

# News Release

For Immediate Release

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## **Summit State Bank Reports a 10% Increase in Net Income for 2015 and Declaration of Dividend**

SANTA ROSA, CA – (January 26, 2016) – Summit State Bank (Nasdaq: SSBI) today reported net income for the year ended December 31, 2015 of \$6,030,000, a 10% increase over 2014. Basic earnings per share increased to \$1.24 in 2015 from \$1.12 in 2014. 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 February 24, 2016 to shareholders of record on February 18, 2016.

### Net Income and Results of Operations

“Summit continues to record strong operating performance as a result of the high quality of our community banking team and their deep commitment to our Sonoma County community and ability to attract and expand full banking relationships by providing the best customer service experience and customized financial solutions through *The Summit Way* brand of community banking. We are looking forward to another successful year in 2016,” said Thomas Duryea, President and CEO.

The year ended December 31, 2015 had many accomplishments. Some of the financial highlights were:

- 1.24% Return on Assets (ROA)
- 9% dividend increase to 48 cents
- 22% increase in net loan balances
- 20% increase in demand deposits
- 53.8% Efficiency ratio
- 0.31% nonperforming asset ratio
- Retirement of Small Business Lending Fund Preferred stock

For the year ended December 31, 2015, net income was \$6,030,000, net income available for common stockholders, which deducts the preferred dividends, of \$5,938,000, and \$1.23 diluted earnings per share, compared to net income of \$5,485,000, net income available for common stockholders of \$5,347,000, and \$1.11 diluted earnings per share, for the year ended December 31, 2014.

For the quarter ended December 31, 2015, Summit State Bank had net income and net income available for common stockholders of \$1,284,000 and diluted earnings per share of \$0.27 compared to \$1,810,000 in net income, \$1,776,000 net income available for common stockholders, or \$0.37 diluted earnings per share, for the same period in 2014.

During the annual and fourth quarter periods of 2015 and 2014, there were isolated impacts to the results, predominantly due to the improvement of asset quality. In 2015, Summit State Bank reversed \$800,000 for the year and no reversal in the fourth quarter, of allowance for loan losses and recognized a gain on the sale of foreclosed real estate of \$1,125,000 for the year and no sales in the fourth quarter. In 2014, there was \$1,400,000 for the year and \$1,000,000 in the fourth quarter of reversal of the allowance for loan losses and gains on sale of foreclosed properties of \$73,000 for the year and no sales in the fourth quarter. Without these items, net income would have increased for the 2015 year by 6% and between the fourth quarters by 5%.

Return on average assets improved in 2015 to 1.24% from 1.19% in 2014 and return on average common equity was 10.6% for 2015 compared to 10.4% in 2014. Without the positive impacts of the provision for loan loss reversals and gains on foreclosed property sales, the return on average assets and average common equity was 1.01% and 8.59% for the year ended December 31, 2015, compared to 2014 return on average assets and average common equity of 1.00% and 6.91%.

Total assets were \$513,365,000 at December 31, 2015 compared to \$459,675,000 at December 31, 2014, representing an annual increase of 11.7%.

The increase in assets was predominantly from a 22% increase in net loans.

“We are extremely pleased with our growth in 2015. Our ability to attract and retain top quality clients in Sonoma County is a direct reflection of the excellent team we have and the ‘can-do’ *Summit Way* culture we stand for. We are committed to Sonoma County and look forward to another great year of investing in it,” said Brandy Seppi, Chief Credit Officer and Executive Vice President.

The asset growth was funded primarily by a \$27,942,000 or 13% increase in Core relationship deposits - demand, savings and money market deposits – driven primarily by demand deposit increases, between December 31, 2015 and December 31, 2014. Demand deposits currently represent 39% of total deposits.

“We have achieved another year of strong results and remain ever committed to increasing our funding of loans through core deposit relationships, largely DDA, which drive franchise and shareholder value, and provide the proper foundation to continue to support and sustain our community’s small businesses and nonprofits in 2016 and beyond,” said Linda Bertauche, Chief Operating Officer and Executive Vice President.

## About Summit State Bank

Summit State Bank, a local community bank, has total assets of \$513 million and total equity of \$57 million at December 31, 2015. 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, Napa, San Francisco, and Marin Counties.

Summit State Bank's workforce resembles the diverse community it serves. Presently, 80% of management are women and minorities with 50% represented on the Executive Management Team. Through the inclusion and engagement of its workforce, Summit State Bank has earned many prestigious awards including: Best Company to do Business with in Sonoma County by the Northbay Biz magazine; Best Places to Work in the North Bay by the North Bay Business Journal; Super Performing Bank by Findley Reports; and Top 75 Corporate Philanthropists in the San Francisco Bay Area by the San Francisco Business Times. 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](http://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>Year Ended</u>	
	<u>December 31, 2015</u> <u>(Unaudited)</u>	<u>December 31, 2014</u> <u>(Unaudited)</u>	<u>December 31, 2015</u> <u>(Unaudited)</u>	<u>December 31, 2014</u> <u>(Unaudited)</u>
Interest income:				
Interest and fees on loans	\$ 3,908	\$ 3,434	\$ 14,523	\$ 14,048
Interest on federal funds sold	1	1	3	3
Interest on investment securities and deposits in banks	904	919	3,720	3,696
Dividends on FHLB stock	60	50	327	186
Total interest income	<u>4,873</u>	<u>4,404</u>	<u>18,573</u>	<u>17,933</u>
Interest expense:				
Deposits	212	194	757	849
FHLB advances	40	43	179	167
Total interest expense	<u>252</u>	<u>237</u>	<u>936</u>	<u>1,016</u>
Net interest income before provision for loan losses	4,621	4,167	17,637	16,917
Provision for loan losses	-	(1,000)	(800)	(1,400)
Net interest income after provision for loan losses	<u>4,621</u>	<u>5,167</u>	<u>18,437</u>	<u>18,317</u>
Non-interest income:				
Service charges on deposit accounts	177	169	702	614
Rental income	133	131	532	523
Net securities gain	49	165	157	239
Net gain on other real estate owned	-	-	1,125	73
Loan servicing, net	4	3	10	12
Other income	1	131	119	534
Total non-interest income	<u>364</u>	<u>599</u>	<u>2,645</u>	<u>1,995</u>
Non-interest expense:				
Salaries and employee benefits	1,429	1,377	5,646	5,530
Occupancy and equipment	336	351	1,313	1,347
Other expenses	1,035	961	3,864	4,105
Total non-interest expense	<u>2,800</u>	<u>2,689</u>	<u>10,823</u>	<u>10,982</u>
Income before provision for income taxes	2,185	3,077	10,259	9,330
Provision for income taxes	901	1,267	4,229	3,845
Net income	<u>\$ 1,284</u>	<u>\$ 1,810</u>	<u>\$ 6,030</u>	<u>\$ 5,485</u>
Less: preferred dividends	-	34	92	138
Net income available for common stockholders	<u>\$ 1,284</u>	<u>\$ 1,776</u>	<u>\$ 5,938</u>	<u>\$ 5,347</u>
Basic earnings per common share	\$ 0.27	\$ 0.37	\$ 1.24	\$ 1.12
Diluted earnings per common share	\$ 0.27	\$ 0.37	\$ 1.23	\$ 1.11
Basic weighted average shares of common stock outstanding	4,783	4,778	4,783	4,778
Diluted weighted average shares of common stock outstanding	4,839	4,837	4,838	4,831

**SUMMIT STATE BANK AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands except share and per share data)

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
	<b>(Unaudited)</b>	
<b>ASSETS</b>		
Cash and due from banks	\$ 15,583	\$ 21,313
Federal funds sold	2,000	2,000
Total cash and cash equivalents	17,583	23,313
Time deposits with banks	744	1,240
Investment securities:		
Held-to-maturity, at amortized cost	5,988	9,977
Available-for-sale (at fair market value; amortized cost of \$127,735 in 2015 and \$123,503 in 2014)	128,599	124,723
Total investment securities	134,587	134,700
Loans, less allowance for loan losses of \$4,731 in 2015 and \$5,143 in 2014	343,217	279,798
Bank premises and equipment, net	5,498	5,803
Investment in Federal Home Loan Bank stock, at cost	2,701	2,701
Goodwill	4,119	4,119
Other Real Estate Owned	-	4,051
Accrued interest receivable and other assets	4,916	3,950
Total assets	\$ 513,365	\$ 459,675
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits:		
Demand - non interest-bearing	\$ 98,062	\$ 73,707
Demand - interest-bearing	56,281	55,377
Savings	27,644	25,587
Money market	59,445	58,819
Time deposits that meet or exceed the FDIC insurance limit	53,953	53,563
Other time deposits	101,861	88,206
Total deposits	397,246	355,259
Federal Home Loan Bank (FHLB) advances	55,800	35,000
Accrued interest payable and other liabilities	2,994	1,836
Total liabilities	456,040	392,095
Shareholders' equity		
Preferred stock, no par value; 20,000,000 shares authorized; Series B shares issued and outstanding - 0 in 2015 and 13,750 in 2014; per share redemption of \$1,000 for total liquidation preference of \$13,750	-	13,666
Common stock, no par value; shares authorized - 30,000,000 shares; issued and outstanding 4,783,170 in 2015 and 4,778,370 in 2014	36,704	36,646
Retained earnings	20,120	16,560
Accumulated other comprehensive income (loss)	501	708
Total shareholders' equity	57,325	67,580
Total liabilities and shareholders' equity	\$ 513,365	\$ 459,675

**Financial Summary**  
(In Thousands except per share data)

	Three Months Ended		Year Ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Statement of Income Data:</b>				
Net interest income	\$ 4,621	\$ 4,167	\$ 17,637	\$ 16,917
Provision for loan losses	-	(1,000)	(800)	(1,400)
Non-interest income	364	599	2,645	1,995
Non-interest expense	2,800	2,689	10,823	10,982
Provision for income taxes	901	1,267	4,229	3,845
Net income	<u>\$ 1,284</u>	<u>\$ 1,810</u>	<u>\$ 6,030</u>	<u>\$ 5,485</u>
Less: preferred dividends	<u>-</u>	<u>34</u>	<u>92</u>	<u>138</u>
Net income available for common stockholders	<u>\$ 1,284</u>	<u>\$ 1,776</u>	<u>\$ 5,938</u>	<u>\$ 5,347</u>
<b>Selected per Common Share Data:</b>				
Basic earnings per common share	\$ 0.27	\$ 0.37	\$ 1.24	\$ 1.12
Diluted earnings per common share	\$ 0.27	\$ 0.37	\$ 1.23	\$ 1.11
Dividend per share	\$ 0.12	\$ 0.11	\$ 0.48	\$ 0.44
Book value per common share (2)(3)	\$ 11.99	\$ 11.28	\$ 11.99	\$ 11.28
<b>Selected Balance Sheet Data:</b>				
Assets	\$ 513,365	\$ 459,675	\$ 513,365	\$ 459,675
Loans, net	343,217	279,798	343,217	279,798
Deposits	397,246	355,259	397,246	355,259
Average assets	504,628	461,514	485,396	460,774
Average earning assets	495,866	447,769	474,751	445,977
Average shareholders' equity	57,334	66,766	65,061	64,864
Average common shareholders' equity	57,334	53,100	56,001	51,198
Nonperforming loans	1,610	1,815	1,610	1,815
Other real estate owned	-	4,051	-	4,051
Total nonperforming assets	1,610	5,866	1,610	5,866
Troubled debt restructures (accruing)	3,536	5,555	3,536	5,555
<b>Selected Ratios:</b>				
Return on average assets (1)	1.01%	1.56%	1.24%	1.19%
Return on average common equity (1)	8.89%	13.27%	10.60%	10.44%
Efficiency ratio (4)	56.73%	58.44%	53.78%	58.81%
Net interest margin (1)	3.70%	3.69%	3.72%	3.79%
Common equity tier 1 capital ratio (5)	13.5%	-	13.5%	-
Tier 1 capital ratio	13.5%	18.3%	13.5%	18.3%
Total capital ratio	14.7%	19.6%	14.7%	19.6%
Tier 1 leverage ratio	10.5%	13.7%	10.5%	13.7%
Common dividend payout ratio (6)	44.70%	29.62%	38.67%	39.31%
Average equity to average assets	11.36%	14.47%	13.40%	14.08%
Nonperforming loans to total loans (2)	0.46%	0.64%	0.46%	0.64%
Nonperforming assets to total assets (2)	0.31%	1.28%	0.31%	1.28%
Allowance for loan losses to total loans (2)	1.36%	1.81%	1.36%	1.81%
Allowance for loan losses to nonperforming loans (2)	293.86%	283.39%	293.86%	283.39%

(1) Annualized.

(2) As of period end.

(3) Total shareholders' equity, less preferred stock, divided by total common shares outstanding.

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

(5) Common equity tier 1 capital ratio requirement was effective January 1, 2015.

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