OFFERING CIRCULAR

SUMMITBANK

96 E. Broadway
Eugene, Oregon 97401
(541) 684-7500

Offering a Maximum of 500,000 Shares ($5,000,000)
$10.00 per share

Summit Bank is offering, concurrently to our current shareholders, our employees, and to the general public, up to 500,000 shares of our common stock (the "Offering"). The Offering will commence on May 4th 2020, and will terminate on May 29th, 2020, unless terminated earlier or extended by us. We reserve the right to increase the size of the offering to 600,000 shares ($6,000,000) in our discretion, without amending this Offering Circular. The minimum investment for non-employee investors is 2,500 shares ($25,000), subject to our discretion to accept lesser amounts. The minimum investment for employee investors is 100 shares ($1,000). The maximum investment amount per household for all investors is 100,000 shares ($1,000,000), subject to our discretion to accept a larger amount.

Since the Bank is "well-capitalized" under applicable regulatory definitions, completion of the Offering is not conditioned upon our receiving a minimum total amount of subscriptions. Once a subscription has been accepted by us, it cannot be revoked by the subscriber. Accordingly, the Bank reserves the right to take any or all accepted subscriptions into capital as received. See "TERMS OF THE OFFERING."

Investment in the shares involves certain risks. See "RISK FACTORS" beginning on page 3 for information that should be considered by each prospective investor.

THESE SECURITIES ARE OFFERED PURSUANT TO EXEMPTIONS FROM REGISTRATION UNDER FEDERAL AND STATE SECURITIES LAWS. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION ("FDIC"), THE SECURITIES AND EXCHANGE COMMISSION ("SEC") OR ANY STATE SECURITIES COMMISSION, NOR HAVE THE FDIC, THE SEC OR ANY STATE SECURITIES COMMISSION OR BANKING AGENCY PASSED ON THE ADEQUACY OR ACCURACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

	Price to Public(1)	Underwriting Discounts and Commissions(2)	Proceeds to Bank(2)(3)
Per Common Share	$10.00	$-0-	$10.00
Maximum Offering	$5,000,000	$-0-	$5,000,000

(1) The offering price for the shares has been determined by Summit Bank based upon various factors deemed relevant, including recent trading prices on the OTCBB. See "RISK FACTORS."
(2) No commissions will be paid to Summit Bank's management in connection with sales. See "TERMS OF THE OFFERING."
(3) Before deducting estimated expenses of the Offering of approximately $25,000 including legal and accounting fees, printing and other miscellaneous expenses payable by the Bank.

The date of this Offering Circular is April 29th, 2020

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This Offering Circular does not constitute an offer to sell or a solicitation of any offer to buy any of the securities being offered, in any state in which it is unlawful to make such offer or solicitation. The Bank reserves the right not to offer or sell shares to any person if, in the Bank's determination, the costs and regulatory requirements of complying with applicable state securities laws are unduly burdensome.

THESE SECURITIES ARE NOT DEPOSITS. THESE SECURITIES ARE NOT INSURED BY THE FDIC OR ANY OTHER AGENCY AND ARE SUBJECT TO INVESTMENT RISK, INCLUDING THE POSSIBLE LOSS OF PRINCIPAL.

OFFERING CIRCULAR SUMMARY

The following summary is qualified by the more detailed information and the financial statements appearing elsewhere in this Offering Circular.

The Bank

Summit Bank (the "Bank") is an Oregon state chartered non-Federal Reserve member bank. We began operations in 2004. We are a full-service commercial bank headquartered in Eugene, Oregon with additional full service banking offices in Bend and Portland, Oregon

As of March 31, 2020, we had $567.5 million in assets, $464.2 million in total net loans, $499.8 million in deposits and $47.9 million in tangible common equity.

We specialize in providing high-level banking services to professionals and to medium-sized business and their owners. Our core model centers around a team of responsive, dedicated, passionate and committed financial professionals enabling clients to reach their personal and professional financial goals. We offer a full line of deposit and lending products through Business Client Advisors that are experienced in commercial real estate lending, commercial & industrial, consumer loans and other financial products. See "THE BANK" below for more information about us.

Our Eugene office and corporate headquarters are located at 96 E. Broadway, Eugene, Oregon 97401. Our Bend, Oregon office is located at 560 SW Columbia Street in Bend, Oregon. Our Portland, Oregon office is located at 222 SW Columbia, Suite 200 in Portland, Oregon. Our telephone number is (541) 684-7500. Our stock is quoted on the OTC Bulletin Board (OTCBB) under the symbol "SBKO."

Our website is https://www.sbko.bank. However, information on our website does not constitute a part of this Offering Circular.

Possible Holding Company Reorganization

Our board of directors and management has and is presently considering that it may be in the best interests of the Bank and its shareholders to form an Oregon state-chartered holding company ("Holding Company") to act as the holding company for the Bank. Among other things, the Holding Company would provide additional flexibility in providing capital for the Bank's anticipated future growth. If the board decides to proceed, the Holding Company reorganization would require the approval of the Bank's regulators and shareholders.

Conditions of the Offering

Completion of the Offering is not conditioned upon the Bank's receiving a minimum amount of subscriptions. There can be no assurance that the maximum Offering of 500,000 shares, or any other specific offering amount, will be attained. No escrow arrangements will be made with respect to the Offering. As a result, all subscription funds received and accepted by the Bank will be retained by the Bank and returned only as described in "TERMS OF THE OFFERING – Subscription Funds."

While no modification of the terms of the Offering are anticipated, in the event of any material changes (such as price or maximum number of shares offered), subscribers will be resolicited and will be given an opportunity to rescind their investment.

The purpose of the Offering is to raise funds to increase the Bank's capital in anticipation of continuing growth and expansion opportunities. See "USE OF PROCEEDS."

We will offer shares to our current shareholders, our employees, and to the general public simultaneously, all on a "first-come-first served" basis. See "TERMS OF THE OFFERING."

We reserve the right to increase the size of the Offer ing, in the event of oversubscription, by up to 20% (resulting in an Offering amount of up to $6,000,000) without amending this Offering Circular.

The Offering

Common Stock Offered: Price	500,000 shares at $10.00 per share.
Common Stock to be Outstanding After the Offering...	5,710,018 shares (assuming all offered shares are sold).
Minimum Subscription..	2,500 shares ($25,000) for non-employee investors. 100 shares ($1,000) for employee investors. See "TERMS OF THE OFFERING."
Maximum Subscription	100,000 shares ($1,000,000) per household. See "TERMS OF THE OFFERING."
Use of Proceeds	To support the Bank's future growth and increase capital generally. See "USE OF PROCEEDS."
Special Factors to be Considered	Purchase of the Shares involves a number of risks. See "RISK FACTORS."

Plan of Distribution

The Offering will commence on May 4th, 2020 and continue until May 29th, 2020, unless we terminate it earlier, or extend it. The Offering will be made simultaneously to our current shareholders, our employees, and the general public, on a "first-come-first-served" basis.

We reserve the right to accept any subscription in whole or in part. Any subscription funds for shares that are not issued and sold will be promptly returned to the subscriber at the conclusion of the Offering, without interest or deduction. See "TERMS OF THE OFFERING -- Subscription Funds."

RISK FACTORS

An investment in our shares involves certain risks, including those described below. Before making an investment decision, you should read carefully and consider these risk factors. You should also refer to other information contained elsewhere in this Offering Circular, including the financial statements and related notes. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also materially and adversely affect our business and operations. If any of the following risks actually occur, the value of our shares could decline significantly, and you could lose all or part of your investment.

Risks Associated with Economic Conditions and Our Business

Economic impact of the COVID-19 global pandemic over the near and longer term is highly uncertain and could lead to significantly deteriorated economic conditions in the market areas the Bank serves which may adversely impact its earnings and could increase the credit risk associated with its loan portfolio and the value of its investment portfolio.

The majority of the Bank's loans are to businesses and individuals in the Eugene/Springfield and Central Oregon market areas in Oregon, and a softening of the economy in either or both of these market areas could have a material adverse effect on our business, financial conditions, results of operations and prospects. Any future deterioration in the economy, whether nationally, regionally, or in the markets we serve, would have a negative impact on our business.

Any softening in economic conditions could result in the following consequences, any of which could have an adverse impact, which could be material, on our business, financial condition, results of operations and prospects:

- loan delinquencies may increase;
- problem assets and foreclosures may increase;
- collateral for loans made may decline in value, in turn reducing customers' borrowing power, reducing the value of assets and collateral associated with existing loans;
- certain securities within the investment portfolio could become other than temporarily impaired, requiring a write-down through earnings to fair value, thereby reducing equity;
- low cost or non-interest bearing deposits may decrease; and
- demand for loans and other products and services may decrease.

The overall effect of the COVID-19 pandemic on our credit quality and business operations, as well as its impact on general economic and financial market conditions is not quantifiable at this time. The swift response of the government with the Paycheck Protection Program will support over 300 Summit Bank clients for at least 8 weeks. Furthermore, the government's payment of all SBA loan principal and interest due will support the Bank's SBA portfolio over the next 6 months.

Certain segments of our loan portfolio are more susceptible to the current COVID-19 pandemic and mitigation actions taken by state and local authorities and may experience increased credit deterioration.

The following table illustrates the percentage of the Bank's loan portfolio reliant upon market segments with significant exposure to the COVID-19 pandemic and associated government response:

Summit Bank - Loans by Industries Most Susceptible to COVID-19
As of March 31, 2020

Description	Totals*	As % of Total Net Loans
Health Care Services including office of Physicians and Dentists	27,049,941	5.8%
Hotel, Motel, and other Accommodation	9,490,695	2.0%
Food Services and Drinking Places	5,934,016	1.3%
Retail Trade	5,347,218	1.2%
Nursing and Residential Care Facilities	4,237,945	0.9%
Other Services (except Public Administration)	2,185,234	0.5%
Social Assistance	1,587,244	0.3%
Hospitals	720,997	0.2%
	56,553,290	**12.2%**

** Does not include exposure on unfunded commitments*

We do not know how the general economic downturn or the effect of the COVID-19 pandemic will affect our Equipment Financing program. The current loss rates and trailing six month loss rates have been negatively impacted. The trucking industry was severely impacted by the reduction in goods coming in from China to domestic ports and the segment has experienced elevated loan related charge offs in the first quarter. Continued credit challenges in this portion of the Bank's business could stress earnings and capital. As of March 31st 2020, 4.1% of Equipment Finance program loans were 30 days or over past due by dollar amount compared to 2.3% as of March 31st 2019.

We do not know how a general economic slowdown due to the effect of the COVID-19 pandemic will affect our Central Oregon market. The Bank's exposure to general commercial real estate in Central Oregon is material, comprising 19.2% of the Bank's overall loan portfolio. Stress in this portfolio could have significant negative impact upon operating earnings and Bank capital. Currently 16 COVID-19 related loan modifications have been approved for Central Oregon borrowers. There were no real estate loans 30 days or more past due as of March 31st 2020.

Our loan portfolio mix increases our exposure to credit risks tied to deteriorating economic conditions.

Our loan portfolio contains a high percentage of commercial real estate and commercial loans in relation to total loans and total assets. These types of loans have historically been viewed as having more risk of default than residential real estate loans or certain other types of loans or investments. In fact, the FDIC has issued pronouncements and guidance alerting banks of its concern about banks with a heavy concentration of commercial real estate loans. These types of loans are often larger than residential real estate loans and other commercial loans. Because our loan portfolio contains a few commercial and commercial real estate loans with relatively large balances, the deterioration of one or more of these loans may cause a significant increase in non-performing loans. A deterioration of the economic conditions or real estate values in the markets we serve could have a material adverse effect both on our borrowers' ability to repay these loans, as well as the value of the real property held as collateral. Our ability to recover on these loans by selling or disposing of the underlying real estate collateral is adversely impacted by declining real estate values, which increases the likelihood that we will suffer losses on defaulted loans secured by real estate beyond the amounts provided for in the allowance for loan losses that we maintain to address loan losses. This, in turn, could require material increases in our allowance for loan losses which would adversely affect our financial condition and results of operations, perhaps materially.

We have experienced a period of rapid growth, which can present additional challenges in connection with effective credit risk management.

Our loan portfolio has grown, over the last twelve quarters, from $234 million as of March 31st, 2017 to $464 million as of March 31st 2020, an annualized increase of 25.8%. This rapid growth presents certain risks, as this portion of our loan portfolio has not seasoned, relative to older loans made to customers with whom we have a long-standing relationship and payment history. Accordingly, these loans place a premium on the importance of effective credit risk management.

One of our lines of business involves the financing of small business equipment, with a concentration in the trucking industry, which presents additional risk for us as these types of loans tend to be more susceptible to changes in the economic environment than traditional commercial loans.

As part of our commercial lending activities, we provide financing for purchase or refinance of new and used equipment, typically trucks and trailers. These loans are originated and managed by a lending unit within the Bank staffed by lenders with experience in higher risk, higher yielding equipment finance. These loans account for approximately 11% of the Bank's loan portfolio. These loans have their own underwriting guidelines as defined by Bank policy and administered by the Bank's Loan Committee and Executive Management. It is possible that we will incur greater than anticipated losses from these loans as a result of a future economic downturn, disruptions in the trucking industry, or rapid increases in fuel prices.

We are subject to ongoing regulatory compliance risk

During 2019, the Bank identified a potential future liability associated with a regulatory compliance matter which was unresolved as of December 31 2019. Management included an estimate of the ultimate cost to the Bank of $275,000 in other liabilities and other operating expense in the 2019 balance sheets and statements of income, respectively. Subsequent to December 31 2019, the matter has been resolved satisfactorily with an economic impact to the Bank that does not materially exceed the $275,000 fiscal year end accrual.

There are risks associated with our marketing focus on smaller businesses.

Our marketing focus on small to medium-sized businesses may involve special risks to the extent that smaller companies may have shorter operating histories than larger companies, less sophisticated internal recordkeeping and financial planning capabilities, and greater debt to equity ratios. Our management carefully evaluates loan applications and attempts to minimize our credit risk exposure through appropriate loan application and approval procedures. However, there can be no assurance that our focus on small-to-medium sized businesses will not expose us to additional risks and possible adverse effects on our loan portfolio.

Our allowance for loan losses may not be adequate to cover actual loan losses, which could adversely affect earnings.

We maintain an allowance for loan losses (ALL) in an amount that we believe is adequate to provide for losses inherent in the portfolio. While we strive to carefully manage and monitor credit quality and to identify loans that may become non-performing, at any time there are loans included in the portfolio that will result in losses, but that have not yet been identified as non-performing or potential problem loans. By closely monitoring credit quality, we attempt to identify deteriorating loans before they become non-performing assets and adjust the ALL accordingly. However, because future events are uncertain, particularly as regards the possibility of an economic down-cycle in the future, there may be loans that deteriorate to a non-performing status in a manner inconsistent with our observed history. As a result, future additions to the ALL may be necessary. Because the loan portfolio contains some loans with relatively large balances, the deterioration of one or a few of these loans may cause a significant increase in non-performing loans, requiring an increase to the ALL. Future additions to the ALL may also be required based on changes in the mix of loans and/or changes in the financial condition of borrowers, which may result from changes in economic conditions or as a result of incorrect assumptions by management in determining the ALL. Additionally, federal and state banking regulators, as an integral part of their supervisory function, periodically review our loan portfolio and the adequacy of the ALL. These regulatory agencies may require us to recognize further loan loss provisions or charge-offs based upon their judgments, which may be different from our judgments. Any increase in the ALL would have a negative effect, which could be material, on our financial condition and results of operations.

In addition, the Financial Accounting Standards Board has adopted a new accounting standard update ("ASU") 2016-13 that will be effective for us on January 1, 2023. This standard, referred to as Current Expected Credit Loss, or CECL, will require financial institutions to determine periodic estimates of lifetime expected credit losses on loans, and recognize the expected credit losses as allowances for credit losses. This will change the current method of providing allowances for credit losses that are probable, which may require us to increase our allowance for loan losses.

Decline in the fair value of our investment portfolio could adversely affect earnings.

The fair value of our investment securities could decline as a result of factors including changes in market interest rates, credit quality and ratings, lack of market liquidity and other economic conditions. Investment securities are impaired if the fair value of the security is less than the carrying value. When a security is impaired, we determine whether the impairment is temporary or other-than-temporary. If an impairment is determined to be other-than temporary, an impairment loss is recognized by reducing the amortized cost only for the credit loss associated with an other-than-temporary loss with a corresponding charge to earnings for a like amount.

Fluctuating interest rates could adversely affect our profitability.

Our profitability is dependent to a large extent upon our net interest income, which is the difference (or "spread") between the interest earned on loans, investment securities and other interest-earning assets and interest paid on deposits, borrowings, and other interest-bearing liabilities. Because of the differences in maturities and repricing characteristics of our interest-earning assets and interest-bearing liabilities, changes in interest rates do not produce equivalent changes in interest income earned on interest-earning assets and interest paid on interest-bearing liabilities. Accordingly, fluctuations in interest rates could adversely affect our net interest margin, and, in turn, our profitability. We manage our interest rate risk within established guidelines and generally seek an asset and liability structure that insulates net interest income from large deviations attributable to changes in market rates. However, our interest rate risk management practices may not be effective in a highly volatile rate environment.

Changes in the method of determining the LIBOR or other reference rates may adversely impact the value of loans receivable and other financial instruments we hold that are linked to LIBOR or other reference rates in ways that are difficult to predict and could adversely impact our financial condition or results of operations.

In July 2017, the United Kingdom Financial Conduct Authority announced that the London Interbank Offered Rate ("LIBOR") will be replaced at the end of 2021. LIBOR is used extensively in the U.S. and globally as a "benchmark" or "reference rate" for various commercial and financial contracts. Although a potential successor to LIBOR has been identified, there are significant conceptual and technical differences between that model and LIBOR. It is not currently possible to determine whether, or to what extent, the replacement of LIBOR will impact the value of any loans, and other financial obligations or extensions of credit we hold or that are due to us, that are linked to LIBOR or other reference rates, or whether, or to what extent, such changes would impact our financial condition or results of operations.

The current volatile interest rate environment may be expected to affect our profit margins in the near-to-mid-term.

Significant uncertainty currently exists in the financial markets as to the expected future path of national and global economic conditions and the effect of same on both short and long term interest rates. Typically, a protracted low interest rate environment (both in the costs of funding and in prevailing lending and investment interest rates) can be expected to result in lower net interest margins ("spread") which will tend to lower the profitability of the Bank and financial institutions generally.

Competition in our market areas may limit future success.

Commercial banking is a highly competitive business. We compete with other commercial banks, savings and loan associations, credit unions, finance, insurance and other non-depository companies operating in our markets, which primarily consist of the greater Eugene and Bend Oregon market areas. We are subject to substantial competition for loans and deposits from other financial institutions. Some of our competitors are not subject to the same level of taxation, have a greater tolerance for risk and offer lower pricing. Some of our competitors have greater financial resources than we do and are thereby able to serve the credit needs of larger customers. If we are unable to effectively compete in our market areas, our business, results of operations and prospects could be adversely affected.

We are subject to extensive regulation which could adversely affect our business.

We are subject to extensive regulation, supervision and examination by federal and state banking regulators. Any change in applicable regulations, or federal, state, or local legislation or in policies or interpretations or regulatory approaches to compliance and enforcement, income tax laws and accounting principles could have a substantial impact on us and our operations. Changes in laws and regulations may also increase expenses by imposing additional fees or taxes or restrictions on operations. Additional legislation and regulations that could significantly affect powers, authority and operations may be enacted or adopted in the future, which could have a material adverse effect on our financial condition and results of operations. Failure to appropriately comply with any such laws, regulations or principles could result in sanctions by regulatory agencies or damage to our reputation, all of which could adversely affect our business, financial condition or results of operations.

Regulators have significant discretion and authority to address what regulators perceive to be unsafe or unsound practices or violations of laws or regulations by financial institutions in the performance of their supervisory and enforcement duties. Existing and proposed federal and state laws and regulations restrict, limit and govern all aspects of our activities and may affect our ability to expand our business over time, may result in an increase in our compliance costs, and may affect our ability to attract and retain qualified executive officers and employees. Recently, these powers have been utilized more frequently due to the challenging national, regional and local economic conditions. The exercise of regulatory authority by banking regulators over us may have a negative impact on our financial condition and results of operations, including limiting the types of financial services and products we may offer or increasing the ability of nonbanks to offer competing financial services and products. Additionally, in order to conduct certain activities, including acquisitions, we are required to obtain regulatory approval. There can be no assurance that any required approvals can be obtained, or obtained without conditions or on a timeframe acceptable to us.

In addition, this increased regulation of the financial services industry restricts the ability of firms within the industry to conduct business consistent with historical practices, including aspects such as compensation, new consumer protection regulations and mortgage regulation, among others. Congress or state legislatures could also adopt laws reducing the amount that borrowers are otherwise contractually required to pay under existing loan contracts, require lenders to extend or restructure certain loans or limit foreclosure and collection remedies. Federal and state regulatory agencies also frequently adopt changes to their regulations or change the manner in which existing regulations are applied.

The Dodd-Frank Act established 1.35% as the minimum deposit insurance fund reserve ratio and eliminated the requirement that the FDIC pay dividends to insured depository institutions when the reserve ratio exceeds certain thresholds. Despite the FDIC's actions to strengthen the deposit insurance fund, the fund may suffer additional losses in the future due to failures of insured institutions. There may be additional significant deposit insurance premium increases, special assessments or prepayments in order to restore the insurance fund's reserve ratio. Any significant premium increases or special assessments could have a material adverse effect on our financial condition and results of operations.

We cannot predict the substance or impact of pending or future legislation or regulation, or the application thereof. Compliance with current and potential regulation may significantly increase our costs, impede the efficiency of our internal business processes, require us to increase our regulatory capital or limit our ability to pursue business opportunities in an efficient manner. In response, we may be required to raise additional capital, which could have a dilutive effect on the existing holders of our common stock or adversely affect the market price of our common stock.

A failure in or breach of our operational or security systems, or those of our third party service providers, including as a result of cyber attacks, could disrupt business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase costs and cause losses.

Our operations rely heavily on the secure processing, storage and transmission of confidential and other information on our computer systems and networks. Any failure, interruption or breach in security or operational integrity of these systems could result in failures or disruptions in our online banking system, customer relationship management, general ledger, deposit and loan servicing and other systems. The security and integrity of our systems could be threatened by a variety of interruptions or information security breaches, including those caused by computer hacking, cyber attacks, electronic fraudulent activity or attempted theft of financial assets. While we have certain protective policies and procedures in place, the nature and sophistication of the threats continue to evolve. We may be required to expend significant additional resources in the future to modify and enhance its protective measures.

Additionally, we face the risk of operational disruption, failure, termination or capacity constraints of any of the third parties that facilitate its business activities, including exchanges, clearing agents, clearing houses of other financial intermediaries. Such parties could also be the source of an attack on, or breach of, our operational systems.

Our success is dependent on our senior management team.

Our success depends significantly upon the management skills of our Chief Executive Officer, Craig Wanichek, our Chief Financial Officer, Scott Goldstein, and a limited number of other key management personnel. The loss of any of their services could materially and adversely affect our future results of operations and financial condition. Our success also depends in part on our ability to attract and retain additional qualified management personnel.

Risks Associated with this Offering and Our Common Stock

We have subjectively established the offering price, and the price may not reflect the actual value of the shares.

The offering price of $10.00 per share has been subjectively established, taking into account, among other things, the trading price of our shares through the OTCBB, trading prices of comparable peer financial institutions, our recent growth and earnings, and future prospects. See "TERMS OF THE OFFERING -- Offering Price" below for a discussion of the factors considered by our board of directors in establishing the offering price. No independent investment banking firm or securities dealer has been retained to assist in the valuation of the shares or in the determination of the offering price. There can be no assurance that the offering price reflects the actual value of the shares being offered.

The Offering is not conditioned upon our receipt of a minimum amount of subscriptions, and if we raise substantially less than the $5,000,000 being offered, our anticipated future growth may be slowed.

Our ability to close this Offering and accept investor funds in exchange for common stock is not conditioned upon our receipt of any minimum amount of subscriptions. Some offerings establish a "floor" or minimum amount to be raised, and in such offerings investor subscriptions are returned if the minimum amount is not reached by a specified date. This Offering has no minimum amount, and there can be no assurance that we will raise a gross amount of $5,000,000, or any other specific amount, in the Offering. To the extent that the amount ultimately raised in the Offering is substantially less than $5,000,000, the reduced amount of proceeds to be deployed in pursuit of our business strategies and objectives may result in slower future growth or the need for additional capital. See "USE OF PROCEEDS."

There is no active trading market for our shares.

Our shares are quoted on the OTCBB, which is an interdealer quotation system and not a national securities exchange or automated quotation system such as NASDAQ. Because of the relatively limited trading activity in our shares, the market price from time to time may be more volatile than would be the case with an actively traded stock. See "THE BANK – Market for Common Equity and Related Stockholder Matters."

We do not expect to pay cash dividends in the foreseeable future.

We have never paid a cash dividend and we do not expect to pay a cash dividend in the foreseeable future. We presently intend to retain earnings and increase capital in furtherance of our overall growth strategy. Any future determination to pay dividends will be at the discretion of our board of directors and will be dependent upon then-existing conditions, including our financial condition and results of operations, capital requirements, contractual restrictions, business prospects and other factors that the board of directors considers relevant.

We may pursue additional capital in the future, which could dilute the holders of our outstanding common stock and may adversely affect the trading price of our common stock.

In the current economic environment, we believe it is prudent to consider alternatives for raising capital when opportunities to raise capital at attractive prices present themselves, in order to further strengthen our capital and better position ourselves to take advantage of opportunities that may arise in the future. Such alternatives may include issuance and sale of additional shares of common stock by us. Any such capital raising alternatives could dilute the ownership percentage of holders of our outstanding common stock, since there are no preemptive rights for existing shareholders, and may adversely affect the trading price of our common stock and our performance measures such as earnings per share.

Certain provisions in our Articles of Incorporation could make a third party acquisition of us difficult.

Our Articles of Incorporation and Bylaws provide that our board of directors is divided into three classes of directors serving staggered terms of office, with one class of directors elected each year for a three year term. The use of a staggered board may make a change in control, or the removal of management, more difficult, as only a third of the directors are elected in any given year. Additionally, our Articles of Incorporation allow our board of directors to consider all relevant factors, including non-monetary factors, when evaluating any offer for the acquisition of the Bank. Such provisions could make it more difficult for a third party to acquire us and for holders of our shares to receive any related takeover premium for their shares. See “DESCRIPTION OF CAPITAL STOCK -- Anti-Takeover Effects of Certain Provisions of Our Charter Documents and Law.”

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Offering Circular contains certain forward-looking statements. You should not place undue reliance on those statements because they are subject to numerous uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. These forward-looking statements include, but are not limited to, (i) statements about our plans, objectives, expectations and intentions and other statements that are not historical facts, and (ii) other statements identified by words such as "believes," "expects," "anticipates," "estimates," "intends," "will," "plans" or similar words or expressions. Some of the factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, but are not limited to, the following possibilities:

- uncertainty regarding the effect of the current COVID-19 pandemic and governmental steps to address the pandemic on our customers, borrowers, and results of operations;
- our ability to execute our business strategy successfully;
- revenues are lower than expected;
- credit quality deterioration that could cause an increase in the provision for loan losses;
- competitive pressure among depository institutions increases significantly;
- changes in regulatory environment and/or regulatory compliance burden;
- changes in consumer spending, borrowings and savings habits;
- a change in the interest rate environment reduces interest margins;
- asset/liability repricing risks and liquidity risks;
- general economic conditions, particularly those affecting real estate values, either nationally or in the market areas in which we do business, are less favorable than expected;
- loss of key personnel;
- the effects of and changes in monetary and fiscal policies and laws, including the interest rate policies of the Federal Reserve Board;
- continued volatility in the credit or equity markets and its effect on the general economy;
- demand for the products or services offered by the Bank; and
- the costs and effects of legal, accounting and regulatory developments.

We urge prospective investors to review carefully the section of this Offering Circular entitled "RISK FACTORS" in evaluating the forward-looking statements contained in this Offering Circular. Forward-looking statements speak only as of the date on which such statements were made. We do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date of this Offering Circular or to reflect the occurrence of unanticipated events.

TERMS OF THE OFFERING

Method of Offering

General

The Offering will commence on **May 4th, 2020** and will continue until **May 29th, 2020,** unless we terminate it earlier, or extend it, in our discretion. The date upon which the Offering is concluded, whether May 29th, 2020 or any earlier or later date, is referred to as the "Termination Date."

Non-employee investors must subscribe for at least 2,500 shares ($25,000). We reserve the right, however, to accept subscriptions for lesser amounts in our sole discretion. In order to encourage share ownership of our employees and to provide an opportunity to invest in the Bank, the minimum subscription for employees is 100 shares ($1,000).

In the event of oversubscription, we reserve the right to increase the amount of the Offering by up to 20%, to 600,000 shares ($6,000,000) without amending the Offering or this Offering Circular.

We reserve the right to reject any subscription in whole or in part. If we reject any subscription, the full amount of subscription funds tendered will be returned promptly to the subscriber without any interest or deduction.

If we receive signed subscription agreements prior to the Termination Date, but such subscriptions are being made by or through an individual retirement account ("IRA") and the applicable funding and related documentation cannot be finalized by the Termination Date, we reserve the right to accept such subscription at a date after the Termination Date, when the funding and related documentation is completed.

We will offer shares to our current shareholders, employees and the general public simultaneously, on a "first-come-first-served" basis.

Offering Price

As noted under "RISK FACTORS -- *We have subjectively established the offering price*," the offering price of $10.00 per share has been subjectively established by the Bank taking into account, among other things, recent trading prices for the shares in limited trading on the OTCBB, trading prices of shares of comparable peer financial institutions, our historical and recent performance, including our recent growth and earnings, and future prospects. No independent investment banking firm or securities dealer was retained to assist in the determination of the Offering price.

Restrictions on Ownership under Applicable Law

The Bank Holding Company Act requires that any "company" as defined in the Bank Holding Company Act must obtain approval of the Federal Reserve Board prior to the acquisition of 5% or more of our common stock. Any person, or group of persons acting in concert, other than a bank holding company, is required to obtain prior approval of the Federal Deposit Insurance Corporation ("FDIC") to obtain 10% or more of our common stock under the Change in Bank Control Act.

Broad Bank Discretion

We reserve broad discretion to accept or reject any subscription or to limit the amount of any subscription. Among the factors that we will consider in determining to accept a subscription, in whole or in part, are the following:

Right to Reject Subscription -- State of Residence

Shareholders (whether current shareholders or new shareholders) should be aware that we will be entitled to exercise broad discretion in determining whether to sell shares to them. We may, in our absolute and sole discretion, reject any subscription. Among other matters, in determining whether shares will be sold to any particular subscriber (whether a current or new shareholder), we may consider whether the subscriber's state of residence imposes any restrictions on, or costs in connection with, the sale of our securities to its residents.

How to Subscribe

We have prepared a form of subscription agreement, which is included with this Offering Circular. The subscription agreement should be completed, signed by the subscriber, and delivered with full payment for the number of shares subscribed to: Summit Bank, Attention: Investor Relations, 96 E. Broadway, Eugene, Oregon 97401. Checks should be made payable to "Summit Bank."

The following information is provided for subscribers who desire to transmit their subscription funds by wire:

Wire to:	Pacific Coast Bankers' Bank
Routing No.:	121042484
Beneficiary/Credit to:	Summit Bank
Account No:	123206914
For Further Credit to:	[SUBSCRIBER NAME AND "2020 STOCK OFFERING"]

If you need additional assistance regarding wire transfers, contact the Bank at (541) 684-7500. <u>If you transmit funds via wire transfer, remember to simultaneously provide the Bank with your completed subscription agreement, at the address above</u>.

Fully completed and signed subscription agreements, together with full payment for the subscribed shares, must be received at the offices of the Bank no later than 5:00 p.m. local time on **May 29th, 2020**, in order to participate in the Offering, unless the Offering terminates earlier or is extended in our discretion.

As noted under "-- Method of Offering" above, we reserve the right to accept subscriptions that will be made by or through an IRA, and which cannot be finalized by the Termination Date, at a date after the Termination Date, if we have received a signed subscription agreement relating to the shares to be purchased, prior to the Termination Date.

Possible Termination or Extension of Offering in Bank's Discretion

We reserve the right to either terminate the Offering prior to May 29th, 2020, or to extend the Offering in our sole discretion.

Commissions

We currently anticipate that the shares will be offered on a best-efforts basis by certain directors and executive officers of the Bank, and no commissions, fees, or other remuneration will be paid to any such persons in connection with the sale of shares in this Offering.

Subscription Funds

All subscription funds that we receive and formally accept will become our property. Once we have accepted a subscription, it cannot be revoked by the subscriber.

If the subscription of any person is rejected in whole or in part, or cannot be accommodated due to oversubscription of the Offering or any other reason (see "— Broad Bank Discretion" above), any subscription funds not applied to the purchase of Bank common stock will be promptly returned to the subscriber, without interest or deduction.

Stock Certificates

We will issue certificates for shares duly subscribed, paid for and accepted as soon as practicable after completion of the Offering.

Purchase Intentions of Our Directors and Executive Officers

Based on non-binding commitments received by the Bank, our directors and executive officers have indicated that they intend to purchase, in the aggregate, approximately $750,000 of shares (75,000 shares) in the Offering. Assuming that they purchase the indicated number of shares (and assuming the Offering is fully subscribed at the $5,000,000 level) they will beneficially own approximately 23.4% of our outstanding shares following the Offering.

To the extent that the Offering is not fully subscribed, members of our board of directors reserve the right to purchase any unsold shares, subject to the $1,000,000 maximum investment per household applicable to all investors.

DILUTION

Our net book value at March 31st 2020 was $47.9 million or $9.20 per share. Net book value per share is determined by dividing the equity of the Bank (total assets less total liabilities) by the number of shares outstanding. Without taking into account any changes in such net book value after March 31st, 2020, other than to give effect to the sale of 500,000 shares offered by the Bank in this Offering (after deducting estimated Offering expenses of approximately $25,000 payable by the Bank), the pro forma net book value of the outstanding shares at March 31st 2020 would have been $52.9 million or $9.27 per share. This represents an immediate increase in net book value to present shareholders of $0.07 per share and an immediate dilution to new investors of $0.73 per share. The following table illustrates the dilution on a per-share basis:

Offering price per share		$10.00
Net book value per share prior to Offering (1)	$9.20	
Increase in net book value per share attributable to new investors	$0.07	
Pro forma net book value per share after Offering		$9.27
Dilution per share to new investors (2)		$0.73

(1) At March 31st, total shareholders' equity was $47.9 million and there were 5.21 million shares of common stock outstanding. Net book value per share was $9.20 and represents the Bank's total shareholders' equity divided by the total number of shares of common stock outstanding.

(2) Net book value dilution per share represents the difference between the amount per share paid by purchasers of common stock in the Offering and the pro forma book value per share of common stock immediately after the completion of the Offering.

Although existing shareholders will not experience net book value dilution of their shares as a result of the Offering, existing shareholders will experience a dilution in their respective ownership percentages of the Bank to the extent that such persons do not purchase shares in the Offering, and to the extent of sales of shares to new shareholders.

USE OF PROCEEDS

The net proceeds from the sale of shares offered by the Bank, assuming that all 500,000 shares are sold, is estimated to be $5,000,000, before deducting estimated expenses of the Offering of approximately $25,000. As this Offering is not conditioned on the sale of a minimum number of shares, the net proceeds to the Bank will be reduced to the extent that the maximum number of shares in this Offering are not subscribed. As a consequence, there can be no assurance that the maximum proceeds of $5,000,000, or any other particular amount, will be attained.

The Bank's board of directors believes that it is prudent to conduct a capital raise in order to supplement the Bank's capital, enhance the Bank's lending limits, and to support future growth in all three of the Bank's primary market areas of Eugene, Central Oregon and Portland, and strengthen capital generally.

PRO FORMA CAPITALIZATION

The following table presents the capitalization of the Bank as of March 31, 2020 and as adjusted for the sale of an additional $5,000,000 of shares, net of expenses of $25,000 in the Offering. Certain of the "As Adjusted" numbers are pro forma estimates and are provided for illustration purposes only.

(Dollars in thousands except per share data)	Actual	As Adjusted[1]
Shareholders' equity:		
Common Stock (no par value); authorized 10 million shares; issued and outstanding. 5.19 million actual, 5.39 million as adjusted [1]	$ 20,914	$25,889
Retained Earnings	$ 27,005	$27,005
Accumulated Other Comprehensive Loss, net of tax	$ 3	$ 3
Total Stockholders' Equity	$ 47,922	$52,897
Book value per common share	$9.20	$9.27
Regulatory capital ratios [2]		
Tier 1 Capital to Average Assets	9.1%	10.0%
Tier 1 Capital/CET1 to Risk Weighted Assets	9.1%	10.4%
Total Capital to Risk Weighted Assets	10.6%	11.6%

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(1) Assumes the Offering is fully subscribed.

(2) See "SUPERVISION AND REGULATION – Capital Adequacy."

THE BANK

General

Summit Bank began serving the needs of local businesses and clients in 2004 as the first independent community bank to open in the Eugene/Springfield area in over 25 years. The genesis of the Bank followed after multiple mergers left local business owners and professionals lacking the personalized service and professionalism long associated with locally founded and focused banking institutions. The board of directors is comprised of highly successful community members and it is their commitment together with the drive and passion of the Bank management and staff that has been instrumental in the success that Summit has achieved over our 16 year history.

Our board of directors and management's decision to manage concentrations in the Bank's loan portfolio and to focus on clients well-known to the Bank helped the Bank avoid serious difficulty during the recession of 2008-2009, a period during which approximately 40% of the banks chartered nationwide in 2004 failed. The Bank's asset growth (all organic) was measured and steady during its formative years. The Bank has, in recent years benefited from improving economic conditions as well as continuing consolidations within the banking industry which has allowed asset growth to accelerate.

In 2015, the Bank expanded its market area to Central Oregon with an office at 560 SW Columbia in Bend. In 2019 our board of directors decided to expand Summit's market area to the Portland metro area market and we opened a full service banking office at 222 SW Columbia in Portland. The goal for the Portland office has been to replicate the business model that has worked well thus far for Summit in Eugene and Central Oregon, i.e. a locally owned bank that values community involvement, a relationship-based business model and local decision making.

Market Area and Competition

Our primary market areas are the Eugene/Springfield metropolitan area, the Bend area and the Portland metropolitan area.

Eugene / Springfield:

- The Eugene metro employment growth rate has trended below national rate for the past year and the metro's unemployment rate has exceeded the national rate for the past decade. Despite this Eugene is considered to be at full employment with an unemployment rate of 3.1%. Eugene will always have a tenancy to trend above the national average due to the influx of people moving to the area for reasons other than work needing to find jobs.
- Eugene's median household income of approximately $47,500 is below the national median.
- Eugene's household income growth is in line with national performance, however population and household growth exceed the national levels.
- The Eugene-Springfield MSA is expected to continue to grow, but at a somewhat slower pace in the years ahead.

Central Oregon:

- Though above the national figure, Bend's unemployment rate is essentially at full employment at 3.1%. Population, labor force, and income growth are all strong.
- In the past 12 months, professional and business services saw strong job growth, and the manufacturing sector also saw robust gains.

- Median household income in Bend of $60,600 exceeds the national median.
- Bend was hard hit in the last recession with the median price of a single-family homes declining by 40% from May 2007 to March 2009. Comparatively, the national median price for SFRs declined by 21% in this period. Per the Bureau of Labor Statistics, the metro's unemployment rate peaked at 17.2% in March 2009. Bend has since made a strong recovery, experiencing some of the highest real estate appreciation rates in the U.S. over the last 10 years. The median home price has exceeded the prerecession high.

Portland:

- The Portland metro accounts for nearly half of Oregon's population at 48%, more than half of the jobs at 54%, and a majority of personal income taxes paid by Oregonians at 60%.
- The unemployment rate in the Portland metro area is currently 2.8%. Income and employment growth far exceed the national average, and population growth is strong.
- Healthy economic indicators drive the robust demand for commercial real estate in Portland. Developers have identified the strong migration as a demand driver for new projects, many of which are higher density. The Metro Council approved a 2,200-acre Urban Growth Boundary expansion in December 2018, after declining a boundary expansion three years prior.

Employees

We had a total of 95 employees at March 31st 2020. Our employees are not represented by any union nor are we a party to a collective bargaining agreement. We believe our relations with our employees are good.

Property

We own our headquarters building at 96 East Broadway in Eugene. We utilize approximately 70% of the 25,000 square foot building for our operations and administration and lease the remainder to commercial tenants. The property has onsite parking and a drive up window. We also own our Bend, Oregon office, with approximately 3,450 square feet of usable interior office space, and also featuring onsite parking and a drive up window.

Legal Proceedings

There are no material proceedings known to us, pending or contemplated, in which any director, or officer of the Bank, or any associate of any of the foregoing, is a party or has an interest adverse to the Bank. In the normal course of our business, we are from time to time involved in legal proceedings related to loans, collateral and similar issues, and we are currently involved in foreclosure proceedings on property taken as collateral for certain loans.

Market for Common Equity and Related Stockholder Matters

Trades in the Bank's shares are quoted on the OTC Bulletin Board (OTCBB) under the symbol "SBKO." The OTCBB does not list securities, but rather is an interdealer quotation system used by subscribing market makers. The OTCBB is owned and operated by the Financial Industry Regulatory Authority (FINRA), a private corporation that acts as a self-regulatory organization. The OTCBB is not a national stock exchange or a quotation system such as the Nasdaq Stock Market, Inc., with which it is not affiliated.

Trading in our shares has not been extensive, and such trades cannot be characterized as amounting to an active market. Due to the limited information available to us, the following price information may not accurately reflect the actual market value of the shares.

The last reported trade prior to the date of this Offering Circular occurred on April 24th, 2020, involving 600 shares at a price of $11.00 per share.

Number of Equity Holders

As of March 31st 2020, there were approximately 333 holders of record of our shares.

Cash Dividends

We have never paid a cash dividend on our common stock and we do not expect to pay a cash dividend in the foreseeable future. We presently intend to retain earnings and increase capital in furtherance of our overall business objectives. Any future determination to pay dividends will be at the discretion of our board of directors and will be dependent upon then-existing conditions, including our financial condition and results of operations, capital requirements, contractual restrictions, business prospects and other factors that our board of directors considers relevant.

Our ability to pay dividends is governed by various statutes. See "SUPERVISION AND REGULATION – Dividends".

Share Based Grants

The following tables describe the share based grants that are outstanding as of December 31 2019 under (i) the Bank's original Stock Option Plan approved by Summit Shareholders in 2005, and (ii) the Bank's 2015 Stock Option and Equity Compensation Plan. At December 31, 2019 and 2018, there were 196,060 and 235,361 shares of common stock available for future grants under the 2015 Plan. There has been no significant share based grant activity subsequent to December 31st 2019.

Expiration	Weighted average exercise price per share	Weighted average remaining contractual life	December 31, 2019 Exercisable	Outstanding
2020	$ 2.20	1.00	17,933	17,933
2021	1.97	1.25	6,300	6,300
2023	3.34	3.54	9,750	9,750
2025	7.65	5.36	31,875	31,875
2027	9.58	7.18	11,041	28,453
2028	12.94	8.12	9,844	31,856
2029	15.45	9.23	7,599	35,381
			94,342	161,548
Aggregate intrinsic value			$729,343	$874,237

Restricted Stock	Shares
Vesting in 2020	14,003
Vesting in 2021	1,419
Vesting in 2022	764
Vesting in 2023	168
Total	16,354

See "MANAGEMENT – 2015 Stock Option and Equity Compensation Plans" for further information about our equity compensation plans

SELECTED HISTORICAL FINANCIAL AND OTHER DATA

The following table presents selected financial information for the periods and at the dates indicated. You should also read the detailed information and the financial statements appearing elsewhere in this Offering Circular.

(in thousands except per share data)	At or for the Fiscal Years Ended December 31				
Summary of Operations	**2019**	**2018**	**2017**	**2016**	**2015**
Interest and fee income	$ 26,890	$ 21,538	$ 16,368	$ 12,682	$ 10,656
Interest expense	3,124	2,080	677	414	318
Net interest income	23,766	19,459	15,692	12,268	10,338
Provision for loan losses	3,005	2,167	2,280	1,381	951
Noninterest income	1,825	1,733	1,357	1,103	1,453
Noninterest expense	15,078	11,277	8,847	7,391	6,427
Net income before income taxes	7,507	7,748	5,921	4,600	4,412
Provision for income taxes	1,888	1,986	2,638	1,745	1,671
Net income	$ 5,619	$ 5,762	$ 3,283	$ 2,855	$ 2,740
Net income per share, basic	$ 1.09	$ 1.12	$ 0.67	$ 0.64	$ 0.64
Net income per share, fully diluted	$ 1.07	$ 1.10	$ 0.66	$ 0.63	$ 0.63
Cash dividends per share	$ -	$ -	$ -	$ -	$ -
Statements of Financial Condition					
Net loans	$ 437,455	$ 342,093	$ 276,503	$ 226,968	$ 184,410
Total assets	507,378	416,468	335,689	281,997	236,305
Total deposits	451,466	371,404	298,613	253,710	209,729
Total borrowings	1,707	1,609	136	1,632	1,442
Shareholder's equity	46,826	40,564	34,534	24,892	21,754
Book value per share	$ 9.02	$ 7.88	$ 6.74	$ 5.61	$ 4.95
Key Operating Metrics					
Return on average assets	1.2%	1.5%	1.1%	1.1%	1.3%
Return on average equity	12.8%	15.3%	10.4%	12.3%	14.3%
Average equity to average assets	9.6%	9.9%	10.2%	9.3%	9.4%
Net interest margin (tax equivalent)	5.5%	5.5%	5.4%	5.3%	5.5%
Non-performing assets % of total assets	0.2%	0.6%	0.4%	0.5%	0.5%
Efficiency ratio	58.9%	53.2%	51.9%	55.2%	54.4%
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%

The following table presents selected additional (unaudited) financial information for the periods and at the dates indicated. You should also read the detailed information and the financial statements appearing elsewhere in this Offering Circular.

(in thousands except per share data)	At or for the Quarter Ended March 31 (Unaudited)			
Summary of Operations		**2020**		**2019**
Interest and fee income	$	6,971	$	6,146
Interest expense		550		771
Net interest income		6,421		5,375
Provision for loan losses		1,436		570
Noninterest income		267		276
Noninterest expense		3,939		3,395
Net income before income taxes		1,313		1,686
Provision for income taxes		343		450
Net income	$	971	$	1,236
Net income per share, basic	$	0.19	$	0.24
Net income per share, fully diluted	$	0.18	$	0.24
Cash dividends per share	$	-	$	-
Statements of Financial Condition				
Net loans	$	464,196	$	357,716
Total assets		567,465		448,642
Total deposits		499,775		400,337
Total borrowings		1,984		1,717
Shareholder's equity		47,936		41,969
Book value per share	$	9.02	$	8.02
Key Operating Metrics				
Return on average assets		0.74%		1.14%
Return on average equity		8.1%		12.0%
Leverage ratio		9.1%		9.4%
Net interest margin (tax equivalent)		5.2%		5.3%
Non-performing assets % of total assets		0.2%		0.4%
Efficiency ratio		59.0%		59.9%
Dividend payout ratio		0.0%		0.0%

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The purpose of this discussion and analysis is to provide the reader with a description of the financial condition and results of operations for the Bank for the fiscal years ended December 31, 2019 and 2018.

This discussion and analysis is intended to complement the audited financial information and footnotes and the supplemental financial data and tables appearing elsewhere in this Offering Circular, and should be read in conjunction with that information.

Results of Operations

For the twelve months ended December 31, 2019 and 2018

The Bank produced net income for the year ended December 31, 2019 of $5.62 million or $1.07 per diluted common share compared to net income of $5.72 million or $1.10 per diluted common share for the year ended December 31, 2018.

For the three months ended March 31 2020 and 2019 (unaudited)

The Bank produced net income for the quarter ended March 31 2020 of $0.971 million or $0.18 per diluted common share compared to net income of $1.24 million or $0.24 per diluted common share for the quarter ended March 31 2019. Elevated loan related losses in the Bank's small business commercial equipment finance portfolio as well as increased provision for future loan losses resulting from the COVID-19 pandemic were the primary drivers of the lower earnings for the quarter compared to the previous year.

Net interest income

Net interest income for the year ended December 31, 2019 was $23.8 million compared with $19.5 million for the year ended December 31, 2018. Net interest income for the quarter ended March 31 2020 was $6.4 million compared with $5.4 million for the quarter ended March 31 2019.

Average interest-earning assets for 2019 were $432.0 million, up 22.8% from $351.5 million for 2018. The yield on average interest-earning assets for 2019 increased slightly to 6.2% from 6.1% in 2018, which resulted from the slightly higher short term rate environment in effect during 2019 compared to 2018. The benefit from the growth in average interest-earning assets resulted in an increase in net interest income of $4.9 million for the fiscal year.

Average interest-earning assets for Q1 2010 were $495.0 million, up 27.5% from $388.3 million for Q1 2019. The yield on average interest-earning assets for Q1 2020 decreased to 5.7% from 6.4% in Q1 2019, which resulted from the sharply lower interest rate environment that developed during Q1 2020 in response to growing national and global impact of the COVID 19 pandemic. Lower costs of interest bearing liabilities offset much of the decrease in asset yields compared to the similar period in 2019, with net interest margin decreasing from 5.30% to 5.20% in Q1 2020 compared to the like period in 2019. Growth in average interest-earning assets resulted in an increase in net interest income of $1.0 million or 19.5% over the first quarter of the previous year.

The increase in average interest-earning assets was funded by an increase in deposits, both interest-bearing and non-interest-bearing during fiscal 2019 and Q1 2020. Average interest-bearing liabilities increased to $399.4 million at March 31 2020 from $313.6 million as of March 31 2019, an increase of 27.4%. The average rate paid on interest-bearing liabilities decreased to 0.45% for Q1 2020, down from 0.81% in the prior year. The growth in interest-bearing liabilities was more than offset by the decrease in the average rate paid on the liabilities resulting in a decrease in interest expense of $221 thousand for the first quarter compared to the similar period in 2019.

The net interest margin was 5.50% in 2019, compared with 5.53% in 2018. The slight decrease in the net interest margin for 2019 compared to 2018 was primarily the result of the growth in the Bank's portfolio of commercial real estate loans which typically carry lower yields than the Bank's portfolio of commercial and industrial loans. Net interest margin was 5.20% during Q1 2020 compared to 5.30% during

Q1 2019 resulting from the sharp decline in market interest rates that occurred primarily during March 2020.

The following table presents the average balances, the amount of interest earned or incurred and the applicable taxable equivalent yields for interest-earning assets and the costs of interest-bearing liabilities that generate net interest income:

Average Balance Sheet and Analysis of Net Interest Income

	For the years ended December 31					
(dollars in thousands)	2019			2018		
	Average Amount	Interest Income/ Expense	Weighted Average Yield/Rate	Average Amount	Interest Income/ Expense	Weighted Average Yield/Rate
ASSETS						
Loans	$ 394,823	$ 25,855	6.5%	$ 314,758	$ 20,671	6.6%
Other interest earning assets	37,022	1,035	2.8%	36,826	867	2.4%
Total interest earning assets	431,845	26,890	6.2%	351,584	21,538	6.1%
Non interest earning assets	26,871			27,427		
Total assets	$ 458,716			$ 379,011		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest bearing deposits						
Demand	$ 108,892	$ 527	0.48%	$ 81,413	$ 364	0.45%
Money market	172,933	1,877	1.09%	134,907	1,238	0.92%
Time deposits	36,345	703	1.93%	32,657	465	1.42%
Total interest bearing deposits	318,170	3,107	0.98%	248,977	2,067	0.83%
Borrowings	1,711	17	0.99%	1,717	13	0.76%
Total interest bearing liabilities	319,881	3,124	0.98%	250,694	2,080	0.83%
Non interest bearing deposits	88,802			91,085		
Other liabilities	6,856			2,251		
Total liabilities	415,539			344,030		
Total shareholders' equity	43,177			34,981		
Total liabilities and shareholders' equity	$ 458,716			$ 379,011		
Net interest income		23,766			19,459	
Net interest margin			5.50%			5.53%

Provision for loan losses

The provision for loan losses was $3.0 million for the year ended December 31, 2019, compared with $2.2 million for the year ended December 31, 2018. Net loan charge-offs increased to $1.5 million (0.34% of average assets) for the year ended December 31, 2019 compared with $1.0 million (0.28% of average assets) for 2018.

The provision for loan losses was $1.4 million for the quarter ended March 31 2020, compared with $570 thousand for the quarter ended March 31, 2019. Net loan charge-offs increased to $1.0 million (0.76% of average assets on an annualized basis) for the quarter ended March 31, 2020 compared with $0.3 million (0.28% of average assets on an annualized basis) for the quarter ended March 31 2019.

The provision for loan losses and the related allowance for loan losses reflect our assessment of estimated loss factors assigned to specific types of loans, changes and trends in the level of delinquencies, nonaccrual loans and loan charge-offs, changes in the value of collateral, changes in local and regional economic and business conditions, and the judgment of information available to the bank regulatory agencies at the conclusion of their examination process.

Increased provisions for loan losses may be required in the future based on loan growth, the effect changes in economic conditions, unemployment, market interest rate levels, and real estate values may have on the ability of our borrowers to repay their loans, and other negative conditions specific to the borrowers' businesses.

Noninterest income

Noninterest income was $1.8 million for the year ended December 31, 2019 compared with $1.7 million for the year ended December 31, 2018, an increase of $69 thousand. Gain on sale of loans was $656 thousand in 2019, a slight decrease from $666 thousand in 2018, resulting from a higher percentage of loans held in the Banks portfolio during 2019 compared to 2018. Service charges on deposit accounts were $374 thousand for 2019, a slight decrease from $381 thousand for 2018. There were no substantive changes in non interest or service charge income during Q1 2020 compared to Q1 2019.

Noninterest expense

Noninterest expense for 2019 was $15.1 million, up $3.8 million from $11.3 million for 2018. Additional operating expenses associated with a full year of the newly established office in downtown Portland was the primary driver of the increase over 2018. Total noninterest expense as a percentage of average assets during the respective periods similarly increased to 3.3% in 2019 from 3.0% in 2018. Noninterest expense for Q1 2020 was $3.9 million, up $0.54 million from $3.4 million for Q1 2019. Total noninterest expense as a percentage of average assets during the respective periods decreased to 3.0% during Q1 2020 from 3.3% in 2019 as the Bank grew its base of earning assets over the 12 month period.

Income taxes

As of December 31, 2019 and 2018, we have recorded net deferred tax assets of $1.75 million and $1.41 million respectively. The Bank's deferred tax assets are comprised solely of the calculated differences between financial statement and tax bases of the Bank's assets and liabilities using tax rates in effect for the year in which the differences are expected to reverse. No valuation allowance has been recognized for Summit's deferred tax asset as all are expected to be fully realized and no substantive changes to the Banks deferred tax assets have occurred during Q1 2020.

Lending and credit risk

We provide a variety of loan and credit-related products and services to meet the needs of borrowers primarily in the Eugene/Springfield, Bend and Portland market areas in Oregon. Business loans, represented by commercial, industrial and commercial real estate loans, comprise the largest portion of the loan portfolio. Construction and consumer loans make up the remainder of the loan portfolio.

Credit risk is the risk to earnings or capital arising from an obligor's failure to meet the terms of any contract with us or otherwise to perform as agreed. All activities in which success depends on counterparty, issuer, or borrower performance have credit risk. Credit risk is present any time we extend, commit or invest funds; whenever we enter into actual or implied contractual agreements for funds, whether on or off the balance sheet, credit risk is present.

All categories of loans present credit risk. Major risk factors applicable to all loan categories include changes in international, national and local economic conditions such as interest rates, inflation, unemployment levels, consumer and business confidence and the supply and demand for goods and services.

Commercial real estate loans rely upon the cash flow originating from the underlying real property. Commercial real estate is a cyclical industry; general economic conditions and local supply and demand affect the commercial real estate industry. In the office sector, the demand for office space is highly dependent on employment levels. Consumer spending and confidence affect the demand for retail space and the levels of retail rents in the retail sector. The industrial sector has exposure to the level of exports, defense spending and inventory levels. Vacancy rates, location and other factors affect the amount of rental income for commercial property. Tenants may relocate, fail to honor their lease or go out of business. In the multifamily residential sector, the affordability of housing ownership, employment conditions and the vacancy of existing inventory heavily influences the demand for apartments. Population growth or decline and changing demographics, such as increases in the level of students, immigrants or retirees, are also factors influencing the multifamily residential sector.

Construction loans provide developers or owners with funds to build or improve properties; developers ultimately sell or lease these properties. Generally, construction loans involve a higher degree of risk than other loan categories because they rely upon the developer's or owner's ability to complete the project within specified cost and time limits. Cost overruns can cause the project cost to exceed the project sales price or exceed the amount of the committed permanent funding. Any number of reasons, such as poor weather, material or labor shortages, labor difficulties, or redoing substandard work to pass inspection, can delay construction projects. Furthermore, changes in market conditions or credit markets may affect a project's viability once completed.

Commercial loans rely upon the cash flow originating from the underlying business activity of the enterprise. The manufacture, distribution or sale of goods or sale of services are not only affected by general economic conditions but also by the ability of the enterprise's management to adjust to local supply and demand conditions, maintain good labor, vendor and customer relationships, as well as market, price and sell their goods or services for a profit. Customer demand for goods and services of the enterprise may change because of competition or obsolescence.

Home equity loans and lines of credit use first or second trust deeds on a borrower's real estate property, typically their principal residence, as collateral. These loans depend on a person's ability to regularly pay the principal and interest due on the loan and, secondarily, on the value of real estate property that serves as collateral for the loan. Generally, home mortgages involve a lower degree of risk than other loan categories because of the relationship of the loan amount to the value of the residential real estate and a person's reluctance to forego their principal place of residence. General economic conditions and local supply and demand, however, affect home real estate values. Installment loans and credit card lines also depend on a person's ability to regularly pay principal and interest on a loan; however, generally these are unsecured loans or, if secured, the collateral value can rapidly decline as is the case for automobiles. A person's ability to service debt is highly dependent upon their continued employment or financial stability. Job loss, divorce, illness and bankruptcy are just a few of the risks that may affect a person's ability to service their debt.

Our appraisal policy is consistent with the Uniform Standards of Professional Appraisal Practice (USPAP) and the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) with respect to real estate secured loans.

As the risks in each category of loan changes based on a number of factors, it is not possible to state whether a particular type of lending carries with it a greater or lesser degree of risk at any specific time in the economic cycle. Generally, in a stabilized economic environment, home mortgage loans have the least risk, followed by home equity loans, multifamily property loans, commercial property loans, commercial loans and lines and finally construction loans. However, this ordering may vary from time to time and the degree of risk from the credits with the least risk to those with the highest risk profile may expand or contract with the general economy.

We manage credit risk through Board approved policies and procedures. At least annually, our board of directors reviews and approves the policies. The lending policies provide a framework for consistent loan underwriting and a basis for sound credit decisions. The lending policies specify, among other things, the parameters for the type or purpose of the loan, the required debt service coverage and the required collateral requirements. Credit limits are also established and certain loans require approval by our loan committee. Our audit committee also engages a third party to perform a credit review of the loan portfolio to ensure compliance with policies and assist in the evaluation of the credit risk inherent in the loan portfolio.

Loans

Net loans increased by 30% or $106.5 million to $464.2 million as of March 31 2020 from $357.7 million as of March 31 2019. Loan growth was the result of continued development and growth in our business in all three of our market areas. Major classifications of loans were as follows as of the dates indicated:

	2019	2018
Real Estate		
Acquisition, Development & Construction	$ 19,489,900	$ 18,534,373
Commercial	135,660,638	106,089,376
Multifamily	24,552,733	15,365,694
Owner Occupied	111,514,020	77,871,380
Commercial and Industrial		
Small Commercial Equipment	51,976,786	46,220,863
Other Commercial & Industrial	79,710,819	63,900,592
Consumer		
Secured	19,941,681	17,877,312
Unsecured	2,558,533	2,602,750
	445,405,109	348,462,340
Deferred Loan Origination Fees, net	(1,357,843)	(1,234,373)
	444,047,266	347,227,967
Allowance for Loan Losses	(6,598,032)	(5,135,102)
Loans receivable, net	$ 437,449,235	$ 342,092,865

Allowance for loan losses

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged off against the allowance when management believes that the collectability of the principal is unlikely. The allowance is an amount that management considers adequate to absorb possible losses on existing loans that may become uncollectible based on evaluations of the collectability of loans and prior loss experience. The allowance for loan losses consists of general and specific components.

The general component covers all non-impaired loans. For all such loans – other than small commercial equipment loans – the general component is based on the Bank's risk rating system and historical loss experience adjusted for qualitative factors. The Bank calculates its historical loss rates by using a combination of (1) a weighted-average of the Bank's most recent 36 months of loss history, with more weight applied to more current months, and (2) historical loss data for Oregon and certain peer banks. The Bank calculates and applies its historical loss rates by individual loan types in its portfolio. These historical loss rates are adjusted for qualitative and environmental factors including, but not limited to: changes in the concentrations, trends and current nature of the loan portfolio, overall portfolio quality, results from internal and external loan reviews, review of specific problem loans, and current economic conditions that may affect the borrower’s ability to pay.

Small commercial equipment loans are reserved for as a pool of smaller-balance homogeneous loans. The methodology employed to assign reserve rates is migration analysis wherein probable loss rates are established as migration occurs through risk ratings. The bank revisits these loss rates at regular intervals, and adjusts the applicable rates as dictated through loss experience. As individual loans migrate downward through established risk ratings, increasing reserves as estimated by the aforementioned migration analysis are held against the individual balances.

The specific component of the allowance relates to loans that are considered impaired. A loan is considered impaired when management believes that it is probable that all amounts will not be collected according to the contractual terms. An impaired loan is valued using the estimated fair value of the loan's collateral (less estimated costs to sell) or related government guaranty, the present value of expected cash flows discounted at the loan's effective interest rate, or the observable market price of the loan. These estimates are necessarily subjective and may be adjusted as more current information becomes available. Any adjustment could be significant.

Federal and state bank regulatory agencies, as an integral part of their examination process, periodically review the Bank's reserve for loan losses. Such agencies may require the Bank to recognize additions to the reserve in the future based on their judgment of the information available to them at the time of their examinations

The following is an analysis of impaired loans as of December 31, 2019:

	Impaired Loans with Allowance			Impaired Loans without Allowance		Total Impaired Loans	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance
Commercial and Industrial							
Small Commercial Equipment							
Nonaccrual	$ 443,310	$ 441,106	$ 132,332	$ -	$ -	$ 443,310	$ 441,106
Other	-	-	-	-	-	-	-
Other Commercial & Industrial							
Nonaccrual	143,040	142,693	117,856	-	-	143,040	142,693
Other	-	-	-	386,817	385,133	386,817	385,133
Subtotals	586,351	583,799	250,188	386,817	385,133	973,168	968,931
Consumer							
Secured							
Nonaccrual	-	-	-	-	-	-	-
Other	-	-	-	75,059	74,679	75,059	74,679
Unsecured							
Nonaccrual	-	-	-	-	-	-	-
Other	33,025	32,896	9,030	-	-	33,025	32,896
Subtotals	33,025	32,896	9,030	75,059	74,679	108,085	107,575
Totals	$ 619,376	$ 616,694	$ 259,218	$ 461,876	$ 459,811	$ 1,081,252	$ 1,076,506

The following is an analysis of impaired loans as of December 31, 2018:

	Impaired Loans with Allowance			Impaired Loans without Allowance		Total Impaired Loans	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance
Commercial and Industrial							
Small Commercial Equipment							
Nonaccrual	$ 16,756	$ 16,632	$ 4,990	$ 207	$ -	$ 16,963	$ 16,632
Other	-	-	-	-	-	-	-
Other Commercial & Industrial							
Nonaccrual	51,418	51,361	33,016	1,450,000	1,450,000	1,501,418	1,501,361
Other	55,082	54,863	10,510	166,381	160,028	221,463	214,891
Subtotals	123,256	122,856	48,516	1,616,588	1,610,028	1,739,844	1,732,884
Consumer							
Secured							
Nonaccrual	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Unsecured							
Nonaccrual	-	-	-	-	-	-	-
Other	35,135	34,985	7,830	-	-	35,135	34,985
Subtotals	35,135	34,985	7,830	-	-	35,135	34,985
Totals	$ 158,391	$ 157,841	$ 56,346	$ 1,616,588	$ 1,610,028	$ 1,774,979	$ 1,767,869

The following tables present the Bank's loan portfolio information by loan type and credit grade as December 31, 2019 and 2018:

	As of December 31, 2019 Loan Grade				
	Pass (Ratings 1-6)	Special Mention (Rating 7)	Substandard (Rating 8)	Doubtful (Rating 9)	Totals
Real Estate					
Acquisition, Development & Construction	$ 19,489,900	$ -	$ -	$ -	$ 19,489,900
Commercial	135,660,638	-	-	-	135,660,638
Multifamily	24,552,733	-	-	-	24,552,733
Owner Occupied	104,912,225	2,396,095	4,205,699	-	111,514,020
Commercial and Industrial					
Small Commercial Equipment	50,824,726	788,059	309,173	54,828	51,976,786
Other Commercial & Industrial	77,622,657	762,271	1,325,892	-	79,710,819
Consumer					
Secured	19,853,766	-	87,915	-	19,941,681
Unsecured	2,551,003	-	7,530	-	2,558,533
Total	$ 435,467,647	$ 3,946,425	$ 5,936,209	$ 54,828	$ 445,405,109
Percentage of Total Portfolio	97.77%	0.89%	1.33%	0.01%	100.00%

	As of December 31, 2018 Loan Grade				
	Pass (Ratings 1-6)	Special Mention (Rating 7)	Substandard (Rating 8)	Doubtful (Rating 9)	Totals
Real Estate					
Acquisition, Development & Construction	$ 18,534,373	$ -	$ -	$ -	$ 18,534,373
Commercial	106,089,376	-	-	-	106,089,376
Multifamily	15,365,694	-	-	-	15,365,694
Owner Occupied	75,973,586	1,748,333	149,461	-	77,871,380
Commercial and Industrial					
Small Commercial Equipment	45,979,024	222,457	8,068	11,314	46,220,863
Other Commercial & Industrial	58,660,385	3,143,649	2,096,558	-	63,900,592
Consumer					
Secured	17,752,312	125,000	-	-	17,877,312
Unsecured	2,602,750	-	-	-	2,602,750
Total	$ 340,957,500	$ 5,239,439	$ 2,254,087	$ 11,314	$ 348,462,340
Percentage of Total Portfolio	97.85%	1.50%	0.65%	0.00%	100.00%

The following tables present an aged analysis of past due and nonaccrual loans at December 31, 2019 and 2018:

	As of December 31, 2019						
	30-59 Days Past Due Still Accruing	60-89 Days Past Due Still Accruing	Greater than 90 Days Past Due Still Accruing	Nonaccrual	Total Past Due and Nonaccrual	Total Current	Total Loans Receivable
Real Estate							
Acquisition, Development & Construction	$ -	$ -	$ -	$ -	$ -	$ 19,489,900	$ 19,489,900
Commercial	-	-	-		-	135,660,638	135,660,638
Multifamily	-	-	-	-	-	24,552,733	24,552,733
Owner Occupied	-	-	-	-	-	111,514,020	111,514,020
Commercial and Industrial							
Small Commercial Equipment	1,417,998	540,329	-	418,407	2,376,734	49,600,052	51,976,786
Other Commercial & Industrial	-	-	-	142,693	142,693	79,568,126	79,710,819
Consumer							
Secured	-	-	-	-	-	19,941,681	19,941,681
Unsecured	-	-	-	-	-	2,558,533	2,558,533
Total	$ 1,417,998	$ 540,329	$ -	$ 561,100	$ 2,519,427	$ 442,885,682	$ 445,405,109
Percentage of Total Portfolio	0.32%	0.12%	0.00%	0.13%	0.57%	99.43%	100.00%

	As of December 31, 2018						
	30-59 Days Past Due Still Accruing	60-89 Days Past Due Still Accruing	Greater than 90 Days Past Due Still Accruing	Nonaccrual	Total Past Due and Nonaccrual	Total Current	Total Loans Receivable
Real Estate							
Acquisition, Development & Construction	$ -	$ -	$ -	$ -	$ -	$ 18,534,373	$ 18,534,373
Commercial	-	-	-		-	106,089,376	106,089,376
Multifamily	-	-	-	-	-	15,365,694	15,365,694
Owner Occupied	-	-	-	-	-	77,871,380	77,871,380
Commercial and Industrial							
Small Commercial Equipment	759,309	142,440	-	29,071	930,820	45,290,043	46,220,863
Other Commercial & Industrial	-	-	-	1,501,361	1,501,361	62,399,231	63,900,592
Consumer							
Secured	-	-	-	-	-	17,877,312	17,877,312
Unsecured	-	-	-	-	-	2,602,750	2,602,750
Total	$ 759,309	$ 142,440	$ -	$ 1,530,432	$ 2,432,181	$ 346,030,159	$ 348,462,340
Percentage of Total Portfolio	0.22%	0.04%	0.00%	0.44%	0.70%	99.30%	100.00%

The Bank reports certain loans as troubled debt restructurings (TDRs) when the Bank grants a concession(s) to a borrower experiencing financial difficulties that it would not otherwise consider. Examples of such concessions include extending the maturity date(s) or providing a lower interest rate than would normally be available for a transaction of similar risk. A TDR loan is considered to be impaired and is individually evaluated for impairment. Loans reported as TDRs accruing interest totaled $418,028 and $45,552 at December 31, 2019 and 2018, respectively.

The Bank modified (by extending an interest only payment period) and recorded a single loan with a principal balance of $385,133 as a TDR during 2019. There were no loans modified and recorded as a TDR during 2018. There were no TDR loans restructured during 2019 or 2018, nor were there any TDRs which incurred a payment default within twelve months of the restructure date during 2019 or 2018. There were no commitments to lend additional funds to borrowers whose loans have been modified and recorded as TDRs at December 31, 2019. Determination of the allowance for loan losses for TDR loans does not differ materially from the process for other impaired loans in the Bank's portfolio.

Changes in the allowance for loan losses for the year ended December 31, 2019 are as follows:

	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance	Specific Reserve	General Allocation
Real Estate							
Acquisition, Development & Construction	$ 287,032	$ -	$ -	$ (69,435)	$ 217,597	$ -	$ 217,597
Commercial	901,847	-	-	270,281	1,172,128	-	1,172,128
Multifamily	171,723	-	-	107,622	279,345	-	279,345
Owner Occupied	640,463	-	-	542,697	1,183,160	-	1,183,160
Commercial and Industrial							
Small Commercial Equipment	1,880,185	(1,607,813)	-	1,970,134	2,242,506	132,332	2,110,174
Other Commercial & Industrial	1,076,455	(43,457)	109,236	163,532	1,305,767	117,856	1,187,910
Consumer							
Secured	145,623	-	-	27,958	173,581		173,581
Unsecured	31,774	-	-	(7,826)	23,948	9,030	14,918
Total	$ 5,135,102	$ (1,651,269)	$ 109,236	$ 3,004,962	$ 6,598,032	$ 259,218	$ 6,338,813

Changes in the allowance for loan losses for the year ended December 31, 2018 are as follows:

	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance	Specific Reserve	General Allocation
Real Estate							
Acquisition, Development & Construction	$ 209,574	$ -	$ -	$ 77,458	$ 287,032	$ -	$ 287,032
Commercial	637,824	-	-	264,023	901,847	-	901,847
Multifamily	137,630	-	-	34,093	171,723	-	171,723
Owner Occupied	528,249	-	-	112,214	640,463	-	640,463
Commercial and Industrial							
Small Commercial Equipment	1,505,291	(956,775)	43,031	1,288,638	1,880,185	4,990	1,875,195
Other Commercial & Industrial	875,142	(155,997)	-	357,310	1,076,455	43,526	1,032,929
Consumer							
Secured	122,629	-	-	22,994	145,623	-	145,623
Unsecured	29,680	-	-	2,094	31,774	7,830	23,944
Total	$ 4,046,019	$ (1,112,772)	$ 43,031	$ 2,158,824	$ 5,135,102	$ 56,346	$ 5,078,756

Repossessed Assets

Assets acquired through, or in lieu of, loan foreclosure are held-for-sale and classified as OREO (if real estate) or repossessed business personal property (if non-real estate). OREO is initially recorded at the lower of cost or estimated fair value at the date of foreclosure. Losses arising from the acquisition of property, in full or partial satisfaction of loans, are charged to the allowance for loan losses. Subsequent to foreclosure, valuations are periodically performed by management on OREO and the Bank's OREO is carried at the lower of cost, carrying amount, or fair value less cost to sell. Revenue and expenses from operations are included in noninterest expense as net expenses from other real estate owned. The Bank held no OREO as of December 31, 2019 having liquidated during 2019 the single asset with a carrying value of $628 thousand held by the Bank as of December 31, 2018. Liquidation of the Bank's holdings of repossessed business personal property typically occurs within 60 days.

Repossessed assets consists of the following property types as of the periods indicated.

(dollar amounts in thousands)	December-31 2019	December-31 2018
Construction, acquisition & land development	$ -	$ 628
Repossessed business personal property (equipment)	314	137
Total repossessed property	$ 314	$ 765
Repossessed property as a % of total assets	0.06%	0.18%

Interest Rate Risk Management

Interest rate risk is the risk that changes may occur to earnings or capital resulting from movements in interest rates. This type of risk focuses on the scenarios relative to net interest income and the value of the Bank in the current interest rate environment and the sensitivity of such earnings and value due to changes in interest rates. The principal objective of interest rate risk management is to manage the Bank's assets and liabilities so as to optimize net interest income under varying interest rate scenarios. The focus of this process (often referred to as "asset/liability management") is the identification, measurement, control and monitoring of processes and strategies that will maintain stable net interest margins and capital values during periods of changing interest rates.

The Bank's Board of Directors has adopted an asset/liability policy that establishes a prudent interest rate risk management plan. The Bank's Asset and Liability Management Committee ("ALCO") has the responsibility for measurement, control and monitoring the Bank's interest rate risk position. Our Audit Committee also periodically engages a third party to perform a review of management's asset and liability practices to ensure compliance with policies, validate the Bank's internal interest rate risk model and perform annual back testing of the model to verify its efficacy as a risk management tool. Management uses various tools and techniques to quantify the exposure to changing interest rates including static repricing analysis, earnings at risk and economic value at risk models.

Derivative Instruments – The Bank uses derivative financial instruments (interest rate swaps) to limit exposure to changes in interest rates related to specific loan assets. Derivatives entered into by the Bank are designated as fair value hedges and generally exhibit perfect effectiveness between changes in the value of the interest rate swap and the hedged instrument (loan asset). All derivatives and related hedged loans are recognized in the balance sheet at their fair value. Changes in the fair value of a derivative that is less than perfectly effective, along with the loss or gain on the hedged loan asset that is attributable to the hedged risk, are recorded in current-period earnings. The Bank formally documents all relationships between hedging instruments and hedged assets, as well as its risk-management objective and strategy for undertaking various hedged transactions. The Bank also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

The Bank would discontinue hedge accounting when: (a) it is determined that a derivative is no longer effective in offsetting changes in the fair value of the associated hedged loan asset; (b) the derivative expires or is sold, terminated, or exercised; or (c) management determines that designation of the derivative as a hedge instrument is no longer appropriate. The hedged loan asset would no longer be adjusted for changes in fair value and the derivative would be carried at its fair value in the balance sheet, with changes in its fair value recognized in current-period earnings.

The Bank's sensitivity as of March 31st 2020 to hypothetical immediate and parallel changes in interest rates as measured by its net interest income simulation model is summarized as follows:

	Net Interest Margin Impact	
Immediate and Parallel Change in Rates	12 Month	36 Month
Increase of 100 bps	0.45%	0.54%
Increase of 200 bps	0.63%	0.85%
Increase of 300 bps	0.80%	1.16%
Decrease of 50 bps	-0.16%	-0.21%
Decrease of 100 bps	-0.25%	-0.34%

As illustrated above, the Bank's net interest margin is expected to be impacted positively by higher interest rate environments analyzed over both the 12 month and the 36 month period. The analysis indicates that the Bank is asset sensitive, i.e. that the net interest margin is expected to improve with rising rates and decline with falling rates.

Investing, funding and liquidity risk

Liquidity risk is the risk to earnings or capital arising from the inability to meet obligations when they come due without incurring unacceptable losses. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources as well as the failure to recognize or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

We manage liquidity risk through Board approved policies and procedures. Our board of directors reviews and approves these policies at least annually. Liquidity risk policies provide us with a framework for consistent evaluation of risk and establish risk tolerance parameters. The Asset and Liability Committee meets quarterly to evaluate liquidity risk, review and establish deposit interest rates, review loan and deposit in-flows and out-flows and reports quarterly to our board of directors on compliance with policies. Our Audit Committee also engages a third party to perform a review of management's asset and liability practices to ensure compliance with policies.

We must maintain sufficient liquidity to respond to the needs of depositors and borrowers and the Bank's operations in general. We believe we have adequate access to liquidity to support our operational requirements. We use a number of funding sources to meet our funding needs. The primary source is our client deposits along with non-client (wholesale) deposits, federal funds lines of credit with other financial institutions, a secured borrowing facility with the Federal Home Loan Bank of Des Moines, and a secured borrowing facility with the Federal Reserve Bank of San Francisco. There are currently no balances outstanding on any of the borrowing lines. As of December 31, 2019, our total available committed borrowing capacity from the Federal Home Loan Bank of Des Moines was $60.5 million. Our uncommitted federal funds capacity was $16 million.

We also generate liquidity through the sale of the guaranteed portions of SBA loans as well as other loans that we originate. Total proceeds from loan sales during the fiscal years ended December 31, 2019 and December 31, 2018 were $7.6 million and $8.7 million, respectively.

Our primary source of funds is our client deposits. The deposit portfolio is viewed in terms of core (representing demand accounts, money market accounts, savings and small balance certificates of deposit) and noncore deposits (large balance certificates of deposits and brokered deposits). As of December 31, 2019, core deposits totaled $443.8 million and as of December 31, 2018, core deposits totaled $366.1 million. Brokered deposits obtained from third party brokers are used in limited volume as determined by the Bank's Asset Liability Management Policy, generally on a short term basis as a part of our funding strategy. The Bank held no brokered deposits at December 31, 2019 or December 31 2018.

Securities

Securities are classified as “available-for-sale” for accounting purposes and, as such, are recorded at their fair, or market, values in the balance sheet. Fair values are based on either (i) quoted prices for similar assets; (ii) observable inputs such as interest rates or yield curves; or (iii) inputs derived principally from or corroborated by observable market data. Changes in the fair value of securities (that is, unrealized holding gains or losses) are reported as “other comprehensive income (loss),” net of tax and carried as accumulated comprehensive income or loss within shareholders’ equity until realized.

Net unrealized gains or losses as of December 31, 2019 and December 31, 2018 were $3 thousand and negative $23 thousand, respectively. As a percentage of securities available-for-sale, at amortized cost, net unrealized gains or losses were 0.07% and negative 0.70% at the end of each respective period. Securities available-for-sale include U.S. Treasury Securities, U.S. government agency and agency sponsored securities, corporate debt securities, and mortgage backed securities and collateralized mortgage obligations (CMOs). We perform regular analyses to determine if any securities are other-than-temporarily impaired. If it is probable that we will be unable to collect all amounts due according to the contractual terms of the debt security not impaired at acquisition, an other-than-temporary impairment is considered to have occurred. When an other-than-temporary impairment occurs, the cost basis of the security is written down to its fair value (as the new cost basis) and the write down is accounted for as a realized loss. Other-than-temporary declines in fair value are assessed based on the duration the security has been in a continuous unrealized loss position, the severity of the decline in value, the rating of the security, the long-term financial outlook of the issuer and whether we intend to sell or will likely be required to sell the securities until their fair values recover. We evaluate the securities portfolio for other-than-temporary impairment at each reporting date and cannot provide assurance that there will not be an other-than-temporary impairment in future periods.

The tables below detail the amortized cost and estimated fair values of available-for-sale investment securities, as well as identifying the amount of any unrealized losses and the length of time these unrealized losses existed as of the dates indicated.

	December 31, 2019							
	Available-for-Sale				Securities in Continuous Unrealized Loss Position for Less Than 12 Months		Securities in Continuous Unrealized Loss Position for 12 Months or Longer	
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Obligations of U.S. Government and U.S. sponsored agencies	$ 199,274	$ 37	$ -	$ 199,311	$ -	$ -		
Corporate debt securities	500,000	3,003	-	503,003	-	-	-	-
Mortgage-backed securities	3,860,908	12,631	(11,105)	3,862,434	2,150,926	(11,105)	-	-
	$ 4,560,182	$ 15,671	$ (11,106)	$ 4,564,748	$ 2,150,926	$ (11,105)	$ -	$ -

The following table shows the gross unrealized gains and the amortized cost of our securities available-for-sale as of December 31st 2018.

	December 31, 2018							
	Available-for-Sale				Securities in Continuous Unrealized Loss Position for Less Than 12 Months		Securities in Continuous Unrealized Loss Position for 12 Months or Longer	
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Corporate debt securities	$ 750,000	$ 3,972	$ (4,098)	$ 749,874	$ -	$ -	$ 245,903	$ (4,098)
Mortgage-backed securities	2,594,228	2,839	(34,495)	2,562,572	530,857	(3,713)	1,511,347	(30,782)
	$ 3,344,228	$ 6,811	$ (38,593)	$ 3,312,446	$ 530,857	$ (3,713)	$ 1,757,250	$ (34,880)

Deposits

Deposits represent our primary source of funds for funding our lending activities. The following table presents the average balance and the average rate paid on each deposit category for the periods indicated:

(dollars in thousands)	For the periods ended, December 31, 2019			For the periods ended, December 31, 2018		
Average deposits by type		Avg Balance	Rate		Avg Balance	Rate
Noninterest beaing demand	$	88,802		$	91,085	
Interest bearing demand		108,892	0.48%		81,413	0.45%
Money market demand and savings		172,933	1.09%		134,907	0.92%
Time deposits		36,345	1.93%		32,657	1.42%
Totals	$	406,972		$	340,062	

Borrowings

The Bank has repurchase agreements (REPOs) of $1.7 million (average rate 1.03%) and $1.6 million (average rate 0.68%) at December 31, 2019 and 2018, respectively. A REPO represents an agreement between the Bank and a customer to collateralize funds deposited by the customer in an interest-bearing repurchase sweep account. Investment securities are pledged by the Bank as collateral in an amount equal to the REPOs.

The Bank has a borrowing line with the FHLB equal to a maximum of 35% of the Bank's total assets, subject to limits based on collateral consisting of FHLB stock, funds on deposit with FHLB and eligible portions of the Bank's loan and securities portfolios. The available borrowing line at December 31, 2019 is approximately $60.5 million.

The Bank has secured and unsecured federal funds borrowing lines available with correspondent banks totaling $16,000,000 at December 31, 2019. The Bank had no outstanding borrowings against these lines at December 31, 2019. The Bank has a borrowing line available with the Federal Reserve Discount Window totaling approximately $1.9 million at December 31, 2019, which is secured by a portion of the Bank's loan portfolio. The Bank had no outstanding borrowings against this line at December 31, 2019.

Capital resources

The Bank is subject to the regulations of certain federal and state agencies and receives periodic examinations by those regulatory authorities. In addition, the Bank is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory – and possibly additional discretionary – actions by regulators that, if undertaken, could have a direct material effect on the financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum ratios (set forth in the following table below) of Total Tier 1 and Common Equity Tier I capital to risk-weighted assets, and of Tier I capital to leverage assets, all as defined in the regulations. As of December 31, 2019, the most recent notification from the FDIC categorized the Bank as "Well Capitalized" as defined by regulations. To be categorized as "Well Capitalized", the Bank must maintain minimum Total risk-based, Tier I and Common Equity Tier 1 risk-based, and Tier I leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank's actual capital amounts (in thousands) and ratios are as follows at the dates indicated:

	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2019						
Total capital (to risk-weighted assets)	$ 52,807	11.05%	$ 38,248	8.00%	$ 47,810	10.00%
Tier I capital (to risk-weighted assets)	$ 46,822	9.79%	$ 28,686	6.00%	$ 38,248	8.00%
Common Equity Tier I (to risk-weighted assets)	$ 46,822	9.79%	$ 21,515	4.50%	$ 31,077	6.50%
Tier I capital (to leverage assets)	$ 46,822	9.39%	$ 19,949	4.00%	$ 24,936	5.00%
December 31, 2018						
Total capital (to risk-weighted assets)	$ 45,331	11.96%	$ 30,314	8.00%	$ 37,893	10.00%
Tier I capital (to risk-weighted assets)	$ 40,588	10.71%	$ 22,736	6.00%	$ 30,314	8.00%
Common Equity Tier I (to risk-weighted assets)	$ 40,588	10.71%	$ 17,052	4.50%	$ 24,630	6.50%
Tier I capital (to leverage assets)	$ 40,588	10.07%	$ 16,130	4.00%	$ 20,162	5.00%

MANAGEMENT

Directors and Executive Officers

The following table sets forth certain information concerning our directors and executive officers. Following the table are brief summaries of the background and business experience of each of our directors and executive officers:

Name	Age	Director/ Officer Since	Position
Richard M. Abraham, MD	66	2003	Director
Patricia Buehler, MD	56	2016	Director
Alan V. Evans	71	2003	Director
Dan Hobin	52	2016	Director
Ross J. Kari	61	2015	Director
Steven J. Korth	50	2008	Director
Ann Marie Mehlum	67	2017	Director
J. Andrew Moore	51	2010	Director
Dennis J. Orem	69	2003	Director
Andy J. Storment	57	2003	Director
Craig Wanichek	51	2009	President & Chief Executive Officer, Director
R. Paul Weinhold	57	2003	Director (Chairman of the Board)
Jenny Bennett	40	2019	SVP, Marketing & Business Development
Scott Goldstein	53	2003	SVP, Chief Financial Officer
Chris Hemmings	39	2019	SVP, Chief Administrative Officer
Gary O'Connell	45	2015	SVP, Central Oregon Market President
William Whalen	55	2012	SVP, Chief Credit Officer

Richard M. Abraham, MD, has been a practicing Emergency and Occupational Medicine physician with Cascade Medical Associates since 1979. He is also managing partner of Eugene/Thurston/Junction City/Roseburg/Veneta Urgent Care walk-in clinics and the medical director of Cascade Health Solutions Occupational Medicine Program. He is a founding Director of the Bank and also serves on the boards of Cascade Health Solutions and McKenzie Willamette Medical Center. He has previously served on the boards of MWMC Foundation, PacificSource, the Safety and Health Institute, and the Marist Foundation. Director since 2003.

Patricia (Patty) Buehler, MD, is an experienced and accomplished ophthalmic surgeon and a small business owner. Dr. Buehler is the managing partner of Infocus Eye Care, LLC, a specialty vision correction facility in Bend and is an owner of the Bend Surgery Center. She is active on many boards including serving as the Chairman of the Department of Ophthalmology and Vice Chair of the Surgical Services Committee at St. Charles hospital, as well as, the board of directors of the Bend Surgery Center, the Bend Surgery Center Foundation and Lines for Life. Director since 2019.

Alan V. Evans is a founder and president of Evans, Elder & Brown, Inc., a commercial real estate brokerage active in sales, leasing, and development of commercial properties. He is a founding Director of the Bank and also serves as vice chair of the Arts and Business Alliance of Eugene. Director since 2003.

Dan Hobin has more than 20 years of experience building technology companies and currently oversees the strategic direction of G5, a company located in Bend that is a leading provider of digital marketing in the property management sector. Mr. Hobin is a co-founder of the Bend Venture Conference and participates on the advisory board for Oregon State University Cascades. Director since 2019.

Ross J. Kari, retired as executive vice president and chief financial officer of Freddie Mac. He currently serves as a Trustee on the University of Oregon's Board of Trustees and is a director of Goldman Sachs BDC. Ross has served as chief financial officer of Fifth Third Bank, Safeco, and Wells Fargo Bank and also as executive vice president and chief operating officer for the Federal Home Loan Bank of San Francisco. Additionally, he served as a director and chair of the audit committee for KKR Financial Holdings LLC, a publicly traded specialty finance company. Director since 2018.

Steven J. Korth is the director of real estate and development for his family business, McKay Investment Company. He has served on the boards of the Eugene Chamber of Commerce, Lane Metro Partnership, and the Oregon Community Foundation. He is also active in local government, having served on the Mayor of Eugene's Economic Development Committee, the Eugene Enterprise Zone Committee, and as a member of the Eugene School Districts "Shaping 4-J's Future" task force. Director since 2008.

Ann Marie Mehlum was the Bank's founding chief executive officer. After serving the Bank in that capacity for ten years, she accepted a position as Associate Administrator of Capital Access at the US Small Business Administration. Along with her in Washington D.C., Mehlum has three decades of community banking experience. She has also held numerous board leadership positions, and served on the FDIC Community Bank Advisory Council, the Oregon Bankers Association and the Treasury CDFI Advisory Board. Locally, she has served on many non-profit boards including the United Way of Lane County and the Eugene Area Chamber of Commerce. In 2015, she was inducted into the State of Oregon Bankers Hall of Fame for lifetime contributions to the banking industry.

J. Andrew Moore is co-president of Bigfoot Beverages. He serves on the boards of the Oregon Soft Drink Association, the American Beverage Association, Cascade Health Solutions, and the Eugene Country Club. He previously served on the boards of the Pepsi-Cola Bottler's Association and Lane Community College Foundation. Director since 2010.

Dennis G. Orem is the CEO of Jerry's Home Improvement Centers located in Eugene and Springfield. He is a founding Director of the Bank and has been an active participant in local, regional, and national industry trade organizations including serving on the boards of the Western Building Materials Association, the Home Center Institute, and the Eugene Chamber of Commerce. Director since 2003.

Andy J. Storment is a founding director of the Bank and current Board Vice Chair. He also manages investments in commercial real estate and operating companies primarily in the Northwest. He serves on the boards of Jerry's Home Improvement Centers and The Ford Family Foundation. Director since 2003.

Craig Wanichek currently serves as the Bank's President and Chief Executive Officer. Mr. Wanichek joined the Bank in 2009 holding various Executive Management positions including Chief Credit Administrator prior to succeeding the Bank's founding CEO in 2013. He is a graduate of the University of Oregon with a Bachelor's degree in Economics. He has nineteen years of banking experience during which he managed small to large business relationships in the Willamette Valley. Director since 2013.

R. Paul Weinhold is the president of the University of Oregon Foundation. He is a founding Director of the Bank and currently serves as the Board Chair. He has served in leadership roles for a variety of local non-profits. Prior to joining the University of Oregon Foundation, he spent more than twenty years in leadership roles in the commercial insurance industry. Director since 2003.

Executive Officers

Scott Goldstein, Chief Financial Officer – Mr. Goldstein was part of the Bank's founding Management team in 2003. He holds a Masters of Business Administration from the University of Southern California.

Prior to the founding of Summit Bank, Mr. Goldstein served as Chief Financial Officer for Bit-by-Bit Computers, Inc. and has held analyst and lender positions with Wells Fargo Bank and Siuslaw Valley Bank.

Jenny Bennett, Marketing and Business Development Officer – Ms. Bennet holds a Bachelor's degree in Journalism with an emphasis in Public Relations from the University of Oregon. She joined Summit Bank in 2015, and has more than 14 years of experience in marketing and business development for independent community banks. She is the President of the Board of Directors of the Relief Nursery, and the Immediate Past President of the Board of Directors for the Shedd Institute of the Art. She is the Chair of the Oregon Banker's Association Marketing Committee.

Chris Hemmings, Chief Administrative Officer – Chief Administrative Officer – Mr. Hemmings holds a Bachelor's degree in Economic and Political Science with honors from the University of Oregon and graduated Summa Cum Laude. He is a 2020 graduate of Pacific Coast Bankers School. He joined Summit Bank in 2008, and has more than 10 years' experience in community banking and is a member of Food For Lane County Finance Committee.

Gary O'Connell, Central Oregon Market President – Mr. O'Connell has 25 years of experience in financial services. Most recently, Gary was Senior VP, Commercial Banking Team Leader with a regional bank. Gary is co-founder and Chairman of the local Junior Achievement office and sits on the Business Oregon Finance Committee and Oregon Banker's Association Grassroots Committee. He has past involvement with the Family Resource Center, Bend Area Habitat for Humanity, United Way, Lion's Club, and other organizations. He is actively involved in events with Economic Development for Central Oregon. Gary served for 8 years as an Armor Officer in the Oregon Army National Guard.

William Whalen, Chief Credit Administrator – Mr. Whalen holds a Bachelor's degree in Accounting from California State University – Long Beach. He has a diverse 28 year background in lending, credit administration and management, and is a graduate of Pacific Coast Banking School. He joined Summit in 2012 and has served as Chief Lending Officer since 2013. He serves as Board President for CASA of Lane County, is a member of the Eugene Chamber of Commerce's Local Government Affairs Council, and is the chairman of the Eugene Police Commission

Compensation of Directors and Executive Officers.

Directors

The Bank's outside directors' compensation for 2019 consisted of an annual cash retainer of $5,000 plus additional cash compensation for the Chairs of the Board ($2,500) and the Chairs of the Audit, Loan, Asset/Liability Management, and Compensation/Nominating committees ($1,500). Committee meeting fees of $100 per meeting were paid to each outside director. Summit outside directors attend approximately 18 meetings each year on average. Cash compensation paid to outside directors totaled $85 thousand and $78 thousand in 2018 and 2019, respectively. Additionally, as part of their annual compensation, each outside director was granted 1,000 shares of restricted stock in 2018 and 2019. These grants totaled 12,000 shares in 2018 and 11,000 shares in 2019 and are fully vested in the year following the grant year.

Executive Officers

We believe that total compensation to our executive officers is competitive and commensurate with compensation paid to executive officers at similarly situated financial institutions in the Pacific Northwest. Executive compensation is determined and approved annually by the Bank's board of directors. The Bank has not entered into formal employment agreements with any of its executive officers. Total cash compensation to the Bank's executive officers (Wanichek, Goldstein, Bennett, Hemmings, O'Connell and

Whalen), in the aggregate, was $1.35 million for 2019, and $1.27 million for 2018. Total equity awards to the executive officers during 2018 and 2019 consisted of options and restricted stock totaling 9,764 shares and 15,988 shares, respectively. These grants generally vest over 1-3 year schedules.

Employment and Severance/Change of Control Agreements

Our executive officers do not serve under written employment agreements.

We have entered into Change in Control/Severance Agreements ("Severance Agreements") with Messrs. Wanichek, Goldstein, O'Connell, Hemmings, Whalen and Ms. Bennett. The Severance Agreements provide that if, within one year of a "Change in Control" (as defined in the Severance Agreement), the executive's employment is terminated by the Bank without "Cause" or by the executive for "Good Reason" (both as defined in the Severance Agreement), the executive will receive a severance benefit equal to between one and two times the highest annual cash compensation (as reported on Form W-2) received in either of the two calendar years preceding the Change in Control. Additionally, all outstanding stock options will vest, and all restrictions with respect to granted restricted stock awards will lapse. The severance benefit would be payable on the effective date of the executive's termination.

The severance benefits described above will also be payable to the executive if the executive's employment is terminated by the Bank without Cause, or by the executive for Good Reason, prior to a Change in Control if such termination occurs at any time from and after 60 days prior to the public announcement by the Bank or any other party of a transaction which will result in a Change in Control, if the Change in Control occurs within 12 months of the executive's termination of employment. In such event, the severance benefit would be payable upon the effective date of the Change in Control.

The Severance Agreements provide that for a period of two years from the executive's receipt of the severance benefits, the executive will not directly or indirectly attempt to (i) employ or engage, recruit or solicit for employment any Bank employee, or otherwise seek to alter any such employee's relationship with the Bank, or (ii) solicit any present or future Bank customer to terminate or alter such customer's relationship with the Bank.

Aggregate cash payable to executive officers under the above described Severance Agreements upon a hypothetical change in control that occurred in 2020 would be $1.8 million.

2015 Stock Option and Equity Compensation Plan

The 2015 Stock Option and Equity Compensation Plan (the "2015 Plan") was adopted by our board of directors in January 2015, and approved by our shareholders in April 2015, for the benefit of our officers, directors and employees. An aggregate of 415,500 shares of common stock are reserved for issuance under the 2015 Plan (adjusted proportionally in the event of any stock split or stock dividend), of which no more than 103,125 shares may be granted to all directors, in the aggregate.

The 2015 Plan replaced the Company's expiring 2005 Stock Option Plan (the "2005 Plan"), which provided only for the grant of stock options. The 2005 Plan was frozen upon the adoption of the 2015 Plan, although stock options previously granted under the 2005 Plan will remain outstanding until exercised or expired and will continue to be governed by the 2005 Plan. At December 31, 2019, options to purchase a total of 33,983 shares were outstanding under the 2005 Plan, at a weighted average exercise price of $2.48 per share.

The 2015 Plan provides for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock and restricted stock units. As December 31, 2019, options to purchase a total of 161,548 shares were outstanding under both Plans, at a weighted average exercise price of $9.65

per share, with 94,342 currently vested and the remaining 67,196 options expected to vest during 2020-2022.

Security Ownership of Management and Certain Shareholders

The following table shows the number of shares of the Bank's common stock beneficially owned at December 31, 2019 by shareholders owning 5% or more of the Bank's common stock that are known to the Bank and by the Bank's directors, executive officers, and all directors and executive officers as a group.

	Shares of Common Stock Beneficially Owned Prior To This Offering		
<u>Name of Beneficial Owners</u>	Number of Shares [1]		Percentage of Class [2]
5% or more Beneficial Owners			
Richard M. Abraham, MD (Director)	321,366	[3]	6.2%
Andy J. Storment (Director)	289,048	[4]	5.5%
Other Directors			
Patricia Buehler, MD	6,688	[4]	0.1%
Alan V. Evans	81,661	[4]	1.6%
Dan Hobin	26,813	[5]	0.5%
Ross J. Kari	11,911	[5]	0.2%
Steven J. Korth	32,108	[4]	0.6%
Ann Marie Mehlum	75,363	[5]	1.4%
J. Andrew Moore	32,606	[6]	0.6%
Dennis J. Orem	80,164	[7]	1.5%
Craig Wanichek	83,559	[8]	1.6%
R. Paul Weinhold	108,495	[9]	2.1%
Executive Officers:			
Jenny Bennett	7,865	[10]	0.2%
Scott Goldstein	42,541	[11]	0.8%
Chris Hemmings	7,134	[12]	0.1%
Gary O'Connell	28,539	[13]	0.5%
William Whalen	25,182	[14]	0.5%
All directors and executive officers as a group (17 persons)	1,261,043		24.2%

(1) The shares "beneficially owned" include shares owned by or for, among others, the spouse and/or minor children of the individual and any other relative who has the same home as such individual, as well as other shares with respect to which the individual has or shares voting or investment power, or has the right to acquire within 60 days under outstanding stock options. Beneficial ownership may be disclaimed as to certain of the shares.

(2) Any securities not outstanding but which are subject to options and presently exercisable by the named person within 60 days, are deemed to be outstanding for computing the percentage of outstanding

securities owned by such person, but are not deemed to be outstanding for the purposes of computing the percentage of the class owned by any other person.

(3) Includes 267,679 shares held jointly with Dr. Abraham's spouse and 1,000 shares of restricted stock
(4) Includes 1,000 shares of restricted stock.
(5) Includes options to purchase 4,688 shares of common stock and 1,000 shares of restricted stock.
(6) Includes 3,750 shares held jointly with Mr. Moore's spouse, options to purchase 6,300 shares of common stock and 1,000 shares of restricted stock.
(7) Includes 63,608 shares held jointly with Mr. Orem's spouse and 1,000 shares of restricted stock.
(8) Includes options to purchase 11,905 shares of common stock and 2,601 shares of restricted stock.
(9) Includes 101,411 shares held jointly with Mr. Weinhold's spouse and 1,000 shares of restricted stock.
(10) Includes options to purchase 6,203 shares of common stock and 694 shares of restricted stock
(11) Includes options to purchase 13,437 shares of common stock and 1,201 shares of restricted stock.
(12) Includes options to purchase 6,602 shares of common stock.
(13) Includes options to purchase 25,760 shares of common stock and 1,029 shares of restricted stock.
(14) Includes options to purchase 19,959 shares of common stock and 1,005 shares of restricted stock.

CERTAIN TRANSACTIONS AND RELATIONSHIPS

Some of our directors and officers and the business organizations with which they are associated, have been customers of, and have had banking transactions with the Bank in the ordinary course of its business, and the Bank expects to have such banking transactions in the future. All loans and commitments to loan included in such transactions were made in substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons of similar creditworthiness and, in the opinion of the Bank's management, these transactions do not involve more than a normal risk of collectability or present other unfavorable features.

SUPERVISION AND REGULATION

We are subject to extensive regulation under federal and state law. This section provides a general overview of the federal and state regulatory framework applicable to the Bank. In general, this regulatory framework is designed to protect depositors, the federal deposit insurance fund, and the banking system as a whole, rather than specifically for the protection of shareholders. Note that this section is not intended to summarize all laws and regulations applicable to us. To the extent that this section describes statutory and regulatory provisions, it is qualified by reference to those provisions.

These statutes and regulations, as well as related policies, continue to be subject to change (or interpretation) by Congress, state legislatures and federal and state regulators. Changes in statutes, regulations or regulatory policies applicable to us (including their interpretation or implementation) cannot be predicted and could have a material effect on our business or operations. In light of the 2008 financial crisis, numerous changes to the statutes, regulations or regulatory policies applicable to us have been made or proposed in recent years. Our continued efforts to monitor and comply with new regulatory requirements add to the complexity and cost of our business and operations.

Federal and State Regulation of the Bank

General. The deposits of the Bank, an Oregon state chartered commercial bank, are insured by the FDIC. The Bank is not a member of the Federal Reserve System. As a result, the Bank is subject to supervision and regulation by the FDIC and the Oregon Department of Consumer and Business Services Division of Finance and Corporate Securities ("DCBS"). These agencies have the authority to prohibit banks from engaging in what they believe constitute unsafe or unsound banking practices.

Consumer Protection. Although the Bank is not supervised directly by the Consumer Financial Protection Bureau (the "CFPB"), our consumer banking activities are subject to regulation by the CFPB. The Bank is subject to a variety of federal and state consumer protection laws and regulations that govern its relationship with consumers including laws and regulations that impose certain disclosure requirements and regulate the manner in which we take deposits, make and collect loans, and provide other services. In recent years, examination and enforcement by state and federal banking agencies for non-compliance with consumer protection laws and their implementing regulations have increased and become more intense. Failure to comply with these laws and regulations may subject the Bank to various penalties, including but not limited to, enforcement actions, injunctions, fines, civil liability, criminal penalties, punitive damages, and the loss of certain contractual rights.

Community Reinvestment. The Community Reinvestment Act of 1977 ("CRA")requires that, in connection with examinations of financial institutions within their jurisdictions, federal banking regulators evaluate the record of financial institutions in meeting the credit needs of their local communities, including low and moderate-income neighborhoods, consistent with the safe and sound operation of those institutions. A bank's community reinvestment record is also considered by the applicable banking agencies in evaluating mergers, acquisitions and applications to open a branch or facility. In some cases, a bank's failure to comply with the CRA, or CRA protests filed by interested parties during applicable comment periods, can result in the denial or delay of such transactions. The Bank received a "satisfactory" rating in its most recent CRA examination.

Insider Credit Transactions. Banks are also subject to certain restrictions imposed by the Federal Reserve Act on extensions of credit to executive officers, directors, principal shareholders or their related interests. These extensions of credit (i) must be made on substantially the same terms (including interest rates and collateral) and follow credit underwriting procedures that are at least as stringent as those prevailing at the time for comparable transactions with persons not related to the lending bank; and (ii) must not involve more than the normal risk of repayment or present other unfavorable features. Banks are also subject to certain lending limits and restrictions on overdrafts to insiders. A violation of these restrictions may result in the assessment of substantial civil monetary penalties, regulatory enforcement actions, and other regulatory sanctions. The Dodd-Frank Act and federal regulations place additional restrictions on loans to insiders and generally prohibit loans to senior officers other than for certain specified purposes.

Regulation of Management. Federal law (i) sets forth circumstances under which officers or directors of a bank may be removed by the institution's federal supervisory agency; (ii) as discussed above, places restraints on lending by a bank to its executive officers, directors, principal shareholders, and their related interests; and (iii) generally prohibits management personnel of a bank from serving as directors or in other management positions of another financial institution whose assets exceed a specified amount or which has an office within a specified geographic area.

Safety and Soundness Standards. Certain non-capital safety and soundness standards are also imposed upon banks. These standards cover, among other things, internal controls, information systems and internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, such other operational and managerial standards as the agency determines to be appropriate, and standards for asset quality, earnings and stock valuation. In addition, each insured depository institution must implement a comprehensive written information security program that includes administrative, technical, and physical safeguards appropriate to the institution's size and complexity and the nature and scope of its activities. The information security program must be designed to ensure the security and confidentiality of customer information, protect against unauthorized access to or use of such information and ensure the proper disposal of customer and consumer information. An institution that fails to meet these standards may be subject to regulatory sanctions, including restrictions on growth.

State Law Restrictions. Oregon state-chartered banks are subject to various requirements under state law relating to operations and administration (including the maintenance of branch offices and automated teller machines), capital and reserve requirements, declaration of dividends, deposit taking, shareholder rights and duties, and investment and lending activities.

Interstate Banking and Branching

The Dodd-Frank Act eliminated interstate branching restrictions that were implemented as part of The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (“Interstate Act”), and removed many restrictions on de novo interstate branching by state and federally chartered banks. Federal regulators have authority to approve applications by such banks to establish de novo branches in states other than the bank’s home state if the host state’s banks could establish a branch at the same location. The Interstate Act requires regulators to consult with community organizations before permitting an interstate institution to close a branch in a low-income area. Federal banking regulations prohibit banks from using their interstate branches primarily for deposit production and federal banking agencies have implemented a loan-to-deposit ratio screen to ensure compliance with this prohibition.

Dividends

Under the Oregon Bank Act and the Federal Deposit Insurance Corporation Act of 1991 (“FDICIA”), the Bank is subject to restrictions on the payment of cash dividends. A bank may not pay cash dividends if that payment would reduce the amount of its capital below that necessary to meet minimum regulatory capital requirements. In addition, under the Oregon Bank Act, the amount of any dividend paid by the Bank may not be greater than its net unreserved retained earnings, after first deducting to the extent not already charged against earnings or reflected in a reserve: (i) all bad debts, which are debts on which interest is unpaid and past due at least six months unless the debt is fully secured and in the process of collection; (ii) all other assets charged off as required by Oregon bank regulators or a state or federal examiner; and (iii) all accrued expenses, interest and taxes of the Bank. In addition, state and federal regulatory authorities are authorized to prohibit banks from paying dividends that would constitute an unsafe or unsound banking practice.

The Dodd-Frank Act

General. The Dodd-Frank Act was signed into law in July 2010. The Dodd-Frank Act significantly changed the bank regulatory structure and is affecting the lending, deposit, investment, trading, and operating activities of banks. Some of the provisions of the Dodd-Frank Act that may impact our business and operations are summarized in this section.

Prohibition against Charter Conversions. The Dodd-Frank Act generally prohibits a depository institution from converting from a state to federal charter, or vice versa, while it is the subject to an enforcement action unless the depository institution seeks prior approval from its primary regulator and complies with specified procedures to ensure compliance with the enforcement action.

Repeal of Demand Deposit Interest Prohibition. The Dodd-Frank Act repealed the federal prohibitions on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on business transaction and other accounts.

CFPB. The Dodd-Frank Act established the CFPB and empowered it to exercise broad rulemaking, supervision, and enforcement authority for a wide range of consumer protection laws. As mentioned above, although the Bank is not supervised directly by the CFPB, our consumer banking activities are subject to regulation by the CFPB. The CFPB has issued and continues to issue numerous regulations under which we will continue to incur additional expense in connection with our ongoing compliance obligations.

Capital Adequacy

Regulatory Capital Guidelines. Federal bank regulatory agencies use capital adequacy guidelines in the examination and regulation of banks. These guidelines are “risk-based,” meaning that they are designed to make capital requirements more sensitive to differences in risk profiles among banks. On July 2, 2018, the Federal Reserve, the FDIC, and the OCC approved the final rules ("Final Rules") implementing the Basel Committee's December 2010 final capital framework (commonly referred to as "Basel III"). The phase-in period for the Final Rules began for the Bank on January 1, 2018, with full compliance with the Final Rules phased in during 2019.

Among other things, the Final Rules require a capital conservation buffer designed to absorb losses during periods of economic stress. The Bank is currently required to meet this capital conservation buffer requirement in order to avoid constraints on capital distributions, such as dividends and equity repurchases, and certain bonus compensation for executive officers. Under the prompt corrective action requirements, which are designed to complement the capital conservation buffer, insured depository institutions are required to meet the following increased capital level requirements in order to qualify as "well-capitalized:" (i) a Tier 1 Common Equity capital ratio of at least 6.5%; (ii) a Tier 1 capital ratio of at least 8%; (iii) a total capital ratio of at least 10%; (iv) a Tier 1 leverage ratio of at least 5%; and (v) not be subject to any order or written directive requiring a specific capital level. The FDIC's rules (as amended by the Final Rules) also contain other capital classification categories, such as "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized," each of which is on certain capital ratios. An institution may be downgraded to a category lower than indicated by its capital ratios if it is determined to be in an unsafe or unsound condition, or if the institution receives an unsatisfactory examination rating.

The Bank at December 31, 2019 and at March 31st 2020 met and currently meets all capital adequacy requirements under the Final Rules as adopted and in effect.

Regulatory Oversight and Examination

Examinations. Banks are subject to periodic examinations by their primary regulators. In assessing a bank's condition, bank examinations have evolved from reliance on transaction testing in assessing a bank's condition to a risk-focused approach. These examinations are extensive and cover the entire breadth of operations of the bank. Generally, safety and soundness examinations occur on an 18-month cycle for banks under $3 billion in total assets that are well capitalized and without regulatory issues, and 12-months otherwise. Examinations alternate between the federal and state bank regulatory agency or may occur on a combined schedule. The frequency of consumer compliance and CRA examinations is linked to the size of the institution and its compliance and CRA ratings at its most recent examinations. However, the examination authority of the FDIC allows them to examine supervised banks as frequently as deemed necessary based on the condition of the bank or as a result of certain triggering events.

Commercial Real Estate Ratios. The federal banking regulators recently issued guidance reminding financial institutions to reexamine the existing regulations regarding concentrations in commercial real estate lending. The purpose of the guidance is to guide banks in developing risk management practices and capital levels commensurate with the level and nature of real estate concentrations. The banking regulators are directed to examine each bank's exposure to commercial real estate loans that are dependent on cash flow from the real estate held as collateral and to focus their supervisory resources on institutions that may have significant commercial real estate loan concentration risk. The guidance provides that the strength of an institution's lending and risk management practices with respect to such concentrations will be taken into account in evaluating capital adequacy and does not specifically limit a bank's commercial real estate lending to a specified concentration level.

Anti-Terrorism

The Bank Secrecy Act and the Patriot Act. The Bank Secrecy Act (the "BSA") requires all financial institutions to (among other requirements) establish a risk-based system of internal controls reasonably designed to prevent money laundering and the financing of terrorism. The BSA sets forth various recordkeeping and reporting requirements (such as reporting suspicious activities that may signal criminal activity), including due diligence and "know your customer" documentation requirements. Further, the

Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, intended to combat terrorism, was renewed with certain amendments in 2006 (the "Patriot Act"). The Patriot Act, in relevant part, (i) prohibits banks from providing correspondent accounts directly to foreign shell banks; (ii) imposes due diligence requirements on banks opening or holding accounts for foreign financial institutions or wealthy foreign individuals; (iii) requires financial institutions to establish an anti-money-laundering compliance program; and (iv) eliminates civil liability for persons who file suspicious activity reports. The Patriot Act also includes provisions providing the government with power to investigate terrorism, including expanded government access to bank account records. Bank regulators are directed to consider a bank's effectiveness in combating money laundering when reviewing and ruling on Bank Merger Act applications. The Bank has established compliance programs designed to comply with the BSA and Patriot Act requirements.

Financial Services Modernization

Gramm-Leach-Bliley Act of 1999. The Gramm-Leach-Bliley Financial Services Modernization Act of 1999 (the "GLBA") brought about significant changes to the laws affecting banks. Generally, the GLBA (i) repeals historical restrictions on preventing banks from affiliating with securities firms; (ii) provides a uniform framework for the activities of banks, savings institutions and their holding companies; (iii) broadens the activities that may be conducted by national banks and banking subsidiaries of bank holding companies; (iv) provides an enhanced framework for protecting the privacy of consumer information and requires notification to consumers of bank privacy policies; and (v) addresses a variety of other legal and regulatory issues affecting both day-to-day operations and long-term activities of financial institutions. The Bank is subject to FDIC regulations implementing the privacy protection provisions of the GLBA. These regulations require the Bank to disclose its privacy policy, including informing consumers of its information sharing practices and informing consumers of their rights to opt out of certain practices.

Deposit Insurance

FDIC Insured Deposits. The Bank's deposits are insured under the Federal Deposit Insurance Act, up to the maximum applicable limits and are subject to deposit insurance assessments by the FDIC, which are designed to tie what banks pay for deposit insurance to the risks they pose. The Dodd-Frank Act redefined the assessment base used for calculating FDIC deposit insurance assessment by requiring the FDIC to determine deposit insurance assessments based on assets instead of deposits. Assessments are now based on the average consolidated total assets less average tangible equity capital of a financial institution. In addition, the Dodd-Frank Act (i) raised the minimum designated reserve ratio (the FDIC is required to set the reserve ratio each year) of the Deposit Insurance Fund (the "DIF") from 1.15% to 1.35%; (ii) required that the DIF reserve ratio meet 1.35% by 2020; and (iii) eliminated the requirement that the FDIC pay dividends to insured depository institutions when the reserve ratio exceeds certain thresholds. The DIF reserve ratio reached 1.36% in 2018, which was ahead of the Dodd-Frank Act's 2020 deadline. The FDIC has established a higher reserve ratio of 2% as a long-term goal beyond what is required by statute. No institution may pay a dividend if it is in default on its federal deposit insurance assessment. The FDIC may also prohibit any insured institution from engaging in any activity determined by regulation or order to pose a serious risk to the DIF.

Safety and Soundness. The FDIC may terminate the deposit insurance of any insured depository institution if it determines after a hearing that the institution has engaged or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, order or any condition imposed by an agreement with the FDIC.

Insurance of Deposit Accounts. The Dodd-Frank Act permanently increased FDIC deposit insurance from $100,000 to $250,000 per depositor. The FDIC insurance coverage limit applies per depositor, per insured depository institution for each account ownership category.

Recent Legislation

COVID-19 Legislation and Regulation – CARES Act. Governments at all levels are rapidly taking steps to address and remediate the COVID-19 emergency. On March 27, 2020, the President signed into law the historic $2 trillion federal stimulus package known as the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which includes many provisions that will impact us and our customers. For example, the CARES Act includes $350 billion in stimulus for small businesses under the so-called "Paycheck Protection Program" of the U.S. Small Business Administration and an additional $500 billion for the U.S. Department of Treasury to make loans to distressed American businesses. The various banking agencies have strongly encouraged banks to work with borrowers impacted by COVID-19, and the CARES Act authorizes banks to elect to suspend GAAP for certain loan modifications that would otherwise be classified as a troubled debt restructure (which, in part, allows banks to provide immediate relief to their impacted borrowers). To ease the financial impacts of COVID-19, these agencies have also encouraged banks to consider offering responsible small-dollar loans to their consumers and small businesses affected by the pandemic.

The CARES Act also provides for direct stimulus payments (*i.e.*, "economic impact payments" or "stimulus checks") for many eligible Americans, subject to certain income thresholds. These economic impact payments will typically range from $1,200 to $3,400 and are designed to provide a level of financial relief to those most impacted by COVID-19. We anticipate that many of our customers will receive these economic impact payments, which the IRS intends to distribute via direct deposit to their accounts or by mailing paper checks. Overall, the regulatory landscape surrounding COVID-19 is rapidly changing, and we cannot predict with certainty the impact it will have on our operations or business.

Proposed Legislation

General. The economic and political environment of the past several years has led to a number of proposed legislative, governmental and regulatory initiatives that may significantly impact our industry. Other regulatory initiatives by federal and state banking agencies may also significantly impact the Bank's business. The Bank cannot predict whether these or any other proposals will be enacted or the ultimate impact of any such initiatives on our operations, competitive situation, financial conditions, or results of operations. While recent history has demonstrated that new legislation or changes to existing laws or regulations typically result in a greater compliance burden (and therefore increase the costs of doing business), the current Administration has expressed a desire to reduce regulatory burden.

Effects of Federal Government Monetary Policy. Our earnings and growth are affected not only by general economic conditions, but also by the fiscal and monetary policies of the federal government, particularly the Federal Reserve. The Federal Reserve implements national monetary policy to promote maximum employment, stable prices, and moderate long-term interest rates. Through its open market operations in U.S. government securities, control of the discount rate applicable to borrowings, establishment of reserve requirements against certain deposits, and control of the interest rate applicable to excess reserve balances and reverse repurchase agreements, the Federal Reserve influences the availability and cost of money and credit and, ultimately, a range of economic variables including employment, output, and the prices of goods and services. The nature and impact of future changes in monetary policies and their impact on us cannot be predicted with certainty.

DESCRIPTION OF CAPITAL STOCK

The following is a description of our capital stock and the material provisions of our amended and restated Articles of Incorporation and amended and restated Bylaws. The following is only a summary. Prospective investors may request copies of each of the documents summarized below by written request to the Bank.

General

As of March 31 2020, 5.21 million shares of our common stock were issued and outstanding, and there were approximately 333 holders of record of our common stock. Our Articles of Incorporation provide for authorized capital stock of 10 million shares of common stock, no par value. Immediately following this Offering, assuming full subscription at the $5,000,000 level, we will have an aggregate of 5.71 million shares of common stock issued and outstanding. In addition, we have 94,342 shares of common stock issuable upon exercise of currently vested outstanding options granted under our Stock Option Plans, 67,206 shares of common stock issuable upon future vesting during 2020-2023 under the Plans, and 16,354 shares of restricted stock granted and the 2015 Plan that is expected to vest during 2020-2023.

Common Stock

Voting Rights. The holders of our common stock are entitled to one vote for each outstanding share of common stock owned by that shareholder on every matter properly submitted to the shareholders for their vote. Shareholders are not entitled to vote cumulatively for the election of directors.

Dividend Rights. Holders of our common stock are entitled to receive, out of any assets of the Bank legally available, such dividends as may be declared from time to time by the board of directors. The Bank's ability to make dividend payments to its shareholders is subject to statutory and regulatory restrictions. See "SUPERVISION AND REGULATION -- Dividends."

Liquidation Rights. In the event of any voluntary or involuntary liquidation, dissolution or winding up of our affairs, holders of our common stock would be entitled to share ratably in our assets that are legally available for distribution to shareholders after payment of liabilities.

Conversion, Redemption and Preemptive Rights. Holders of our common stock have no conversion, redemption, preemptive, subscription or similar rights.

Anti-Takeover Effects of Certain Provisions of Our Charter Documents and Law

The following is a summary of certain provisions of law and our Articles of Incorporation and Bylaws that may have the effect of discouraging, delaying or preventing a change of control, change in management or an unsolicited acquisition proposal that a shareholder might consider favorable, including proposals that might result in the payment of a premium over the market price for the shares held by our shareholders.

With respect to our charter documents, while such provisions might be deemed to have some "anti-takeover" effect, the principal effect of these provisions is to protect our shareholders generally and to provide our board of directors and shareholders a reasonable opportunity to evaluate and respond to such unsolicited acquisition proposals.

Staggered Terms of Board of Directors. Our board of directors is divided into three classes of directors serving staggered terms. One class of directors is elected each year, and the directors so elected each serve a three year term. The use of a staggered board may make a change in control, or the removal of management, more difficult, as only a third of the members of the board of directors are elected in any given year.

Limitation on Business Combinations – Consideration of Non-Monetary Factors. Our Articles of Incorporation include certain provisions that could make more difficult the acquisition of the Bank by means of a tender offer, a proxy contest, merger or otherwise. Our Articles of Incorporation allow the board of directors to consider non-monetary factors in evaluating certain takeover bids. Specifically, the Articles of Incorporation allow the board of directors, in determining what is in the best interests of the Bank, to consider the social, legal and economic effects of the offer or proposal on employees, customers, suppliers of the Bank and on the communities and areas in which the Bank operates, the economics of the state and the nation, the long-term as well as short-term interests of the Bank and its shareholders, including the possibility that these interests may be best served by the continued independence of the Bank, and other relevant factors.

Amendment of Articles of Incorporation and Bylaws

Amendments to our Articles of Incorporation must be approved by our board of directors by a majority vote and by our shareholders by a majority of the voting group comprising all the votes entitled to be cast on the proposed amendment, and a majority of each other voting group entitled to vote separately on the proposed amendment. Our Bylaws may be amended or repealed by our board of directors, subject to amendment or repeal by action of the shareholders, at any regular meeting or any special meeting called for that purpose.

Indemnification of Directors and Officers

Indemnification. Our Articles of Incorporation contain provisions for the indemnification of our officers and directors, which provisions are designed to augment the provisions of the Oregon Bank Act dealing with indemnification. The Articles authorize us to pay reasonable expenses incurred by, or to satisfy a fine or judgment against, a current of former officer or director in connection with legal liability incurred by the individual because he or she is or was serving as an officer or director of the Bank.

Our Articles of Incorporation provide that subject to certain limitations the Bank shall indemnify any person who was or is a party or is threatened to be made a party to any threatened or pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of or arising from that fact that the person is or was an officer or director of the Bank, against reasonable expenses, judgments, fines, penalties, and specified taxes, if the person acted in good faith; reasonably believed that his or her conduct was in the best interests of the Bank or at least not opposed to its best interests; and with respect to any criminal action, had no reasonable cause to know the conduct was unlawful. Different standards apply to derivative actions brought by or in the right of the Bank. Generally, no indemnification may be made unless it is expressly determined that indemnification is proper in the circumstances because the person has met the applicable standards of conduct. This determination may be made by the board of directors (excluding any directors who are parties to the action, suit or proceeding), by special legal counsel, by the shareholders, or by a court of competent jurisdiction.

Our Articles of Incorporation also contain provisions regarding the advancement of expenses in advance of the final disposition of a legal proceeding, subject to certain requirements and limitations.

Limitation of Liability. The Articles of Incorporation contain provisions eliminating the personal liability of directors to the Bank or its shareholders for monetary damages for conduct as a director. These provisions do not eliminate or limit the liability of a director for (i) any breach of the director's duty of loyalty to the Bank or its shareholders; (ii) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) any distribution to shareholders which is unlawful under the Oregon Bank Act; or (iv) any transaction from which the director derived an improper personal benefit.

Transfer Agent and Registrar

The Bank acts as transfer agent and registrar for its common stock.

INDEPENDENT AUDITORS

The financial statements of Summit Bank as of December 31, 2019 and December 31, 2018 and for the years then ended, included in this offering circular, have been audited by Delap LLP, independent auditors, as stated in their report appearing herein.

CERTAIN LEGAL MATTERS

Certain matters in connection with the Offering will be passed upon for the Bank by the law firm of Miller Nash Graham & Dunn, LLP, Portland, Oregon/Seattle, Washington.

SUMMIT BANK STATEMENTS OF OPERATIONS

	Year Ended December 31	
	2019	2018
Interest income:		
Interest and fees on loans	$ 25,855,114	$ 20,671,413
Interest on investment securities	121,151	117,166
Interest on deposits with other banks	913,783	749,740
Total interest income	26,890,049	21,538,319
Interest expense	3,124,174	2,079,620
Net interest income	23,765,875	19,458,699
Provision for loan losses	3,004,962	2,167,062
Net interest income after provision for loan losses	20,760,913	17,291,637
Noninterest income:		
Gains on sales of loans	656,190	666,360
Bank card and interchange fees	432,209	386,564
Service charges on deposit accounts	114,300	112,949
Real estate lease income	109,413	90,233
Loan servicing fees	259,620	210,303
Bank-owned life insurance income	92,328	90,519
Losses on sales and write-downs of repossessed assets, net	(323,988)	(200,433)
Other	484,708	376,590
Total noninterest income	1,824,780	1,733,085
Noninterest expense:		
Salaries and employee benefits	10,343,294	7,932,706
Occupancy and equipment expense	809,658	747,444
Data processing	822,064	687,692
Repossessed assets expenses	209,522	134,276
Other	2,893,958	1,774,570
Total noninterest expense	15,078,496	11,276,688
Income before income taxes	7,507,197	7,748,034
Income tax provision	1,887,904	1,985,839
Net income	$ 5,619,293	$ 5,762,195
Earnings per share:		
Basic	$ 1.09	$ 1.12
Diluted	$ 1.07	$ 1.10

SUMMIT BANK BALANCE SHEETS

	December 31 2019	December 31 2018
ASSETS		
Cash and cash equivalents:		
Cash and due from financial institutions	$ 27,358,231	$ 14,821,609
Interest-bearing deposits with other financial institutions	5,679,841	2,349,021
Deposits with Federal Reserve Bank	16,625,000	39,348,682
Total cash and cash equivalents	49,663,072	56,519,312
Investment securities available-for-sale, at estimated fair value	4,564,748	3,312,446
Loans, less allowance for loan losses	437,449,235	342,092,865
Interest receivable	1,690,381	1,398,211
FHLB and PCBB stock, at cost	939,800	842,900
Premises and equipment, net of accumulated depreciation	6,269,793	5,771,693
Deferred income taxes, net	1,476,294	1,204,990
Repossessed assets, net	314,083	764,670
Cash surrender value of bank-owned life insurance	3,894,696	3,800,680
Other assets	1,116,290	760,049
	457,715,320	359,948,504
Total assets	$ 507,378,392	$ 416,467,816
LIABILITIES and STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing demand	$ 91,982,439	$ 92,610,276
Savings and interest-bearing demand	312,364,770	259,137,037
Time deposits	47,119,392	19,657,014
Total deposits	451,466,600	371,404,327
Interest payable	232,284	107,633
Other liabilities	7,147,225	2,782,628
Repurchase agreements	1,706,636	1,608,776
Total liabilities	460,552,745	375,903,364
Stockholders' equity:		
Preferred stock, no par value; 1,000,000 shares authorized; none issued	-	-
Common stock, no par value; 10,000,000 shares authorized, 5,192,085 and 5,149,699 shares outstanding in 2019 and 2018	20,788,105	20,172,918
Retained earnings	26,034,209	20,414,916
Accumulated other comprehensive income (loss)	3,334	(23,382)
Total stockholders' equity	46,825,647	40,564,452
Total liabilities and stockholders' equity	$ 507,378,392	$ 416,467,816

Complete audited financial statements for the years ended 2019 and 2018 can be accessed via the following link:

https://tinyurl.com/y96zo58n

SUBSCRIPTION FOR COMMON STOCK
SUMMIT BANK

SUMMIT BANK is offering for sale 500,000 shares of common stock ("Common Stock"), at a subscription price of $10.00 per share.

The undersigned, having received and read the Offering Circular of SUMMIT BANK, dated April 29th 2020, hereby offers to purchase the number of shares of the common stock of the Bank set forth below at a subscription price of $10.00 per share, and encloses herewith the full aggregate subscription price. Checks or money orders should be made payable to SUMMIT BANK. Wiring instructions, if funds are to be remitted by wire, are set forth in the Offering Circular.

Shares subscribed for .... (*Minimum is 2,500 Shares, Maximum is 100,000 Shares)*	______________
Aggregate purchase price (enclosed)	$_____________

SUBSCRIPTIONS WILL BE ACCEPTED **COMMENCING MONDAY May 4th** AND MUST BE RECEIVED BY SUMMIT BANK NOT LATER THAN 5:00 P.M. LOCAL TIME ON May 29th 2020 **UNLESS THE OFFERING IS TERMINATED EARLIER OR EXTENDED, AS DESCRIBED IN THE OFFERING CIRCULAR.** THE BANK RESERVES THE RIGHT TO REJECT ANY SUBSCRIPTION, IN WHOLE OR IN PART.

Shares purchased by the undersigned shall be registered as listed below. (If certificates for shares are to be issued in more than one name, please specify whether ownership is to be as tenants in common, joint tenants, etc. If certificates for shares are to be issued in the name of one person for the benefit of another, please indicate whether registration should be as trustee or custodian for such other person.)

How Shares To Be Registered *(Please Print)*	No. of Shares *(at $10.00 per share)*
____	______________
____	______________
____	______________

IN WITNESS WHEREOF, I/we have executed this Subscription, retaining a copy for my/our records, and submitted via email to investorrelations@sbko.bank or by delivery to:

SUMMIT BANK 96 E. Broadway Eugene, OR 97401 Attn: Investor Relations	SUMMIT BANK 560 SW Columbia St Bend, OR 97702 Attn: Investor Relations	SUMMIT BANK 222 SW Columbia St Ste 200 Portland, OR 97201 Attn: Investor Relations

Date: _________________ , 2020

______________________________ (Signature)	______________________________ (Signature) (If shares to be issued in more than one name)
______________________________ Name (Please print or type)	______________________________ Name (Please print or type)
______________________________ Street Address	______________________________ Street Address
______________________________ City and State ZIP	______________________________ City and State ZIP
Email:_________________________	Email:_________________________
Telephone:_____________________	Telephone:_____________________
Social Security No.:_______________ or Taxpayer I.D. No.	Social Security No.:_______________ or Taxpayer I.D. No.

IF SHARES TO BE HELD IN JOINT OWNERSHIP, ALL JOINT OWNERS MUST SIGN THIS SUBSCRIPTION.