FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 12 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): October 30, 2024

Summit State Bank

(Exact Name of Registrant as Specified in Charter)

California	32203	94-2878925
(State of Other Jurisdiction Of Incorporation)	(FDIC Certificate Number)	(I.R. S. Employer Identification No.)

500 Bicentennial Way Santa Rosa, CA (Address of Principal Executive Offices)	95403 (Zip Code)

Registrant's Telephone Number, Including Area Code, 707-568-6000

_____

(Former Name or Former Address, if Changes Since Last Report)

Check the Appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communication pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communication pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13d-4 (c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging Growth Company ☐

If an emerging growth company, indicate my check mark if the registrant has elected not to use the extended transition period for complying with any ne or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	SSBI	NASDAQ Global Market

Item 2.02. Results of Operations and Financial Condition.

On October 30, 2024, the registrant issued the press release attached hereto as Exhibit 99.1 and incorporated herein by reference regarding the results of operations for the three and nine months ended September 30, 2024.

Item 9.01. Financial Statements and Exhibits

(c) Exhibits:

The exhibit list called for by this item is incorporated by reference to the Exhibit Index filed as part of this report.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

Dated: October 30, 2024

SUMMIT STATE BANK

By: /S/ Camille Kazarian
Camille Kazarian
Executive Vice President and Chief Financial Officer (Duly Authorized Officer)

Exhibit Index

Exhibit Number	Description
99.1	Press release of Summit State Bank dated October 30, 2024, announcing results of operation for the three and nine months ended September 30, 2024.

News Release

For Immediate Release

Contact: Brian Reed, President and CEO, Summit State Bank (707) 568-4908

Summit State Bank Reports Net Income of $626,000 for Third Quarter 2024

SANTA ROSA, CA – (October 30, 2024) – Summit State Bank (the "Bank") (Nasdaq: SSBI) today reported net income for the third quarter ended September 30, 2024 of $626,000, or $0.09 per diluted share, compared to net income of $1,821,000, or $0.27 per diluted share for the third quarter ended September 30, 2023. Net operating income before credit loss provision and income tax was $2,122,000 for the third quarter ended September 30, 2024 compared to $2,520,000 for the third quarter ended 2023.

In September 2024 the Bank declared its eighty-third consecutive quarterly cash dividend.

"In this time of economic uncertainty, the Board is focused on balancing its commitment to shareholders while also building capital, increasing liquidity and positioning the Bank to create long-term value," said Brian Reed, President and CEO. "As such, the Bank is not announcing a dividend for the third quarter of 2024."

Third Quarter 2024 Financial Highlights (at or for the three months ended September 30, 2024)

- Net operating income before credit loss provision and income tax increased quarter-to-date to $2,122,000 for Q3 2024 when compared to $1,955,000 in Q1 2024 to $1,267,000 in Q2 2024.
- Operating expenses decreased in the third quarter of 2024 to $6,181,000 compared to $6,926,000 in the third quarter of 2023.
- The improvement in net income for the third quarter ended September 30, 2024 was offset by a $1,320,000 provision for credit losses.
- Net income for the third quarter ended September 30, 2024 was $626,000, or $0.09 per diluted share, compared to $1,821,000, or $0.27 per diluted share, in the third quarter of 2023 and $928,000, or $0.14 per diluted share, for the second quarter ended June 30, 2024.
- The allowance for credit losses to total loans was 1.66% on September 30, 2024 which is based on estimating credit losses for the life of the loans in the portfolio.
- The Bank maintained strong total liquidity of $458,554,000, or 41.0% of total assets as of September 30, 2024. This includes on balance sheet liquidity (cash and

equivalents and unpledged available-for-sale securities) of $148,499,000 or 13.3% of total assets, plus available borrowing capacity of $310,055,000 or 27.7% of total assets.

- The Bank remains well-capitalized and all regulatory capital ratios were well above minimum requirements on September 30, 2024.
- Net loans decreased $14,832,000 to $917,367,000 at September 30, 2024, compared to $932,199,000 one year earlier and increased $3,853,000 compared to $913,514,000 three months earlier.
- Total deposits decreased 3% to $1,002,770,000 at September 30, 2024, compared to $1,030,836,000 at September 30, 2023, and increased 4% when compared to the prior quarter end of $966,587,000.
- Book value was $14.85 per share, compared to $13.77 per share a year ago and $14.44 in the preceding quarter.

Operating Results

For the third quarter of 2024, the annualized return on average assets was 0.23% and the annualized return on average equity was 2.48%. This compared to an annualized return on average assets of 0.63% and an annualized return on average equity of 7.59%, respectively, for the third quarter of 2023.

Summit's net interest margin was 2.71% in the third quarter of 2024 and 2.80% in the third quarter of 2023. Interest and dividend income increased 0.3% to $14,977,000 in the third quarter of 2024 compared to $14,931,000 in the third quarter of 2023. The slight increase in interest income is attributable to a $763,000 increase in interest on loans offset by a decrease of $671,000 in interest on deposits with banks and a decrease in interest on investment securities of $45,000.

"Our earnings have been substantially impacted by the high interest rate environment that continues to put upward pressure on our funding costs," said Reed. "The cost of deposits was 3.05% during the third quarter, compared to 2.95% during the preceding quarter, as customers continue to focus on higher yields. The recent rate decrease by the Federal Reserve will help alleviate some of the pricing pressures, but rates remain elevated. We have been actively implementing programs to reduce cost of funds while preserving our local deposit relationships."

Noninterest income decreased in the third quarter of 2024 to $1,030,000 compared to $1,496,000 in the third quarter of 2023. The decrease is primarily attributed to the Bank recognizing $474,000 in gains on sales of SBA and USDA guaranteed loan balances in the third quarter of 2024 compared to $1,046,000 in gains on sales of SBA and USDA guaranteed loan balances in the third quarter of 2023.

Operating expenses decreased in the third quarter of 2024 to $6,181,000 compared to $6,926,000 in the third quarter of 2023. The decrease is primarily due to a decrease in the accrual employee bonus expenses of $238,000, a reduction in stock appreciation rights expense of $179,000, a decrease in marketing expense of $113,000 and a decrease of $75,000 in legal expense.

Balance Sheet Review

Net loans decreased 2% to $917,367,000 at September 30, 2024, compared to $932,199,000 at September 30, 2023, and decreased 0.4% compared to June 30, 2024. The Bank's largest loan types are commercial real estate loans which make up 78% of the portfolio, "secured by farmland" totaling 9% of the portfolio, and 8% in commercial and industrial loans. Of the commercial real estate total, approximately 32% or $235,000,000 is owner occupied and the remaining 68% or $491,000,000 is non-owner occupied. The portfolio is well diversified between industries with no significant concentrations, including office space which totals $116,300,000.

Total deposits decreased 3% to $1,002,770,000 at September 30, 2024, compared to $1,030,836,000 at September 30, 2023, and increased 4% when compared to the prior quarter end. At September 30, 2024, noninterest bearing demand deposit accounts decreased 9% compared to a year ago and represented 19% of total deposits; savings, NOW and money market accounts increased 6% compared to a year ago and represented 48% of total deposits, and CDs decreased 10% compared to a year ago and comprised 33% of total deposits. The decrease in deposits is a result of the Bank managing its liquidity levels and asset growth. The average cost of deposits was 3.05% in the third quarter of 2024, compared to 2.63% in the third quarter of 2023.

Shareholders' equity was $100,662,000 at September 30, 2024, compared to $97,949,000 three months earlier and $93,439,000 a year earlier. The increase in shareholders' equity compared to a year ago was primarily due to a reduction in accumulated other comprehensive loss on securities of $4,790,000 and an increase of $2,145,000 in retained earnings. At September 30, 2024 book value was $14.85 per share, compared to $14.44 three months earlier, and $13.77 at September 30, 2023.

Summit State Bank continues to maintain capital levels in excess of the requirements to be categorized as "well-capitalized" with average equity to assets of 9.10% at September 30, 2024, compared to 9.04% at June 30, 2024, and 8.24% at September 30, 2023. The increase compared to September 2023 was due to the Bank's retention of capital which is exceeding asset growth.

Credit Quality

"Our primary focus has been managing asset quality and reducing portfolio risk," said Reed. "Our nonperforming loans, which are concentrated in the "secured by farmland" category, remain elevated as we work with our customers to cure or payoff these loans. The Bank is committed to acting so it can replace this segment of the portfolio with performing loans. Our commercial real estate portfolios continue to perform well."

Nonperforming assets were $41,971,000, or 3.75% of total assets, at September 30, 2024. This compared to $40,994,000 in nonperforming assets at June 30, 2024, and $35,267,000 in nonperforming assets at September 30, 2023. There are three specific relationships totaling $32,200,000, and one real estate owned for $5,130,000, that together make up 89% of nonperforming assets portfolio. These three relationships are "secured by

farmland" and the Bank has specific reserves set aside based on current appraised values net of any costs.

There were no net charge-offs during the three months ended September 30, 2024, compared to net charge-offs of $1,347,000 during the three months ended June 30, 2024 and net recoveries of $10,000 during the three months ended September 30, 2023. Net charge-offs for the three months ended June 30, 2024 were related to a loan taken into real estate owned.

For the third quarter of 2024, consistent with factors within the allowance for credit losses, the Bank recorded a $1,320,000 provision for credit loss expense for loans, a $8,000 reversal of credit losses for unfunded loan commitments and a $19,000 reversal of credit losses on investments. This compared to a $27,000 reversal of credit loss expense on loans, a $5,000 reversal of credit losses on unfunded loan commitments and a $27,000 provision for credit losses on investments in the third quarter of 2023.

The allowance for credit losses to total loans was 1.66% on September 30, 2024, and 1.61% on September 30, 2023. The increase is due to a provision for credit losses on loans of $1,320,000 recorded during the three months ended September 30, 2024. The provision covers a $1,000,000 specific loan reserve and $300,000 general pool loan reserve.

About Summit State Bank

Summit State Bank, a local community bank, has total assets of $1.1 billion and total equity of $101 million at September 30, 2024. Headquartered in Sonoma County, the Bank specializes in providing exceptional customer service and customized financial solutions to aid in the success of local small businesses and nonprofits throughout Sonoma County.

Summit State Bank is committed to embracing the diverse backgrounds, cultures and talents of its employees to create high performance and support the evolving needs of its customers and community it serves. At the center of diversity is inclusion, collaboration, and a shared vision for delivering superior service to customers and results for shareholders. Presently, 60% of management are women and minorities with 60% represented on the Executive Management Team. Through the engagement of its team, Summit State Bank has received many esteemed awards including: Top Performing Community Bank by American Banker, Best Places to Work in the North Bay by North Bay Business Journal, Corporate Philanthropy Award by the San Francisco Business Times, Hall of Fame by North Bay Biz Magazine, and Diversity in Business. Summit State Bank's stock is traded on the Nasdaq Global Market under the symbol SSBI. Further information can be found at www.summitstatebank.com.

Forward-looking Statements

The financial results in this release are preliminary. Final financial results and other disclosures will be reported in Summit State Bank's quarterly report on Form 10-Q for the

period ended September 30, 2024 and may differ materially from the results and disclosures in this release due to, among other things, the completion of final review procedures, the occurrence of subsequent events or the discovery of additional information.

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

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

	Three Months Ended		
	September 30, 2024 (Unaudited)	June 30, 2024 (Unaudited)	September 30, 2023 (Unaudited)
Interest and dividend income:			
Interest and fees on loans	$ 13,594	$ 13,083	$ 12,831
Interest on deposits with banks	592	451	1,263
Interest on investment securities	663	709	708
Dividends on FHLB stock	128	128	129
Total interest and dividend income	14,977	14,371	14,931
Interest expense:			
Deposits	7,563	7,046	6,895
Federal Home Loan Bank advances	4	137	10
Junior subordinated debt	138	94	94
Total interest expense	7,705	7,277	6,999
Net interest income before provision for credit losses	7,272	7,094	7,932
Provision for (reversal of) credit losses on loans	1,320	6	(27)
(Reversal of) credit losses on unfunded loan commitments	(8)	(26)	(5)
(Reversal of) provision for credit losses on investments	(19)	4	27
Net interest income after provision for (reversal of) credit losses on loans, unfunded loan commitments and investments	5,979	7,110	7,937
Non-interest income:			
Service charges on deposit accounts	241	227	231
Rental income	60	60	61
Net gain on loan sales	474	270	1,046
Other income	255	244	158
Total non-interest income	1,030	801	1,496
Non-interest expense:			
Salaries and employee benefits	3,988	4,039	4,362
Occupancy and equipment	420	443	432
Other expenses	1,773	2,145	2,132
Total non-interest expense	6,181	6,627	6,926
Income before provision for income taxes	828	1,284	2,507
Provision for income taxes	202	356	686
Net income	$ 626	$ 928	$ 1,821
Basic earnings per common share	$ 0.09	$ 0.14	$ 0.27
Diluted earnings per common share	$ 0.09	$ 0.14	$ 0.27
Basic weighted average shares of common stock outstanding	6,719	6,719	6,697
Diluted weighted average shares of common stock outstanding	6,719	6,719	6,705

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

	Nine Months Ended	
	September 30, 2024 (Unaudited)	**September 30, 2023 (Unaudited)**
Interest and dividend income:		
Interest and fees on loans	$ 39,952	$ 39,152
Interest on deposits with banks	1,405	3,618
Interest on investment securities	2,084	2,143
Dividends on FHLB stock	386	293
Total interest and dividend income	43,827	45,206
Interest expense:		
Deposits	21,396	17,114
Federal Home Loan Bank advances	332	177
Junior Subordinated Debt	325	281
Total interest expense	22,053	17,572
Net interest income before provision for credit losses	21,774	27,634
Provision for credit losses on loans	1,311	373
(Reversal of) credit losses on unfunded loan commitments	(99)	(3)
(Reversal of) provision for credit losses on investments	(20)	27
Net interest income after provision for (reversal of) credit losses on loans, unfunded loan commitments and investments	20,582	27,237
Non-interest income:		
Service charges on deposit accounts	701	653
Rental income	180	139
Net gain on loan sales	1,257	2,481
Other income	641	1,630
Total non-interest income	2,779	4,903
Non-interest expense:		
Salaries and employee benefits	12,210	12,354
Occupancy and equipment	1,348	1,326
Other expenses	5,651	5,886
Total non-interest expense	19,209	19,566
Income before provision for income taxes	4,152	12,574
Provision for income taxes	1,203	3,652
Net income	$ 2,949	$ 8,922
Basic earnings per common share	$ 0.44	$ 1.33
Diluted earnings per common share	$ 0.44	$ 1.33
Basic weighted average shares of common stock outstanding	6,712	6,694
Diluted weighted average shares of common stock outstanding	6,712	6,697

SUMMIT STATE BANK
BALANCE SHEETS
(In thousands except share data)

	September 30, 2024 (Unaudited)	June 30, 2024 (Unaudited)	September 30, 2023 (Unaudited)
ASSETS			
Cash and due from banks	$ 80,928	$ 40,142	$ 86,604
Total cash and cash equivalents	80,928	40,142	86,604
Investment securities:			
Available-for-sale, less allowance for credit losses of $38, $57 and $0 (at fair value; amortized cost of $86,225, $96,407 and $97,099)	76,205	83,105	80,312
Loans, less allowance for credit losses of $15,466, $14,145 and $15,243	917,367	913,514	932,199
Bank premises and equipment, net	5,251	5,306	5,334
Investment in Federal Home Loan Bank stock (FHLB), at cost	5,889	5,889	5,541
Goodwill	4,119	4,119	4,119
Other Real Estate Owned	5,130	5,130	-
Affordable housing tax credit investments	7,698	7,942	8,360
Accrued interest receivable and other assets	16,204	16,898	19,705
Total assets	$ 1,118,791	$ 1,082,045	$ 1,142,174
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Demand - non interest-bearing	$ 192,371	$ 183,181	$ 210,258
Demand - interest-bearing	212,214	218,124	201,516
Savings	45,845	42,974	54,317
Money market	219,593	212,750	193,080
Time deposits that meet or exceed the FDIC insurance limit	80,801	74,744	72,836
Other time deposits	251,946	234,814	298,829
Total deposits	1,002,770	966,587	1,030,836
Federal Home Loan Bank advances	-	3,500	-
Junior subordinated debt	5,931	5,927	5,916
Affordable housing commitment	4,061	4,061	4,435
Accrued interest payable and other liabilities	5,367	4,021	7,548
Total liabilities	1,018,129	984,096	1,048,735
Shareholders' equity			
Preferred stock, no par value; 20,000,000 shares authorized; no shares issued and outstanding	-	-	-
Common stock, no par value; shares authorized - 30,000,000 shares; issued and outstanding 6,776,563, 6,784,099 and 6,784,099	37,677	37,623	37,389
Retained earnings	70,012	69,651	67,867
Accumulated other comprehensive loss, net	(7,027)	(9,325)	(11,817)
Total shareholders' equity	100,662	97,949	93,439
Total liabilities and shareholders' equity	$ 1,118,791	$ 1,082,045	$ 1,142,174

Financial Summary
(Dollars in thousands except per share data)

	As of and for the Three Months Ended		
	September 30, 2024 (Unaudited)	June 30, 2024 (Unaudited)	September 30, 2023 (Unaudited)
Statement of Income Data:			
Net interest income	$ 7,272	$ 7,094	$ 7,932
Provision for (reversal of) credit losses on loans	1,320	6	(27)
(Reversal of) credit losses on unfunded loan commitments	(8)	(26)	(5)
(Reversal of) provision for credit losses on investments	(19)	4	27
Non-interest income	1,030	801	1,496
Non-interest expense	6,181	6,627	6,926
Provision for income taxes	202	356	686
Net income	$ 626	$ 928	$ 1,821
Selected per Common Share Data:			
Basic earnings per common share	$ 0.09	$ 0.14	$ 0.27
Diluted earnings per common share	$ 0.09	$ 0.14	$ 0.27
Dividend per share	$ 0.04	$ 0.12	$ 0.12
Book value per common share (1)	$ 14.85	$ 14.44	$ 13.77
Selected Balance Sheet Data:			
Assets	$ 1,118,791	$ 1,082,045	$ 1,142,174
Loans, net	917,367	913,514	932,199
Deposits	1,002,770	966,587	1,030,836
Average assets	1,098,469	1,078,700	1,155,007
Average earning assets	1,063,476	1,049,254	1,123,951
Average shareholders' equity	99,962	97,548	95,180
Nonperforming loans	36,841	35,864	35,267
Net loans (charged-off) recovered	-	(1,067)	10
Other real estate owned	5,130	5,130	-
Total nonperforming assets	41,971	40,994	35,267
Selected Ratios:			
Return on average assets (2)	0.23%	0.35%	0.63%
Return on average common shareholders' equity (2)	2.48%	3.82%	7.59%
Efficiency ratio (3)	74.45%	83.94%	73.46%
Net interest margin (2)	2.71%	2.71%	2.80%
Common equity tier 1 capital ratio	9.94%	10.22%	9.65%
Tier 1 capital ratio	9.94%	10.22%	9.65%
Total capital ratio	11.66%	12.08%	11.49%
Tier 1 leverage ratio	9.18%	9.31%	8.47%
Common dividend payout ratio (4)	42.34%	87.96%	43.82%
Average shareholders' equity to average assets	9.10%	9.04%	8.24%
Nonperforming loans to total loans	3.95%	3.87%	3.72%
Nonperforming assets to total assets	3.75%	3.79%	3.09%
Allowance for credit losses to total loans	1.66%	1.52%	1.61%
Allowance for credit losses to nonperforming loans	41.98%	39.44%	43.22%

(1) Total shareholders' equity divided by total common shares outstanding.
(2) Annualized.
(3) Non-interest expenses to net interest and non-interest income, net of securities gains.
(4) Common dividends divided by net income available for common shareholders.

Financial Summary
(Dollars in thousands except per share data)

	As of and for the Nine Months Ended	
	September 30, 2024	**September 30, 2023**
	(Unaudited)	**(Unaudited)**
Statement of Income Data:		
Net interest income	$ 21,774	$ 27,634
(Reversal of) provision for credit losses on loans	1,311	373
(Reversal of) provision for credit losses on unfunded loan commitments	(99)	(3)
(Reversal of) provision for credit losses on investments	(20)	27
Non-interest income	2,779	4,903
Non-interest expense	19,209	19,566
Provision for income taxes	1,203	3,652
Net income	$ 2,949	$ 8,922
Selected per Common Share Data:		
Basic earnings per common share	$ 0.44	$ 1.33
Diluted earnings per common share	$ 0.44	$ 1.33
Dividend per share	$ 0.28	$ 0.36
Book value per common share (1)	$ 14.85	$ 13.77
Selected Balance Sheet Data:		
Assets	$ 1,118,791	$ 1,142,174
Loans, net	917,367	932,199
Deposits	1,002,770	1,030,836
Average assets	1,088,413	1,149,441
Average earning assets	1,056,714	1,117,877
Average shareholders' equity	98,333	93,461
Nonperforming loans	36,841	35,267
Net loans (charged-off) recovered	(1,066)	31
Other real estate owned	5,130	-
Total nonperforming assets	41,971	35,267
Selected Ratios:		
Return on average assets (2)	0.36%	1.04%
Return on average common shareholders' equity (2)	4.00%	12.76%
Efficiency ratio (3)	78.23%	60.13%
Net interest margin (2)	2.74%	3.31%
Common equity tier 1 capital ratio	9.94%	9.65%
Tier 1 capital ratio	9.94%	9.65%
Total capital ratio	11.66%	11.49%
Tier 1 leverage ratio	9.18%	8.47%
Common dividend payout ratio (4)	64.23%	27.36%
Average shareholders' equity to average assets	9.03%	8.13%
Nonperforming loans to total loans	3.95%	3.72%
Nonperforming assets to total assets	3.75%	3.09%
Allowance for credit losses to total loans	1.66%	1.61%
Allowance for credit losses to nonperforming loans	41.98%	43.22%

(1) Total shareholders' equity divided by total common shares outstanding.
(2) Annualized.
(3) Non-interest expenses to net interest and non-interest income, net of securities gains.
(4) Common dividends divided by net income available for common shareholders.