SUMMIT
STATE BANK

POSITIONED FOR SUCCESS

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Statements made during this presentation and in response to questions may constitute Forward Looking Statements within the meaning of the Private Securities Litigation Reform Act of 1995 and any such statements are subject to risks and uncertainties that could cause actual results to differ materially. Such risks and uncertainties include those related to the economic environment, particularly in the region where Summit State Bank operates, competitive products and pricing, general interest rate changes and the fiscal and monetary policies of the US Government, credit risk management, regulatory actions, and other risks and uncertainties.

TURNING HEADWINDS INTO TAILWINDS

- Repositioning Balance Sheet
- Increasing Asset Yield
- Stabilizing Cost of Funds
- Stabilizing Non-Interest Expenses
- Maintaining Credit Quality
- Increasing Non-Interest Income
- Creating a Sustainable Culture of Success

REPOSITIONING BALANCE SHEET

	June 30, 2017			June 30, 2019		
	$000's	%	Avg Yield %	$000's	%	Avg Yield %
Cash	21,895	4.1	0.90	12,104	1.9	2.50
Investment Securities	132,754	24.7	2.73	67,848	10.7	2.75
Loans (Net)	366,259	68.1	4.46	536,674	84.4	5.04
Other	16,573	3.1		18,996	3.0	
Total Assets	537,481	100.0		635,622	100.0	
Total Deposits	322,624	60.0	0.55	485,994	76.5	1.56
Wholesale & FHLB	152,407	28.4	0.55	75,563	11.9	1.56
Other Liabilities	2,011	0.4		9,325	1.5	
Equity	60,439	11.2		64,740	10.2	
Total Liabilities & Equity	537,481	100.0		635,622	100.0	

- Moving over 16% of interest earning assets into higher yielding loans generates additional interest income around $1.5MM in 2019
- Reduced reliance on wholesale & FHLB funding from 28% to 12%
- Lot of effort to transition loans and deposits into higher core earnings

UNDERSTANDING FINANCIAL RESULTS FROM GROWTH

- Hypothetical additional $50 MM growth in one year over peer median
  - First year – add staff to fuel loan and deposit growth in excess of peers, estimate 1.5% of assets
  - Year one, growth is even throughout the year, therefore only ½ of NIM is recognized in year one whereas close to 100% is recognized in subsequent years (fewer principal payments and early payoffs)
  - Loss provisions taken in year one to maintain overall allowance to total loan portfolio, year two loss is equal to 10-year average loss of 25 basis points
  - Funding is estimated to be at the highest marginal cost of funds

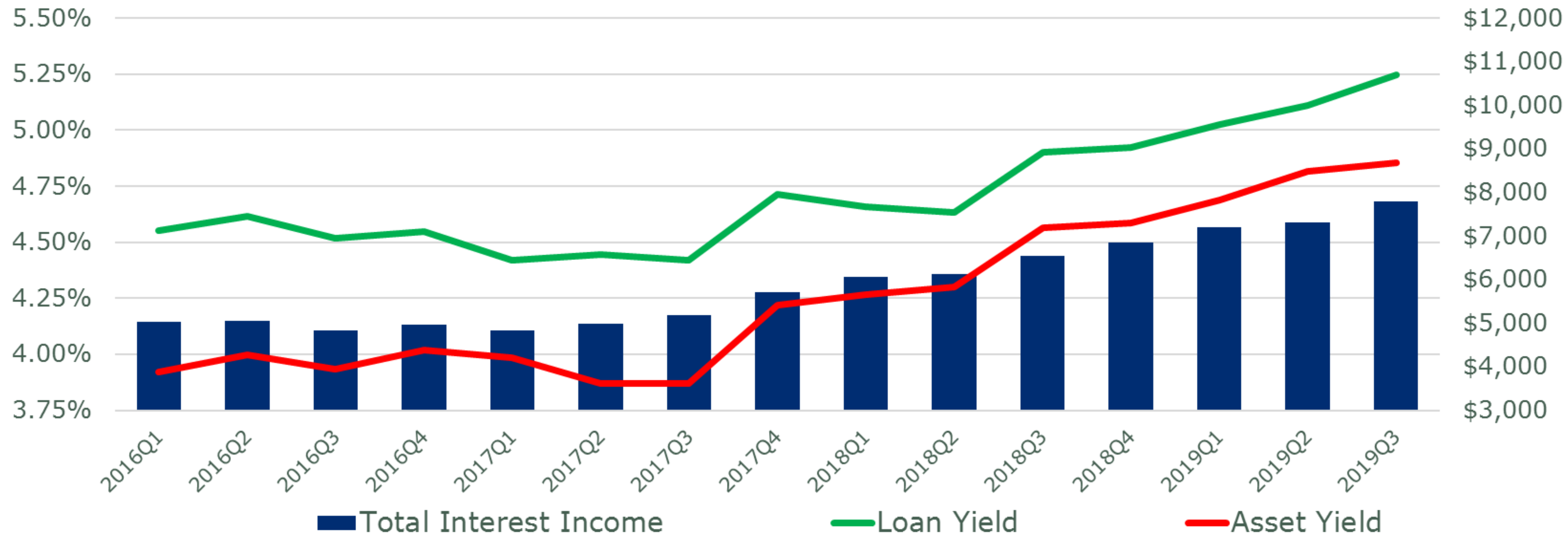
	Yr 1	Yr 2
NIM 3.6%	900	1,800
Growth Staff 1.5%	(750)	-
Support Staff 1.5%	(375)	(750)
Provision 1.2%	(600)	(125)
Net	(825)	925
Average Assets	25MM	50MM
ROAA Pre-Tax	-0.83%	1.85%
Efficiency	-25.00%	41.67%

UNDERSTANDING FINANCIAL RESULTS FROM GROWTH OVER SEVERAL YEARS

- Consistent with the preceding example, a hypothetical loan growth scenario of an additional $50 MM per year over 3 years with a 4th year of peer average growth is demonstrated below
  - This example assumes a decrease in net income due to principal payments and prepayments
  - Positive results that yield a significant return don't appear until Year 3
  - This example is comparable to the Bank's actual planned loan growth which started in Q3 2017

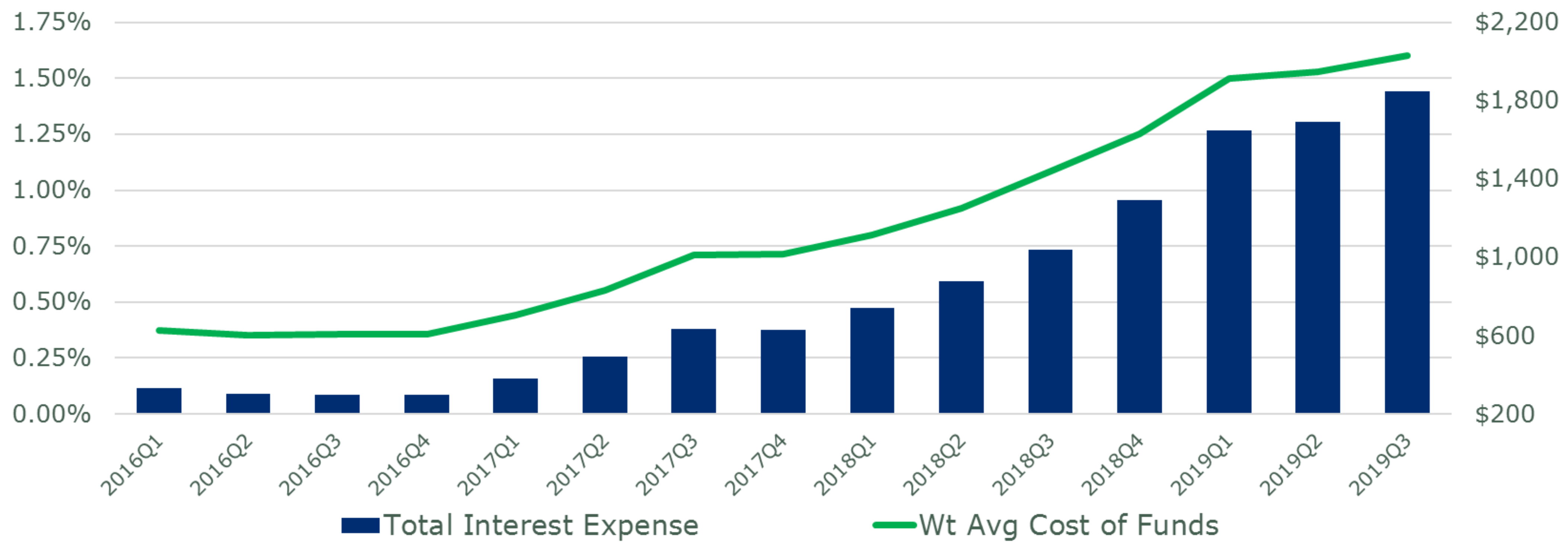
	Grow Yr 1	Grow Yr 2	Grow Yr 3	Stabilize Yr 4
Year 1	(825)	925	900	875
Year 2		(825)	925	900
Year 3			(825)	925
Year 4				0
Net	(825)	100	1,000	2,700
Income Tax	(242)	29	293	791
Net After Tax	(583)	71	707	1,909
Average Assets	25MM	75MM	124MM	147MM
ROAA Pre-Tax	-0.83%	0.01%	0.81%	1.84%
Efficiency	-25.00%	69.44%	58.65%	42.17%

INCREASING ASSET YIELD



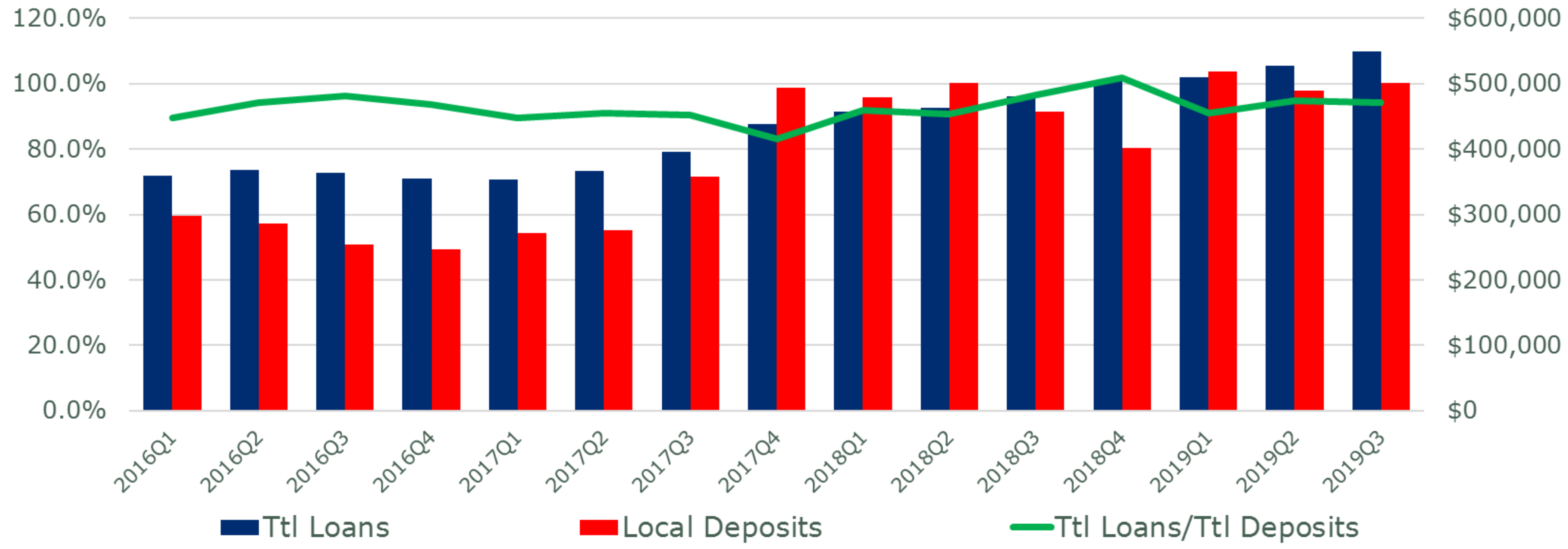
- Repositioning assets tightened difference between Asset Yield and Loan Yield between 2Q17 & 2Q19
- Focus on increasing average Loan Yield while maintaining credit quality includes:
  - Targeting loans with a story, Increasing SBA & Construction lending, and Reducing Consumer & Purchased loans
  - Higher Fed rates beginning in 2017 thru 2018, then lessening slightly beginning in July 2019

STABILIZING COST OF FUNDS



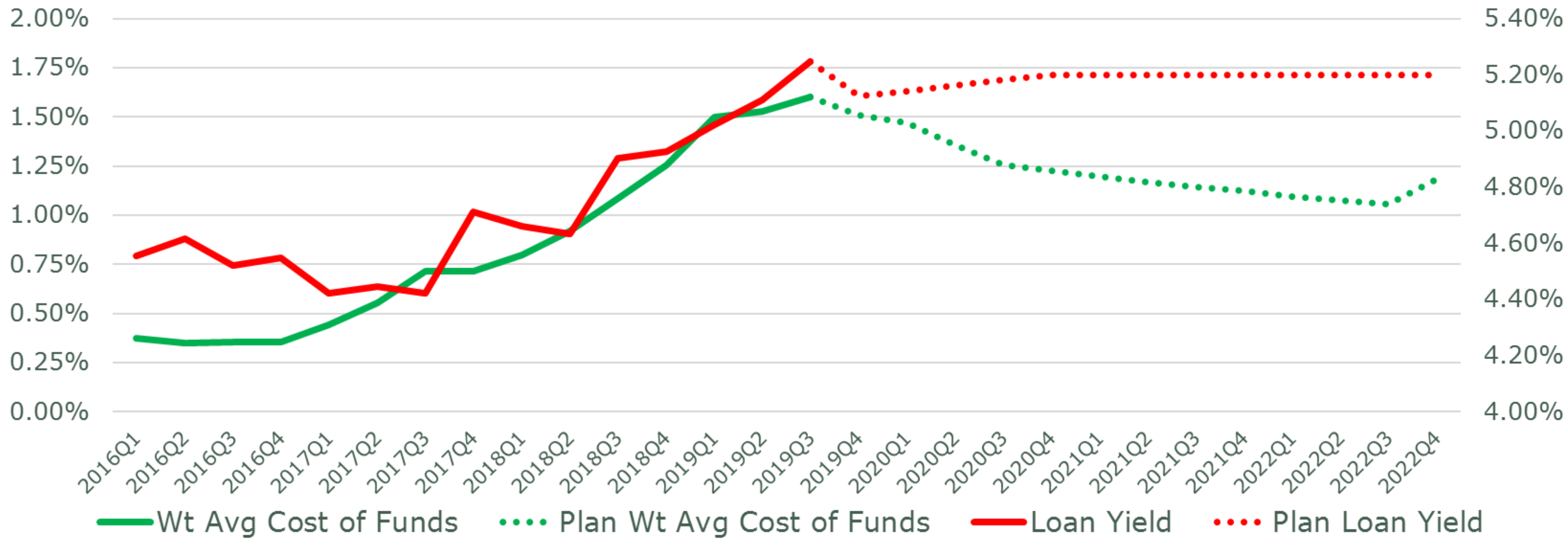
- Projecting interest yields to stabilize and decrease during 2019
- Better focus on increasing lower cost core deposits began in 2019

LOAN & DEPOSIT GROWTH



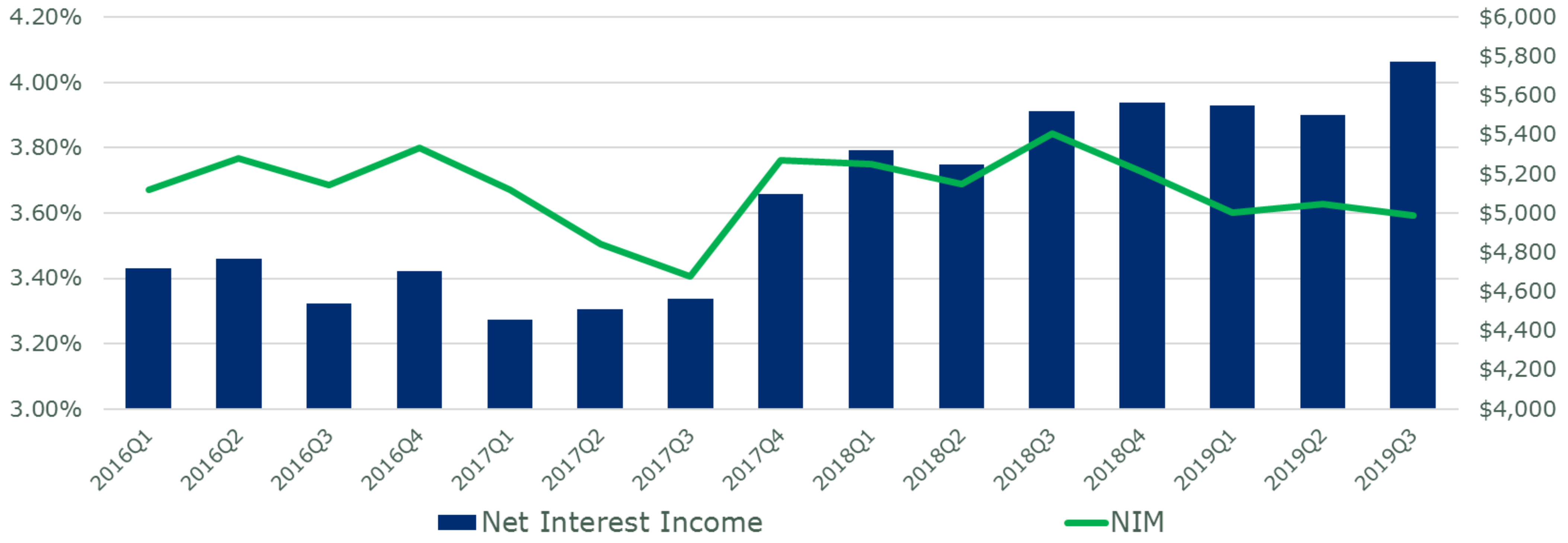
- Core deposit growth not staying up with loans is a concern
- Total loans to deposits near 100% may be a concern
- Contingency plans include Money Market or CD special rate promotion or selling loans

LOAN YIELD & COST OF FUNDS



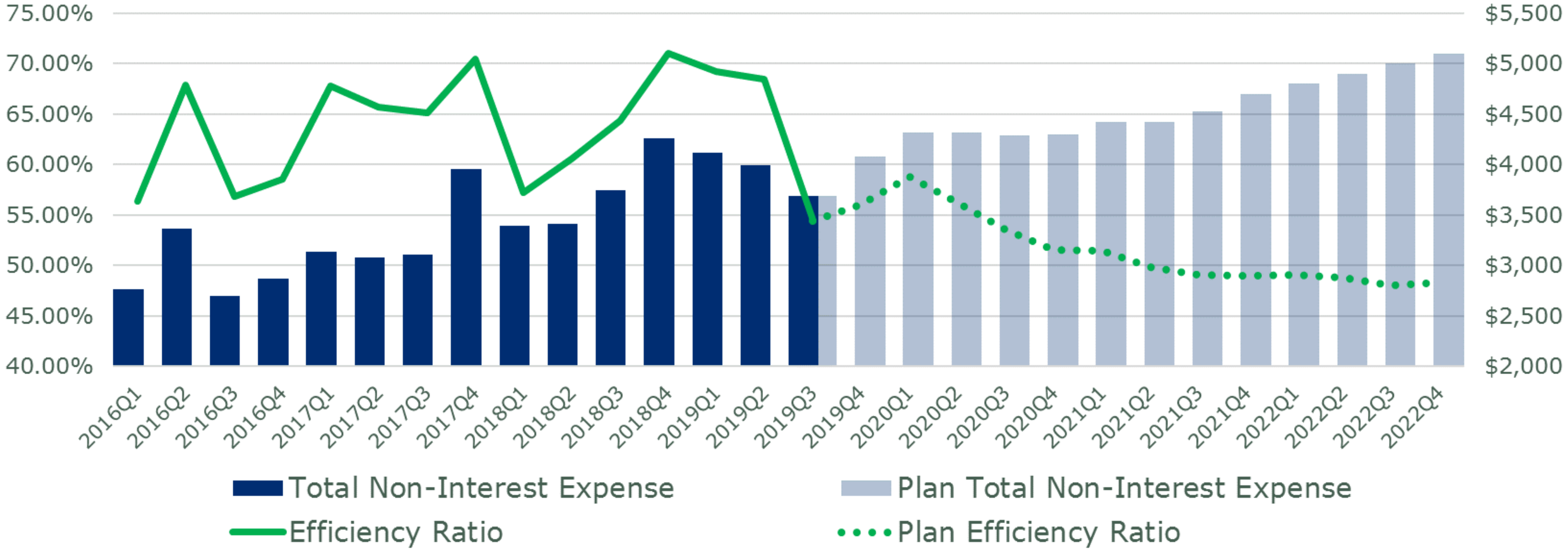
- The relationship reflects conservative cost and yield estimates in a declining rate environment
- Decrease in cost in advance of yield is reflective of a liability sensitive balance sheet
- Stabilizing cost at ~1.25% reflects management's intention to lock in longer term deposits (CD's & Wholesale) and promote specials when appropriate

NET INTEREST INCOME & MARGIN



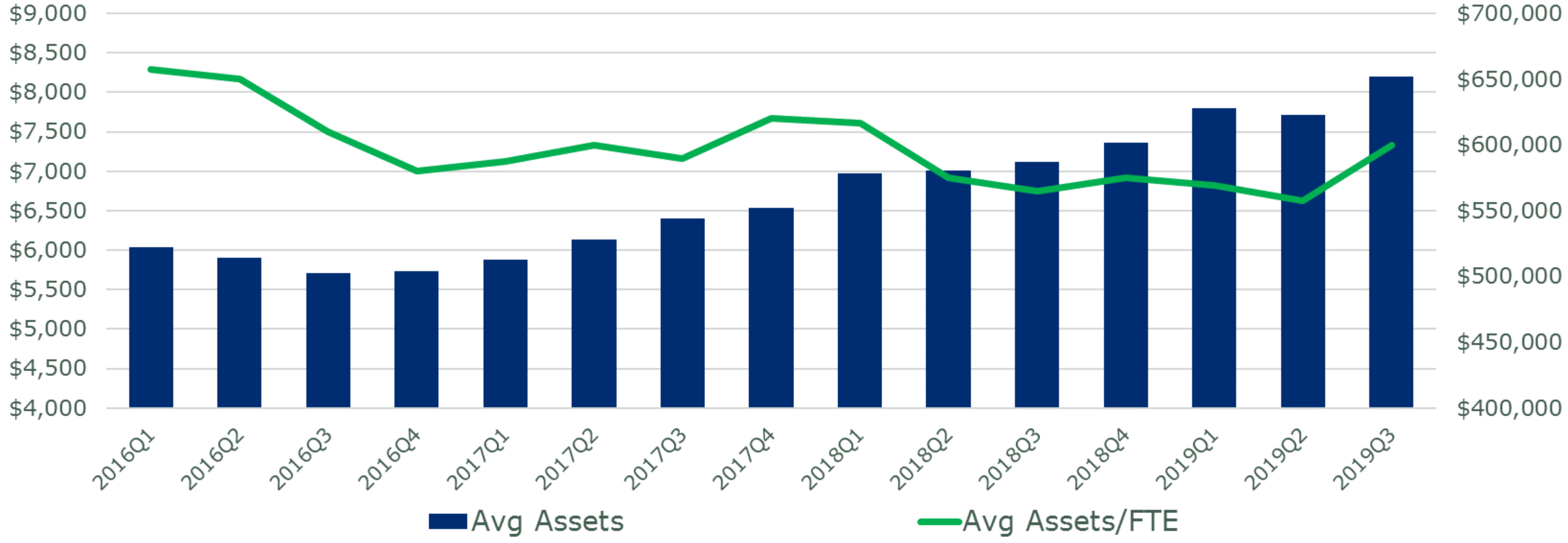
- Goal is to maintain 3.60% average over time
- What is better: incremental growth, or higher NIM with constraints such as capital, liquidity & core deposits?
- Staffing & non-interest expenses should support planned growth

STABILIZING NON-INTEREST EXPENSES



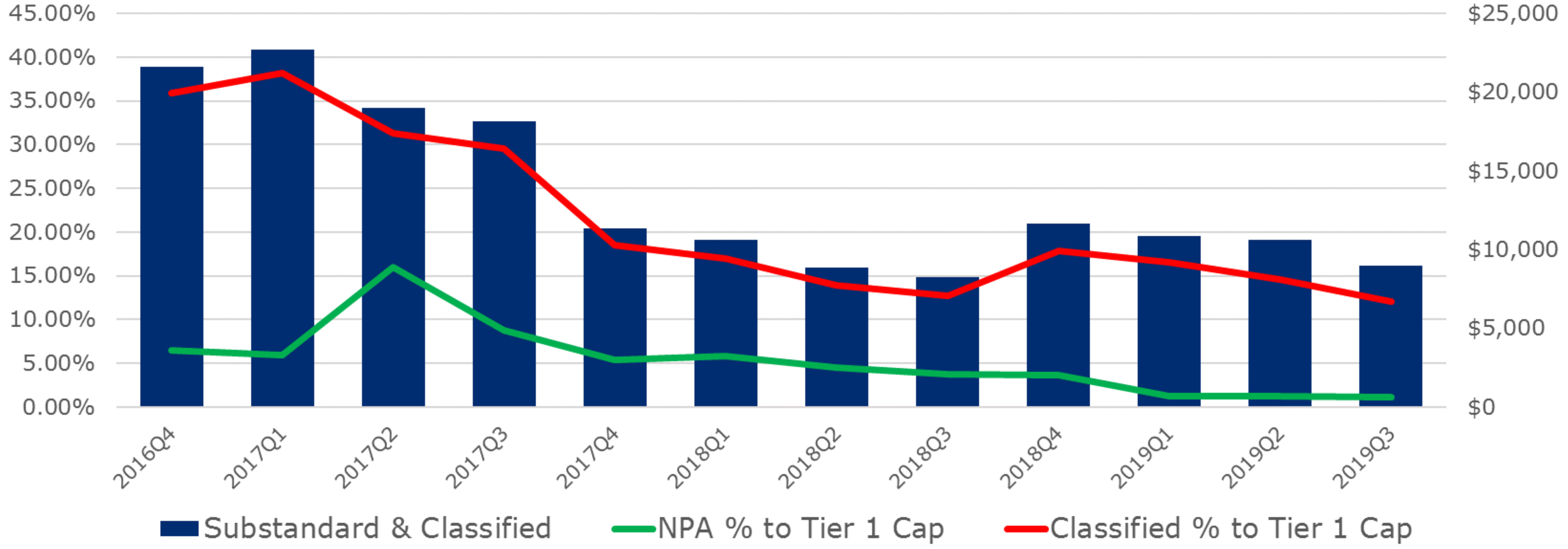
- Beginning late 2016, added staff to improve customer service and support growth, stabilizing in Q3 2019
- Improving internal processes to support growth and improve efficiencies
  - Examples: Document imaging project took 12 months at an approximate cost of $600,000, went live in Q2 2019
- Expanded administrative space from approximately 9,000 sf. in Q2 2017 to 18,000 sf by Q1 2019

AVERAGE ASSETS PER FTE



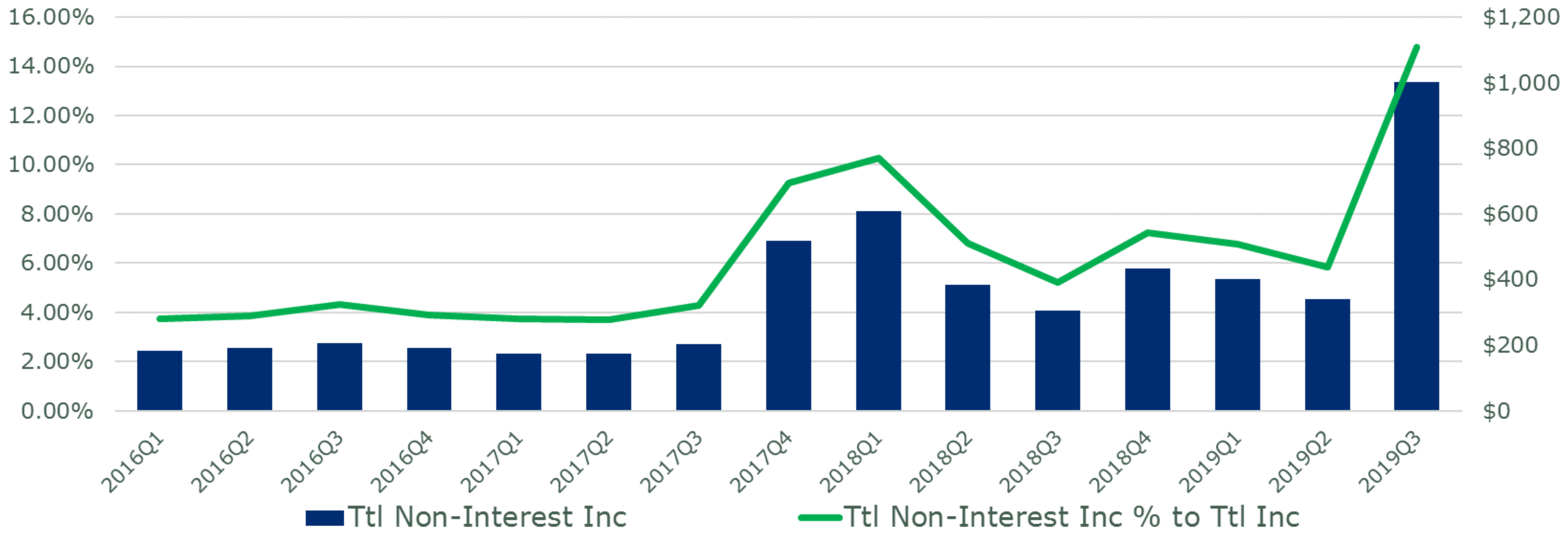
- We are currently near peer median. More projected Assets per FTE includes assumptions of larger average loan and deposit balances
- More Assets per FTE help drive a lower efficiency ratio
- More Assets per FTE also reflects technological improvements and other efficiencies

MAINTAINING CREDIT QUALITY



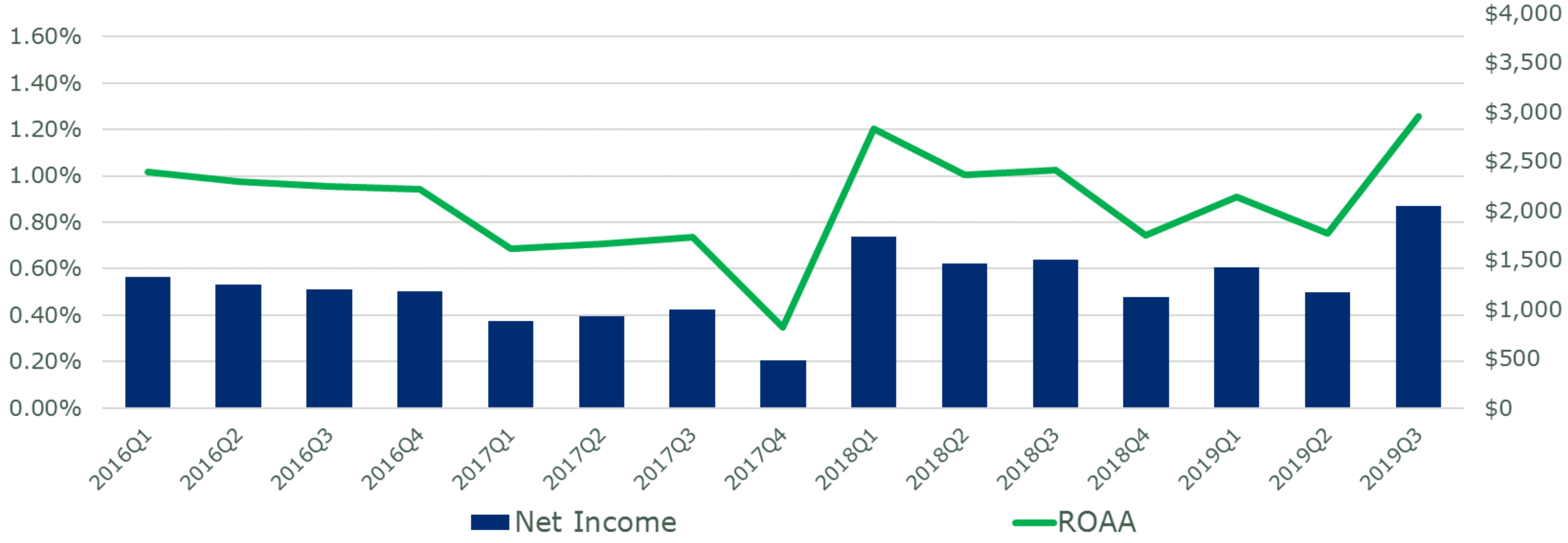
- Greater separation of underwriting and loan processing functions
- Expanded stress testing capabilities yielding positive results
- Parallel CECL modeling provides enhanced loan loss provision capabilities

INCREASING NON-INTEREST INCOME



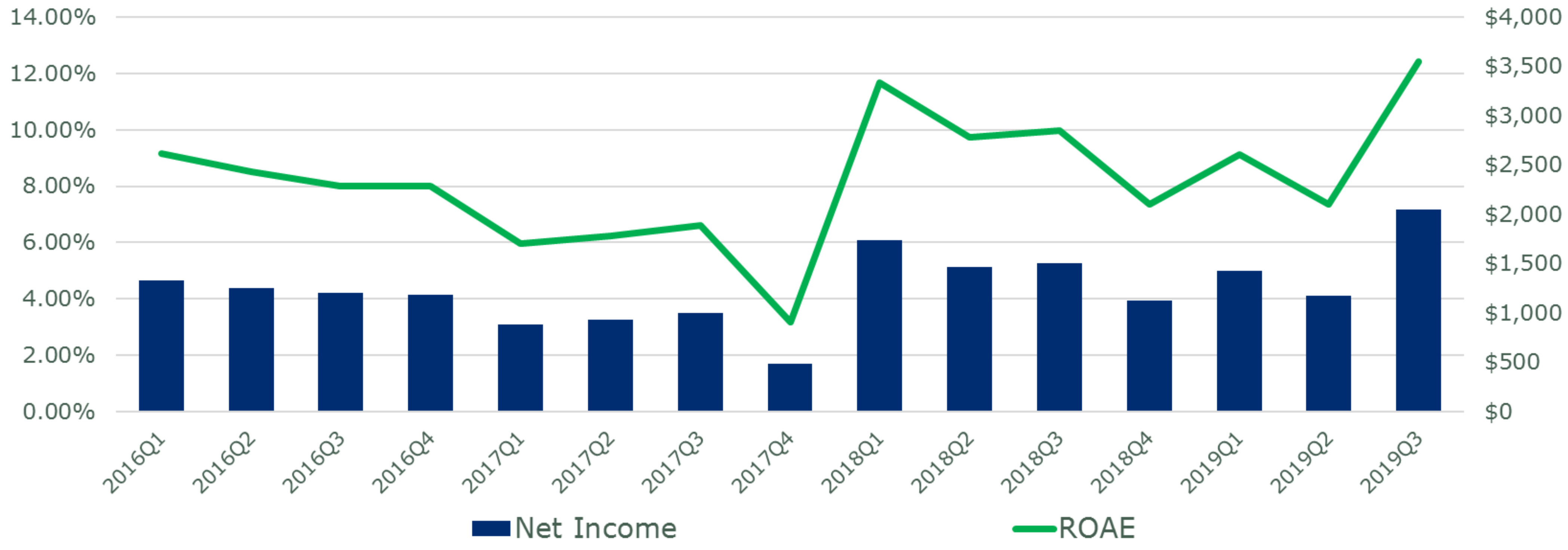
- Committed to remaining the community bank with low fees and focus on customer service
- Increasing gains from SBA guaranteed loans includes:
  - Decision to sell vs. hold, and service fee income from sold loans
- Expanding core deposits will increase servicing income

RETURN ON AVERAGE ASSETS



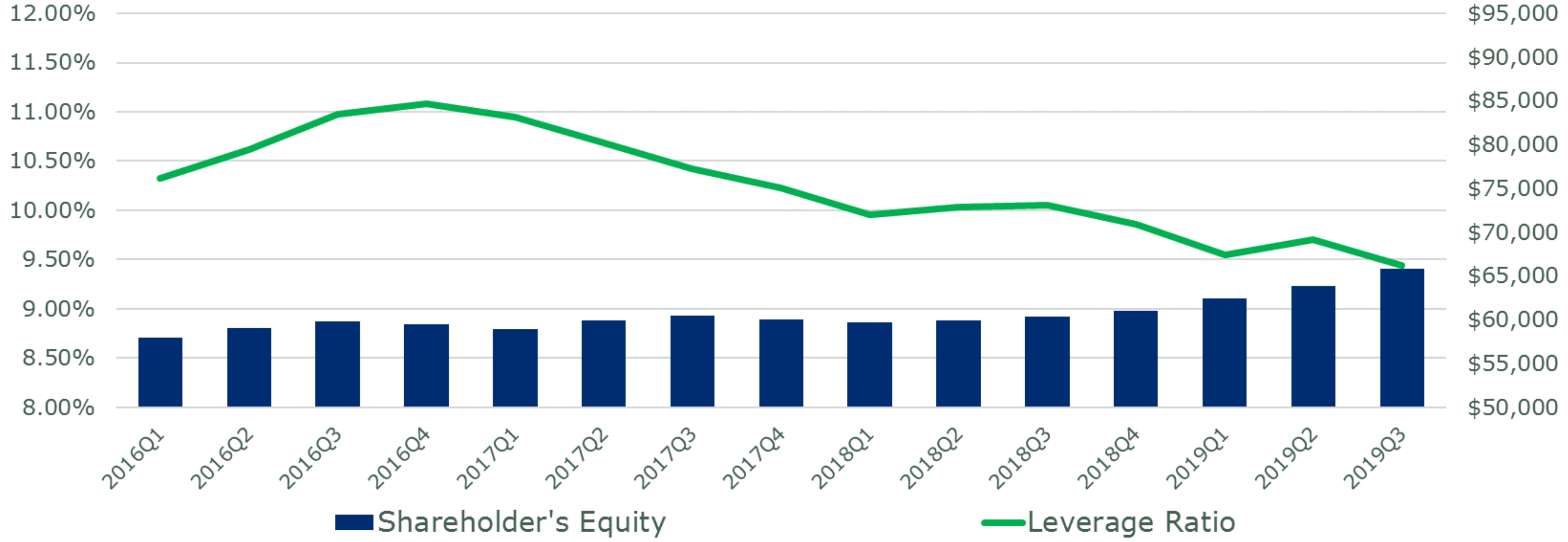
- Continues to be around peer median
- Continues to have costs related to higher growth than peers drag down net income

RETURN ON AVERAGE EQUITY



- Relates directly to ROAA and leverage ratio
- ROAA remains steady while leverage ratio decreases in plan
- Projects higher than peer median beginning in late 2020

SHAREHOLDER'S EQUITY & LEVERAGE RATIO



- This needs to be monitored carefully in light of growth, liquidity, volatile deposit funding, and credit quality
- Contingency planning needs to be robust: includes suspension of dividends, private capital raise, sale/leaseback of Bicentennial building, and sale of loans
- Management's risk appetite needs to be aligned with Board's; focus on appropriate metrics on regular basis

CREATING A SUSTAINABLE CULTURE OF SUCCESS

- Community banking is all about the people
  - Management and Board of Directors
  - Communication
  - Customer Service
  - Culture
- Current environment is challenging
  - Low unemployment
  - Interest in banking as a career is waning
  - Training and education can be difficult for small organizations
  - Succession planning for management and Board of Directors is key to sustaining momentum

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AIMING FOR SUCCESS