. Headquartered in Sonoma County, the Bank specializes in providing exceptional customer service and customized financial solutions to aid in the success of local small businesses and nonprofits throughout Sonoma County.

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, 78% of management are women and minorities with 40% represented on the Executive Management Team. Through the engagement of its team, Summit State Bank has received many esteemed awards to include: Best Business Bank, Best Company to do Business with in Sonoma County, and Best Places to Work in the North Bay. 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.

Forward-looking Statements

Except for historical information contained herein, the statements contained in this news release, are forward-looking statements within the meaning of the "safe harbor" provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. This release may contain forward-looking statements that are subject to risks and uncertainties. Such risks and uncertainties may include but are not necessarily limited to fluctuations in interest rates, inflation, government regulations and general economic conditions, and competition within the business areas in which the Bank will be conducting its operations, including the real estate market in California and other factors beyond the Bank's control. Such risks and uncertainties could cause results for subsequent interim periods or for the entire year to differ materially from those indicated. You should not place undue reliance on the forward-looking statements, which reflect management's view only as of the date hereof. The Bank undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

SUMMIT STATE BANK AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(In thousands except earnings per share data)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30, 2017</u> <u>(Unaudited)</u>	<u>September 30, 2016</u> <u>(Unaudited)</u>	<u>September 30, 2017</u> <u>(Unaudited)</u>	<u>September 30, 2016</u> <u>(Unaudited)</u>
Interest income:				
Interest and fees on loans	\$ 4,275	\$ 4,146	\$ 12,230	\$ 12,491
Interest on deposits with banks	43	18	112	60
Interest on federal funds sold	5	2	11	5
Interest on investment securities	809	610	2,470	2,197
Dividends on FHLB stock	54	68	177	182
Total interest income	<u>5,186</u>	<u>4,844</u>	<u>15,000</u>	<u>14,935</u>
Interest expense:				
Deposits	473	209	1,088	654
Federal Home Loan Bank advances	161	90	422	278
Total interest expense	<u>634</u>	<u>299</u>	<u>1,510</u>	<u>932</u>
Net interest income before provision for loan losses	<u>4,552</u>	<u>4,545</u>	<u>13,490</u>	<u>14,003</u>
Provision for loan losses	170	-	170	-
Net interest income after provision for loan losses	<u>4,382</u>	<u>4,545</u>	<u>13,320</u>	<u>14,003</u>
Non-interest income:				
Service charges on deposit accounts	187	193	529	564
Rental income	145	142	429	418
Net securities gain (loss)	44	(20)	57	669
Net gain on other real estate owned	-	-	-	-
Other income	16	11	21	14
Total non-interest income	<u>392</u>	<u>326</u>	<u>1,036</u>	<u>1,665</u>
Non-interest expense:				
Salaries and employee benefits	1,777	1,399	5,225	4,965
Occupancy and equipment	375	309	1,133	896
Other expenses	1,096	1,128	3,389	3,379
Total non-interest expense	<u>3,248</u>	<u>2,836</u>	<u>9,747</u>	<u>9,240</u>
Income before provision for income taxes	<u>1,526</u>	<u>2,035</u>	<u>4,609</u>	<u>6,428</u>
Provision for income taxes	525	837	1,796	2,649
Net income	<u>\$ 1,001</u>	<u>\$ 1,198</u>	<u>\$ 2,813</u>	<u>\$ 3,779</u>
Basic earnings per common share (1)	\$ 0.17	\$ 0.20	\$ 0.47	\$ 0.63
Diluted earnings per common share (1)	\$ 0.17	\$ 0.20	\$ 0.46	\$ 0.63
Basic weighted average shares of common stock outstanding (1)	6,036	6,017	6,028	6,001
Diluted weighted average shares of common stock outstanding (1)	6,058	6,050	6,057	6,033

(1) Adjusted for stock split issued on March 14, 2017.

SUMMIT STATE BANK AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

(In thousands except share data)

	September 30, 2017	December 31, 2016	September 30, 2016
	(Unaudited)	(2)	(Unaudited)
ASSETS			
Cash and due from banks	\$ 20,388	\$ 24,231	\$ 20,090
Federal funds sold	2,000	2,000	1,580
Total cash and cash equivalents	22,388	26,231	21,670
Time deposits with banks	-	248	248
Investment securities:			
Held-to-maturity, at amortized cost	7,982	7,976	7,974
Available-for-sale (at fair value; amortized cost of \$96,128, \$109,297 and \$102,180)	96,248	107,771	104,564
Total investment securities	104,230	115,747	112,538
Loans, less allowance for loan losses of \$4,879, \$4,765 and \$4,758	395,640	354,638	363,336
Bank premises and equipment, net	5,330	5,413	5,487
Investment in Federal Home Loan Bank stock, at cost	3,085	3,085	3,085
Goodwill	4,119	4,119	4,119
Other Real Estate Owned	-	-	-
Accrued interest receivable and other assets	4,201	4,223	3,183
Total assets	\$ 538,993	\$ 513,704	\$ 513,666
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Demand - non interest-bearing	\$ 128,863	\$ 112,540	\$ 114,077
Demand - interest-bearing	58,463	62,006	58,325
Savings	27,470	26,584	27,130
Money market	57,493	53,866	52,906
Time deposits that meet or exceed the FDIC insurance limit	65,192	52,594	52,140
Other time deposits	104,795	76,661	78,132
Total deposits	442,276	384,251	382,710
Federal Home Loan Bank advances	34,100	68,900	67,500
Accrued interest payable and other liabilities	2,133	1,931	3,177
Total liabilities	478,509	455,082	453,387
Shareholders' equity			
Preferred stock, no par value; 20,000,000 shares authorized; no shares issued and outstanding	-	-	-
Common stock, no par value; shares authorized - 30,000,000 shares; issued and outstanding 6,041,475, 6,019,850 and 6,017,975 (1)	36,847	36,726	36,725
Retained earnings	23,568	22,781	22,171
Accumulated other comprehensive income (loss)	69	(885)	1,383
Total shareholders' equity	60,484	58,622	60,279
Total liabilities and shareholders' equity	\$ 538,993	\$ 513,704	\$ 513,666

(1) Adjusted for stock split issued on March 14, 2017.

(2) Information derived from audited financial statements.

Financial Summary
(In thousands except per share data)

	At or for the Three Months Ended		At or for the Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Statement of Income Data:				
Net interest income	\$ 4,552	\$ 4,545	\$ 13,490	\$ 14,003
Provision for loan losses	170	-	170	-
Non-interest income	392	326	1,036	1,665
Non-interest expense	3,248	2,836	9,747	9,240
Provision for income taxes	525	837	1,796	2,649
Net income	<u>\$ 1,001</u>	<u>\$ 1,198</u>	<u>\$ 2,813</u>	<u>\$ 3,779</u>
Selected per Common Share Data:				
Basic earnings per common share (1)	\$ 0.17	\$ 0.20	\$ 0.47	\$ 0.63
Diluted earnings per common share (1)	\$ 0.17	\$ 0.20	\$ 0.46	\$ 0.63
Dividend per share (1)	\$ 0.12	\$ 0.096	\$ 0.336	\$ 0.288
Book value per common share (1)(3)(4)	\$ 10.01	\$ 10.02	\$ 10.01	\$ 10.02
Selected Balance Sheet Data:				
Assets	\$ 538,993	\$ 513,666	\$ 538,993	\$ 513,666
Loans, net	395,640	363,336	395,640	363,336
Deposits	442,276	382,710	442,276	382,710
Average assets	544,378	502,807	528,542	513,073
Average earning assets	532,841	494,849	517,282	504,869
Average shareholders' equity	60,583	60,087	59,828	59,096
Average common shareholders' equity	60,583	60,087	59,828	59,097
Nonperforming loans	3,142	3,430	3,142	3,430
Other real estate owned	-	-	-	-
Total nonperforming assets	3,142	3,430	3,142	3,430
Troubled debt restructures (accruing)	3,168	3,395	3,168	3,395
Selected Ratios:				
Return on average assets (2)	0.73%	0.95%	0.71%	0.98%
Return on average common shareholders' equity (2)	6.56%	7.91%	6.29%	8.54%
Efficiency ratio (5)	66.29%	57.98%	67.36%	61.60%
Net interest margin (2)	3.39%	3.64%	3.49%	3.70%
Common equity tier 1 capital ratio	12.7%	13.2%	12.7%	13.2%
Tier 1 capital ratio	12.7%	13.2%	12.7%	13.2%
Total capital ratio	13.8%	14.4%	13.8%	14.4%
Tier 1 leverage ratio	10.4%	11.0%	10.4%	11.0%
Common dividend payout ratio (6)	72.43%	48.25%	72.02%	45.73%
Average shareholders' equity to average assets	11.13%	11.95%	11.32%	11.52%
Nonperforming loans to total loans (3)	0.78%	0.93%	0.78%	0.93%
Nonperforming assets to total assets (3)	0.58%	0.67%	0.58%	0.67%
Allowance for loan losses to total loans (3)	1.22%	1.29%	1.22%	1.29%
Allowance for loan losses to nonperforming loans (3)	155.26%	138.72%	155.26%	138.72%

(1) Adjusted for stock split issued on March 14, 2017.

(2) Annualized.

(3) As of period end.

(4) Total shareholders' equity divided by total common shares outstanding.

(5) Non-interest expenses to net interest and non-interest income, net of securities gains.

(6) Common dividends divided by net income available for common shareholders.