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): July 31, 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 July 31, 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 six months ended June 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: July 31, 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 July 31, 2024, announcing results of operation for the three and six months ended June 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 $928,000 for Second Quarter 2024

SANTA ROSA, CA – (July 31, 2024) – Summit State Bank (the "Bank") (Nasdaq: SSBI) today reported net income for the second quarter ended June 30, 2024 of $928,000, or $0.14 per diluted share, compared to net income of $2,985,000, or $0.45 per diluted share for the second quarter ended June 30, 2023.

"Our second quarter earnings continue to be directly impacted by the high interest rate environment and its impact on funding costs, a challenge that is affecting the entire banking industry," said Brian Reed, President and CEO. "We are implementing steps to grow net income and remain focused on improving our financial performance. Loan balances decreased modestly during the second quarter related to our efforts to focus on asset quality and pricing versus growth. Our focus is on improving our performance metrics and increasing profitability in each successive quarter. While the possibility of a continued industry-wide higher-for-longer interest rate cycle still exists, we remain optimistic about our future performance."

Second Quarter 2024 Financial Highlights (at or for the three months ended June 30, 2024)

- Net income was $928,000, or $0.14 per diluted share, compared to $2,985,000, or $0.45 per diluted share, in the second quarter of 2023 and $1,395,000, or $0.21 per diluted share, for the first quarter ended March 31, 2024.
- The allowance for credit losses to total loans was 1.52% on June 30, 2024 which is based on estimating credit losses for the life of the loans in the portfolio.
- The Bank maintains strong total liquidity of 479,202,000, or 44.3% of total assets as of June 30, 2024. This includes on balance sheet liquidity (cash and equivalents and unpledged available-for-sale securities) of $115,094,000 or 10.6% of total assets, plus available borrowing capacity of $364,108,000 or 33.6% of total assets.
- The Bank remains well-capitalized and all regulatory capital ratios were well above minimum requirements on June 30, 2024.
- Net loans decreased $11,292,000 to $913,514,000 at June 30, 2024, compared to $924,806,000 one year earlier and decreased $4,171,000 compared to $917,685,000 three months earlier.

- Total deposits decreased 8% to $966,587,000 at June 30, 2024, compared to $1,048,316,000 at June 30, 2023, and increased 3% when compared to the prior quarter end of $939,202,000.
- Book value was $14.44 per share, compared to $13.92 per share a year ago and $14.43 in the preceding quarter.

Operating Results

For the second quarter of 2024, the annualized return on average assets was 0.35% and the annualized return on average equity was 3.82%. This compared to an annualized return on average assets of 1.03% and an annualized return on average equity of 12.69%, respectively, for the second quarter of 2023.

Summit's net interest margin was 2.71% in the second quarter of 2024, compared to 2.81% in the preceding quarter and 3.44% in the second quarter of 2023. The increased interest costs were partially offset by positive trends in loan yields. Interest and dividend income decreased 8.0% to $14,371,000 in the second quarter of 2024 compared to $15,625,000 in the second quarter of 2023. The decrease in interest income is attributable to a $998,000 decrease in interest on deposits with banks, a $298,000 decrease in interest on loans, and offset by an increase in dividends on FHLB stock of $48,000.

"Higher funding costs outpaced the increase in loan yields during the second quarter, causing our net interest margin to contract 10 basis points compared to the preceding quarter," said Reed. "The cost of deposits was 2.95% during the second quarter, compared to 2.83% during the preceding quarter, as customers continue to look for higher yields. Given the current interest rate environment, the change in deposit mix has and will continue to place pressure on funding costs. While the bank has seen an increase in deposit costs, we are fortunate to maintain local deposit relationships as we work through this interest rate cycle."

Noninterest income decreased in the second quarter of 2024 to $801,000 compared to $1,449,000 in the second quarter of 2023. The variance is primarily attributed to the Bank recognizing $1,023,000 in one-time FHLB fee income for prepayment of long term advances in the second quarter of 2023. This was partially offset by the Bank recognizing $270,000 in gains on sales of SBA and USDA guaranteed loan balances in the second quarter of 2024 compared to no gains on sales of SBA and USDA guaranteed loan balances in the second quarter of 2023.

Operating expenses decreased in the second quarter of 2024 to $6,627,000 compared to $6,822,000 in the second quarter of 2023. The decrease is primarily due to a reduction in stock appreciation rights expense of $416,000 and a decrease in employee bonus expense of $328,000. This was offset by a $278,000 increase in salaries and commissions net of deferred fees and costs and a $209,000 increase in FDIC Insurance expenses.

Balance Sheet Review

Net loans decreased 1% to $913,514,000 at June 30, 2024, compared to $924,806,000 at June 30, 2023, and decreased 0.5% compared to March 31, 2024. The Bank's largest loan

types are commercial real estate loans which make up 74% of the portfolio, secured by farmland totaling 9% of the portfolio, and 6% in commercial and industrial loans. Of the commercial real estate total, approximately 34% or $231,000,000 is owner occupied and the remaining 66% or $459,000,000 is non-owner occupied. The portfolio is well diversified between industries with no significant concentrations, including no material concentration in office space which totals $113,700,000.

Total deposits decreased 8% to $966,587,000 at June 30, 2024, compared to $1,048,316,000 at June 30, 2023, and increased 3% when compared to the prior quarter end. At June 30, 2024, noninterest bearing demand deposit accounts decreased 14% compared to a year ago and represented 19% of total deposits; savings, NOW and money market accounts increased 11% compared to a year ago and represented 49% of total deposits, and CDs decreased 24% compared to a year ago and comprised 32% 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 2.95% in the second quarter of 2024, compared to 2.26% in the second quarter of 2023.

Shareholders' equity was $97,949,000 at June 30, 2024, compared to $97,878,000 three months earlier and $94,435,000 a year earlier. The increase in shareholders' equity compared to a year ago was primarily due to an increase of $2,807,000 in retained earnings. At June 30, 2024 book value was $14.44 per share, compared to $14.43 three months earlier, and $13.92 at June 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 9.04% at June 30, 2024, compared to 8.96% at March 31, 2024, and 8.15% at June 30, 2023. The increase compared to June 2023 was due to the Bank's retention of capital which is exceeding asset growth.

Credit Quality

"We continue to closely monitor asset quality and are diligently working to reduce portfolio risk," said Reed. "Nonperforming loans which are concentrated in the secured by farmland category declined from the immediate prior quarter while our commercial real estate portfolios continue to perform well."

Nonperforming assets were $40,994,000, or 3.79% of total assets, at June 30, 2024. This compared to $41,548,000 in nonperforming assets at March 31, 2024, and $24,908,000 in nonperforming assets at June 30, 2023. There are three specific relationships totaling $31,800,000, and one real estate owned for $5,130,000, that together make up 90% 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 charge-offs were $1,347,000 during the three months ended June 30, 2024, compared to net recoveries of $281,000 during the three months ended March 31, 2024 and net recoveries of $10,000 during the three months ended June 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 second quarter of 2024, consistent with factors within the allowance for credit losses, the Bank recorded a $6,000 provision for credit loss expense for loans, a $26,000 reversal of credit losses for unfunded loan commitments and a $4,000 provision for credit losses on investments. This compared to no provision for credit loss expense on loans and a $35,000 provision for credit losses on unfunded loan commitments and no provision for credit losses on investments in the second quarter of 2023.

The allowance for credit losses to total loans was 1.52% on June 30, 2024, and 1.62% on June 30, 2023. The decrease is due to charging off $1,347,000 on a loan taken into real estate owned; this loan was previously listed as nonperforming and carried a specific reserve amount equal to the chargeoff amount. Although the loan portfolio decreased in the second quarter of 2024, there was a minimal provision for credit losses on loans of $6,000 recorded during the three months ended June 30, 2024.

About Summit State Bank

Summit State Bank, a local community bank, has total assets of $1.1 billion and total equity of $98 million at June 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, 54% 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: Best Business Bank by North Bay biz magazine, Best Places to Work in the North Bay by North Bay Business Journal, Top Performing Banks by ICBA, Top Community Bank Loan Producer, Raymond James Bankers Cup, Super Premier Performing Bank by Findley Reports, Bank & Thrift SM-ALL Star by Piper Sandler, 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 June 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		
	June 30, 2024 (Unaudited)	March 31, 2024 (Unaudited)	June 30, 2023 (Unaudited)
Interest and dividend income:			
Interest and fees on loans	$ 13,083	$ 13,274	$ 13,381
Interest on deposits with banks	451	362	1,449
Interest on investment securities	709	712	715
Dividends on FHLB stock	128	129	80
Total interest and dividend income	14,371	14,477	15,625
Interest expense:			
Deposits	7,046	6,786	5,819
Federal Home Loan Bank advances	137	190	48
Junior subordinated debt	94	94	94
Total interest expense	7,277	7,070	5,961
Net interest income before provision for credit losses	7,094	7,407	9,664
Provision for (reversal of) credit losses on loans	6	(15)	-
(Reversal of) provision for credit losses on unfunded loan commitments	(26)	(65)	35
Provision for (reversal of) credit losses on investments	4	(5)	-
Net interest income after provision for (reversal of) credit losses on loans, unfunded loan commitments and investments	7,110	7,492	9,629
Non-interest income:			
Service charges on deposit accounts	227	233	215
Rental income	60	60	39
Net gain on loan sales	270	514	-
Other income	244	141	1,195
Total non-interest income	801	948	1,449
Non-interest expense:			
Salaries and employee benefits	4,039	4,182	4,199
Occupancy and equipment	443	485	442
Other expenses	2,145	1,733	2,181
Total non-interest expense	6,627	6,400	6,822
Income before provision for income taxes	1,284	2,040	4,256
Provision for income taxes	356	645	1,271
Net income	$ 928	$ 1,395	$ 2,985
Basic earnings per common share	$ 0.14	$ 0.21	$ 0.45
Diluted earnings per common share	$ 0.14	$ 0.21	$ 0.45
Basic weighted average shares of common stock outstanding	6,719	6,698	6,697
Diluted weighted average shares of common stock outstanding	6,719	6,698	6,700

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

	Six Months Ended	
	June 30, 2024 (Unaudited)	**June 30, 2023 (Unaudited)**
Interest and dividend income:		
Interest and fees on loans	$ 26,358	$ 26,321
Interest on deposits with banks	813	2,355
Interest on investment securities	1,421	1,434
Dividends on FHLB stock	258	164
Total interest and dividend income	28,850	30,274
Interest expense:		
Deposits	13,832	10,219
Federal Home Loan Bank advances	328	167
Junior Subordinated Debt	188	187
Total interest expense	14,348	10,573
Net interest income before provision for credit losses	14,502	19,701
(Reversal of) provision for credit losses on loans	(9)	400
(Reversal of) provision for credit losses on unfunded loan commitments	(91)	2
(Reversal of) provision for credit losses on investments	(1)	-
Net interest income after provision for (reversal of) credit losses on loans, unfunded loan commitments and investments	14,603	19,299
Non-interest income:		
Service charges on deposit accounts	460	422
Rental income	120	79
Net gain on loan sales	784	1,435
Other income	385	1,473
Total non-interest income	1,749	3,409
Non-interest expense:		
Salaries and employee benefits	8,221	7,992
Occupancy and equipment	928	894
Other expenses	3,879	3,755
Total non-interest expense	13,028	12,641
Income before provision for income taxes	3,324	10,067
Provision for income taxes	1,001	2,966
Net income	$ 2,323	$ 7,101
Basic earnings per common share	$ 0.35	$ 1.06
Diluted earnings per common share	$ 0.35	$ 1.06
Basic weighted average shares of common stock outstanding	6,708	6,689
Diluted weighted average shares of common stock outstanding	6,708	6,690

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

	June 30, 2024 (Unaudited)	March 31, 2024 (Unaudited)	June 30, 2023 (Unaudited)
ASSETS			
Cash and due from banks	$ 40,142	$ 37,712	$ 112,412
Total cash and cash equivalents	40,142	37,712	112,412
Investment securities:			
Available-for-sale, less allowance for credit losses of $57, $53 and $0 (at fair value; amortized cost of $96,407, $96,973 and $97,386)	83,105	83,832	83,593
Loans, less allowance for credit losses of $14,145, $15,487 and $15,261	913,514	917,685	924,806
Bank premises and equipment, net	5,306	5,287	5,426
Investment in Federal Home Loan Bank stock (FHLB), at cost	5,889	5,541	5,541
Goodwill	4,119	4,119	4,119
Other Real Estate Owned	5,130	-	-
Affordable housing tax credit investments	7,942	8,165	8,586
Accrued interest receivable and other assets	16,898	17,850	16,926
Total assets	$ 1,082,045	$ 1,080,191	$ 1,161,409
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Demand - non interest-bearing	$ 183,181	$ 179,328	$ 212,489
Demand - interest-bearing	218,124	222,313	194,596
Savings	42,974	48,214	57,003
Money market	212,750	222,153	176,616
Time deposits that meet or exceed the FDIC insurance limit	74,744	65,763	175,810
Other time deposits	234,814	201,431	231,802
Total deposits	966,587	939,202	1,048,316
Federal Home Loan Bank advances	3,500	28,600	-
Junior subordinated debt	5,927	5,924	5,913
Affordable housing commitment	4,061	4,094	4,435
Accrued interest payable and other liabilities	4,021	4,493	8,310
Total liabilities	984,096	982,313	1,066,974
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 6,784,099, 6,784,099 and 6,784,099	37,623	37,552	37,301
Retained earnings	69,651	69,539	66,844
Accumulated other comprehensive loss, net	(9,325)	(9,213)	(9,710)
Total shareholders' equity	97,949	97,878	94,435
Total liabilities and shareholders' equity	$ 1,082,045	$ 1,080,191	$ 1,161,409

Financial Summary
(Dollars in thousands except per share data)

	As of and for the Three Months Ended		
	June 30, 2024 (Unaudited)	March 31, 2024 (Unaudited)	June 30, 2023 (Unaudited)
Statement of Income Data:			
Net interest income	$ 7,094	$ 7,407	$ 9,664
Provision for (reversal of) credit losses on loans	6	(15)	-
(Reversal of) provision for credit losses on unfunded loan commitments	(26)	(65)	35
Provision for (reversal of) credit losses on investments	4	(5)	-
Non-interest income	801	948	1,449
Non-interest expense	6,627	6,400	6,822
Provision for income taxes	356	645	1,271
Net income	$ 928	$ 1,395	$ 2,985
Selected per Common Share Data:			
Basic earnings per common share	$ 0.14	$ 0.21	$ 0.45
Diluted earnings per common share	$ 0.14	$ 0.21	$ 0.45
Dividend per share	$ 0.12	$ 0.12	$ 0.12
Book value per common share (1)	$ 14.44	$ 14.43	$ 13.92
Selected Balance Sheet Data:			
Assets	$ 1,082,045	$ 1,080,191	$ 1,161,409
Loans, net	913,514	917,685	924,806
Deposits	966,587	939,202	1,048,316
Average assets	1,078,700	1,087,960	1,157,193
Average earning assets	1,049,254	1,057,338	1,125,327
Average shareholders' equity	97,548	97,471	94,340
Nonperforming loans	35,864	41,548	24,908
Net loans (charged-off) recovered	(1,066)	281	10
Other real estate owned	5,130	-	-
Total nonperforming assets	40,994	41,548	24,908
Selected Ratios:			
Return on average assets (2)	0.35%	0.51%	1.03%
Return on average common shareholders' equity (2)	3.82%	5.74%	12.69%
Efficiency ratio (3)	83.94%	76.60%	61.39%
Net interest margin (2)	2.71%	2.81%	3.44%
Common equity tier 1 capital ratio	10.39%	10.37%	9.40%
Tier 1 capital ratio	10.39%	10.37%	9.40%
Total capital ratio	12.26%	12.24%	11.23%
Tier 1 leverage ratio	9.31%	9.21%	8.36%
Common dividend payout ratio (4)	87.96%	58.27%	27.40%
Average shareholders' equity to average assets	9.04%	8.96%	8.15%
Nonperforming loans to total loans	3.87%	4.45%	2.65%
Nonperforming assets to total assets	3.79%	3.85%	2.14%
Allowance for credit losses to total loans	1.52%	1.66%	1.62%
Allowance for credit losses to nonperforming loans	39.44%	37.27%	61.27%

(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 Six Months Ended	
	June 30, 2024 (Unaudited)	June 30, 2023 (Unaudited)
Statement of Income Data:		
Net interest income	$ 14,502	$ 19,701
(Reversal of) provision for credit losses on loans	(9)	400
(Reversal of) provision for credit losses on unfunded loan commitments	(91)	2
(Reversal of) provision for credit losses on investments	(1)	-
Non-interest income	1,749	3,409
Non-interest expense	13,028	12,641
Provision for income taxes	1,001	2,966
Net income	$ 2,323	$ 7,101
Selected per Common Share Data:		
Basic earnings per common share	$ 0.35	$ 1.06
Diluted earnings per common share	$ 0.35	$ 1.06
Dividend per share	$ 0.24	$ 0.24
Book value per common share (1)	$ 14.44	$ 13.92
Selected Balance Sheet Data:		
Assets	$ 1,082,045	$ 1,161,409
Loans, net	913,514	924,806
Deposits	966,587	1,048,316
Average assets	1,083,330	1,146,612
Average earning assets	1,053,296	1,114,790
Average shareholders' equity	97,509	92,587
Nonperforming loans	35,864	24,908
Net loans (charged-off) recovered	(1,066)	22
Other real estate owned	5,130	-
Total nonperforming assets	40,994	24,908
Selected Ratios:		
Return on average assets (2)	0.43%	1.25%
Return on average common shareholders' equity (2)	4.78%	15.47%
Efficiency ratio (3)	80.17%	54.70%
Net interest margin (2)	2.76%	3.56%
Common equity tier 1 capital ratio	10.39%	9.40%
Tier 1 capital ratio	10.39%	9.40%
Total capital ratio	12.26%	11.23%
Tier 1 leverage ratio	9.31%	8.36%
Common dividend payout ratio (4)	70.12%	23.14%
Average shareholders' equity to average assets	9.00%	8.07%
Nonperforming loans to total loans	3.87%	2.65%
Nonperforming assets to total assets	3.79%	2.14%
Allowance for credit losses to total loans	1.52%	1.62%
Allowance for credit losses to nonperforming loans	39.44%	61.27%

(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.