



## Summit State Bank - SSBI

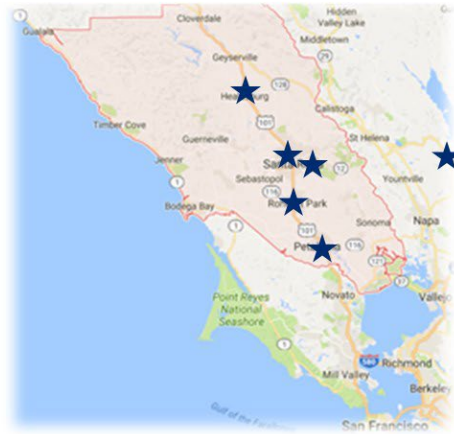
Headquartered in Santa Rosa, CA

### Branch Locations

- Santa Rosa Main
- Healdsburg
- Santa Rosa Montgomery Village
- Rohnert Park
- Petaluma

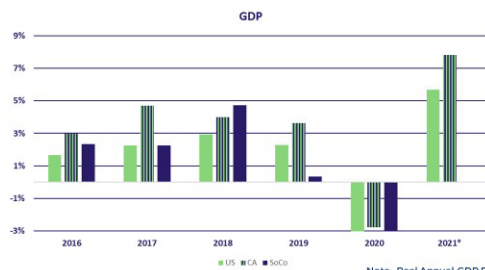
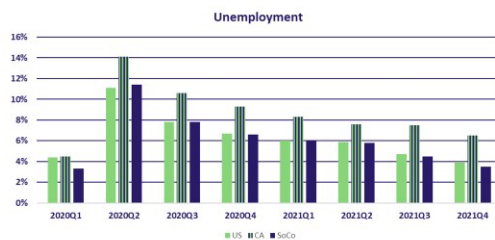
### Regional Small Business Lending Group

- Roseville, CA



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## Lending Area Highlights



Note: Real Annual GDP Rate of change, not seasonally adjusted.  
Source: <https://fred.stlouisfed.org>

\* SoCo unavailable

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### Northern California Concentrated in Sonoma County

- Commercial Property Investment Inventory Remains Low
- Diverse and Strong Economy:
  - Healthcare, Manufacturing, Construction and Wholesale Trade Comprise > 40% of the County's Earnings
- Consistently Low Unemployment and High GDP
- Ranked 15<sup>th</sup> in Median Household Income across California

# Investment Highlights

- ❖ Experienced Executive & Management Team
- ❖ Commitment to a Culture of Success
- ❖ Focused on Organic Growth
- ❖ Strategic Lending Platform Positioned to Deliver Results
- ❖ High Credit Quality with a Low Risk Profile
- ❖ Strong Net Interest Margin & Improved Efficiency Ratio
- ❖ California Peer Group Leader in Key Performance Metrics
- ❖ Consistent Quarterly Dividends

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## Managing through the Pandemic

- ❖ Total Originated PPP Loans:
  - ❖ 864 Loans at \$134.5MM
  - ❖ Funded in 2020: \$97.1MM
  - ❖ Funded in 2021: \$37.4MM
  - ❖ Q4 2021 PPP loan balance \$16.9MM
  - ❖ Average PPP Loan Balance of ~\$156k
- ❖ PPP Pretax Earnings for 2020 at \$2.4MM and \$2.9MM for 2021
- ❖ Since the onset of the COVID pandemic, the Bank processed Credit Relief requests for 148 loans totaling \$206.7MM.
  - ❖ As of Q4 2021, all loans are current.

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## Financial Trends

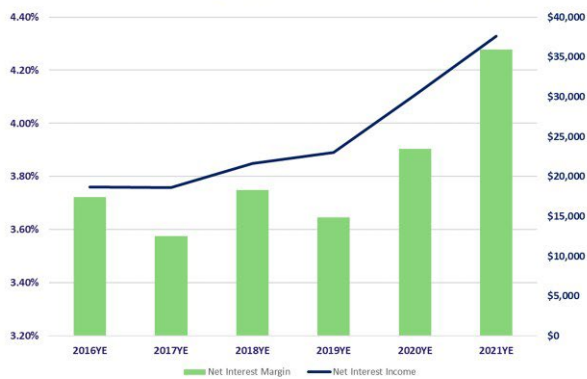


- Strong Net Interest Income Growth
- Consistent Non-interest Income Growth since 2017 due to:
  - SBA Loan Sales, and
  - SBA Servicing Income
- Increasing Return on Average Assets

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## Interest Income & Interest Expense Management

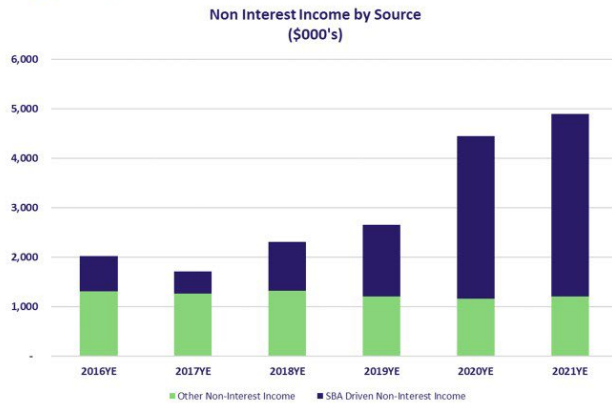
Net Interest Margin (%) and Net Interest Income (\$000's)



- Strong Net Interest Margin Compared to CA Peer Group
- Most recent 3 years show continued improvement in:
  - Net Interest Income Growth
  - Increased Profitability

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## Non-Interest Income



- Dedicated Small Business Lending Group Created in 2017
- Floating Rate Yields > 5%
- Increase in Non-interest Income through:
  - Consistent SBA Loan Sales
  - Growing SBA Servicing Income

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## Non-Interest Expense

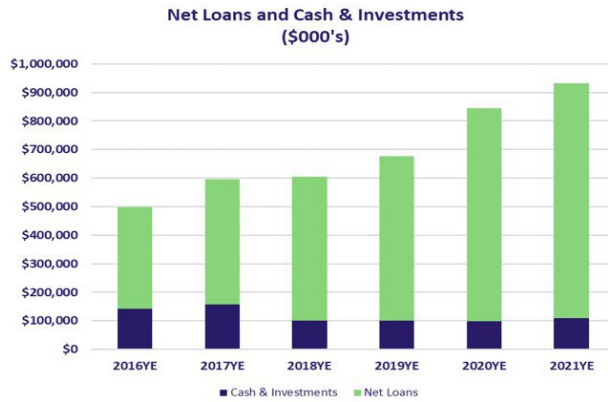


- Planned Increase in Staffing in 2017 Designed to Deliver Strategic Results
- Strong Performance in Efficiency with Consistent Gains through:
  - Income Growth, and
  - Expense Management
- Continually Reviewing Technology for Enhancements

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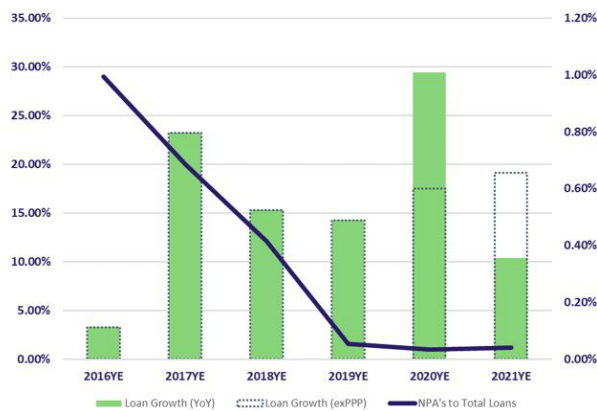
## Assets Trends



- Focused Growth on Investment Grade New Loans with Targeted Yield at 4.50%
- Loan Yield as of 2021Q4 at 4.92% (excluding PPP)
- Maintained Mix of Loan Concentrations with Growth in Small Business Lending
- Organic Loan Growth through Strong Relationship Practices

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## Loan Growth & Asset Quality

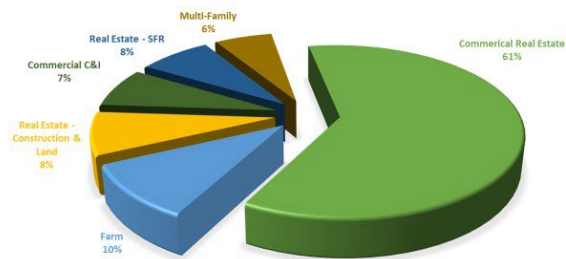


- Continued Peer Group Leader in Year-Over-Year Loan Growth
  - Loan Growth (YoY) without PPP Loans at 18.9%
- High Asset Quality – Zero Delinquencies Outside of NPA's
- Strong Reserves (Allowance for Loans & Lease Losses – ALLL)
  - ALLL is 1.50% without PPP Loans, which Carry a Zero-Risk Weighting
- CECL Conversion as of January 1, 2021

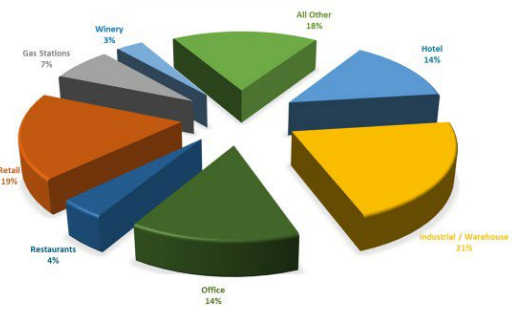
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## Loan Composition

Total Loan Portfolio



CRE Loan Portfolio

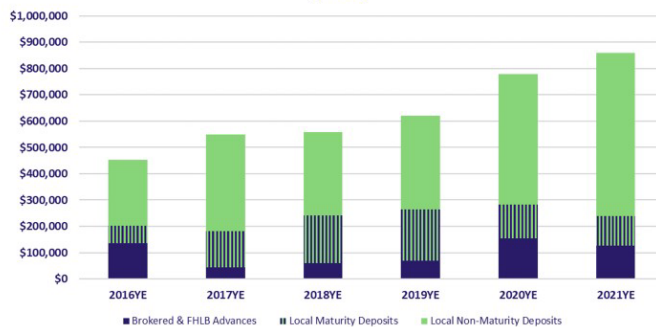


- Diversified Portfolio with Manageable Risk through Pandemic
- Total Portfolio LTV 45% (ex C&I); CRE LTV 48%
- CRE LTV 48% for Property Types with Higher Risk due to Pandemic
  - Wineries, Hotels, Restaurants, and Retail at ~39.5% of CRE Portfolio

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## Liabilities Trends

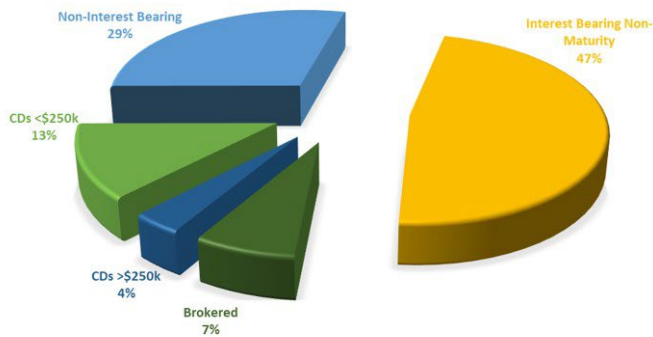
Local Deposits and Brokered & FHLB Advances  
(\$'000's)



- Focus on Local Deposit Growth
- Commercial & Consumer Deposit Products Offered
- Managed & Disciplined Use of Brokered Deposits & FHLB Advances
- FY2021 Average Cost of Funds at 0.50%
- Deposit growth from 2016 to 2021:
  - Local Non-Maturity Deposits went from 56% to 72% of Total Deposits
  - Total Local Deposits went from 70% to 85% of Total Deposits

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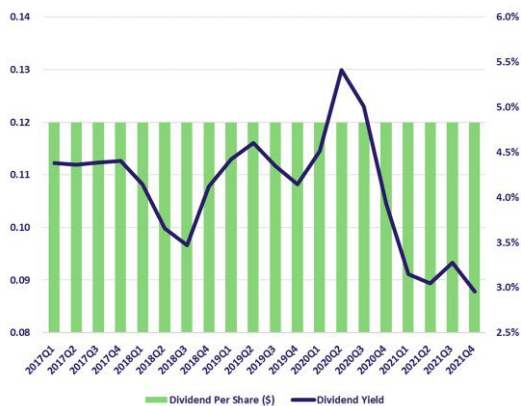
## Deposit Composition



- Organic Deposit Growth through Strong Relationship Practices
- Focused Local Deposit Growth
  - Focused on Non-Interest Deposit Growth
- FY2021 Average Cost of Deposits at 0.39%

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## Historical Dividend Payout



- Consistent and Sustainable Quarterly Dividends
- Dividend Yield ~3.0% at 2021Q4 as Stock Price Increases
- A 10% stock dividend was granted in 2021
- A five-for-four stock split was granted in 2017

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## Consistently Delivers Strong Stock Value



Graph illustrates investment in 1 share of stock beginning in 2016

- 2016: One share of stock purchased
- 2017: A five-for-four stock split results in 1.25 shares outstanding
- 2021: A one time 10% stock dividend results in 1.38 shares outstanding

*Note: Value represents the Bank's average annual stock price adjusted historically for splits and dividend multiplied by the number of shares*

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## Recent PEER Analytics Comparison

	California Peer Group (\$500MM - \$1.25B) at (Multiple Items)				
	Summit State	25th Percentile	50th Percentile	75th Percentile	Maximum
<b>Income Statement Ratios</b>					
Return on average assets	1.6%	1.1%	1.2%	1.5%	2.2%
Return on average equity	18.5%	11.9%	14.0%	17.6%	21.8%
Efficiency Ratio	47.8%	58.9%	53.0%	45.0%	36.4%
Net interest margin	4.3%	3.2%	3.5%	3.7%	4.4%
Average Loan Yield	5.2%	4.6%	4.8%	4.9%	5.4%
Average Asset Yield	4.8%	3.4%	3.7%	3.8%	5.0%
Avg Cost of Deposits	0.4%	0.2%	0.1%	0.1%	0.0%
Avg Cost of Liabilities	0.5%	0.2%	0.1%	0.1%	0.0%

- Most of the Bank's performance metrics are above the 75<sup>th</sup> percentile of peers
- The Bank may price its deposits towards the upper end of market to fund consistently strong loan growth activities

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## Awards and Accolades



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## Get in Touch

### MAILING ADDRESS

500 Bicentennial Way  
Santa Rosa, CA 95403

### CONTACT

Barbara Gradman  
VP, Corporate Secretary  
[bgradman@summitstatebank.com](mailto:bgradman@summitstatebank.com)  
(707) 568 6000

