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 22, 2019

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 7.01. Regulation FD Disclosure

From time to time, Officers of Summit State Bank (the "Company") will make presentations regarding the Company at various groups. The slides furnished as Exhibit 99.1 to this Current Report on Form 8-K were prepared for the presentation.

The information in this report is being furnished, not filed, pursuant to Regulation FD. Accordingly, the information in Items 7.01 and 9.01 of this report will not be incorporated by reference into any registration statement filed by the Company under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference. The furnishing of the information in this report is not intended to, and does not, constitute a determination or admission by the Company that the information in this report is material or complete, or that investors should consider this information before making an investment decision with respect to any security of the Company.

The exhibit to this report may include certain statements concerning expectations for the future that are forward-looking statements as defined by federal securities law. Any forward-looking statements are based on the historical performance of the Company and its subsidiaries or on the Company's current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by the Company that the future plans, estimates or expectations by the Company will be achieved. Such forward-looking statements are subject to various risks and uncertainties and assumptions relating to the Company's operations, financial results, financial condition, business prospects, growth strategy and liquidity. If one or more of these or other risks or uncertainties materialize, or if the Company's underlying assumptions prove to be incorrect, the Company's actual results may vary materially from those indicated in these statements. The Company does not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements. These factors include, but are not limited to, the following, any one or more of which could materially affect the outcome of future events:

- business and economic conditions generally and in the financial services industry in particular, whether nationally, regionally or in the markets in which we operate;
- our ability to achieve organic loan and deposit growth, and the composition of that growth;
- changes (or the lack of changes) in interest rates, yield curves and interest rate spread relationships that affect our loan and deposit pricing;
- the extent of continuing client demand for the high level of personalized service that is a key element of our banking
  approach as well as our ability to execute our strategy generally;
- our dependence on our management team, and our ability to attract and retain qualified personnel;
- changes in the quality or composition of our loan or investment portfolios, including adverse developments in borrower industries or in the repayment ability of individual borrowers;
- inaccuracy of the assumptions and estimates we make in establishing reserves for probable loan losses and other estimates;
- the concentration of our business within our geographic areas of operation in California; and
- concentration of credit exposure.

These factors should not be construed as exhaustive. Additional information on these and other risk factors can be found in Item 1A. "Risk Factors" and Item 7. "Special Note Regarding Forward-Looking Statements" in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Federal Deposit Insurance Corporation.

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 22, 2019

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	Presentation slides as of July 22, 2019

99. Presentation slides as of July 22, 2019

SUMMIT
STATE BANK



2019 ANNUAL SHAREHOLDERS MEETING
POSITIONED FOR SUCCESS

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

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

TURNING HEADWINDS INTO TAILWINDS

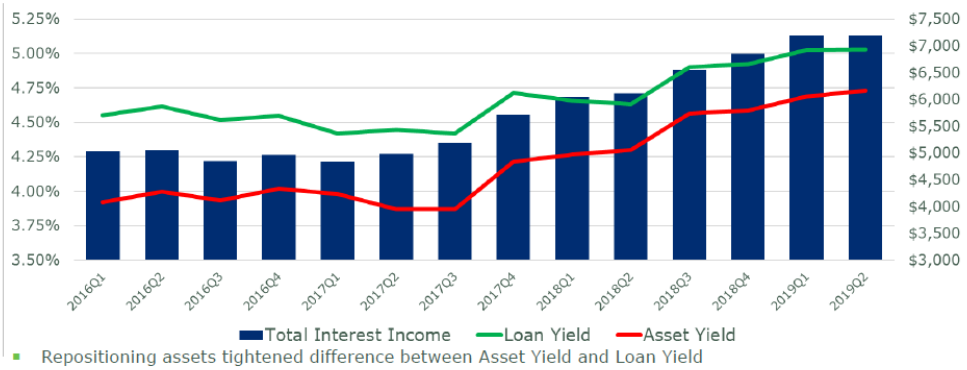
- Repositioning Balance Sheet
- Increasing Asset Yield
- Stabilizing Cost of Funds
- Stabilizing Non-Interest Expenses
- Maintaining Credit Quality
- Increasing Non-Interest Income
- Creating a Sustainable Culture of Success

REPOSITIONING BALANCE SHEET

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

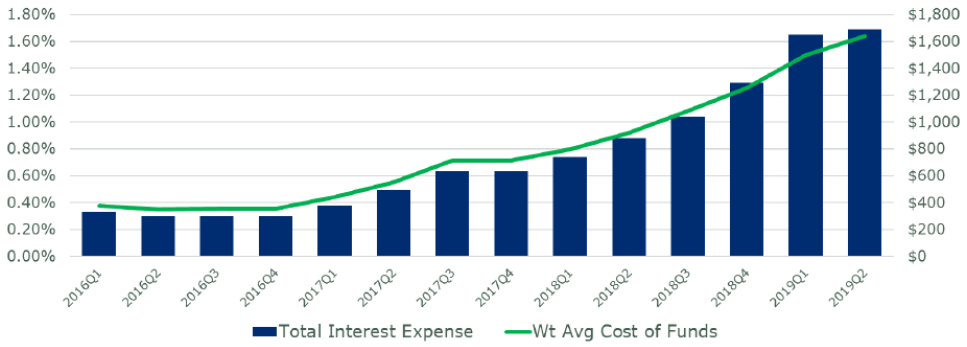
- Moved over 16% of interest earning assets into higher yielding loans generating additional interest income around $2MM in 2019 at the same Cost of Funds
- Reduced reliance on wholesale & FHLB funding from 28% to 12%

INCREASING ASSET YIELD



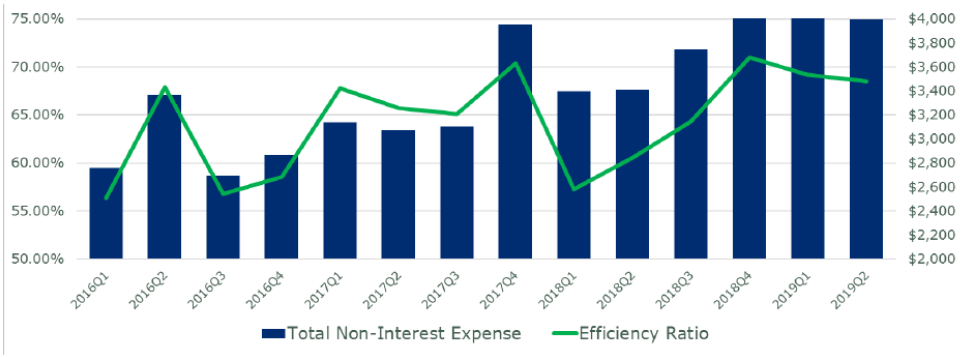
- Repositioning assets tightened difference between Asset Yield and Loan Yield
- Focus on increasing average Loan Yield while maintaining credit quality includes:
  - Targeting loans with a story, Increasing SBA & Construction lending within conservative concentration limits, and Reducing Consumer & Purchased loans

STABILIZING COST OF FUNDS



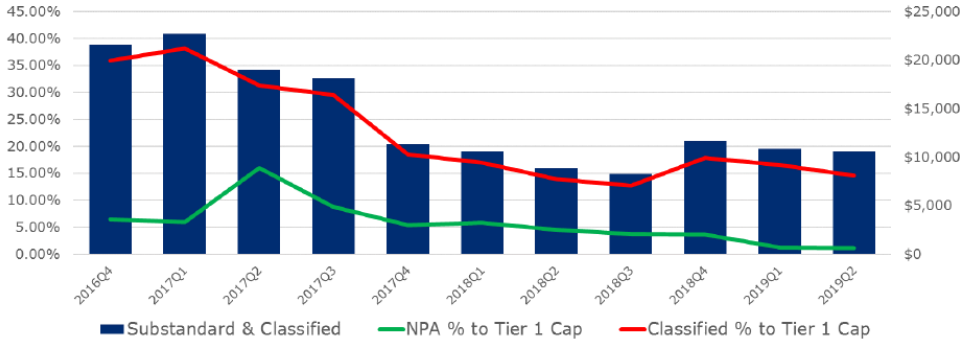
- Projecting interest yields to stabilize Cost of Funds and decrease weighted average Cost of Funds
- Better focus on increasing core deposits began in 2019

STABILIZING NON-INTEREST EXPENSES



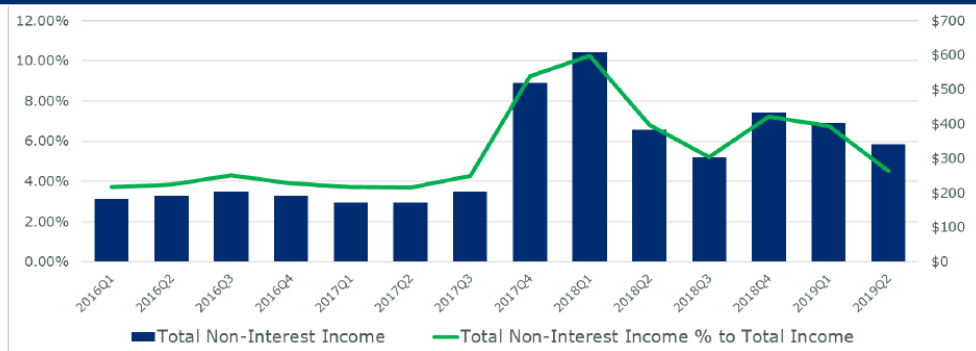
- Beginning late 2016, added staff to improve customer service and support growth, stabilizing in Q3 2019
- Improving internal processes to support growth and improve efficiencies
  - Examples: Document imaging project took 12 months at an approximate cost of $600,000 went live in Q2 2019
- Expanded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

MAINTAINING CREDIT QUALITY



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

INCREASING NON-INTEREST INCOME



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

UNDERSTANDING FINANCIAL RESULTS FROM GROWTH

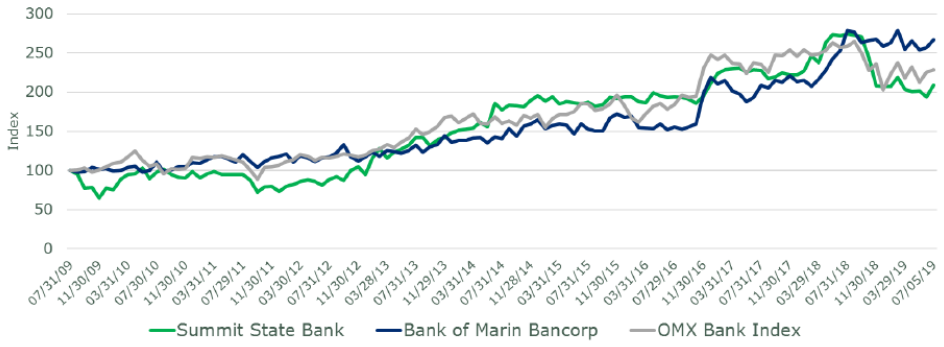
- Hypothetical $100 MM growth in one year
  - First year – add staff to fuel loan and deposit growth in excess of zero, estimate 1.5%
  - Year one, growth is even throughout the year, therefore only ½ of NIM is recognized in year one whereas close to 100% is recognized in subsequent years (fewer principal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

	Yr 1	Yr 2
NIM 3.6%	1,800	3,600
Growth Staff 1.5%	(1,500)	-
Support Staff 1.5%	(750)	(1,500)
Provision 1.2%	(1,200)	(250)
Net	(1,650)	1,850
ROAA	-0.83%	1.85%
Efficiency	-25.00%	41.67%

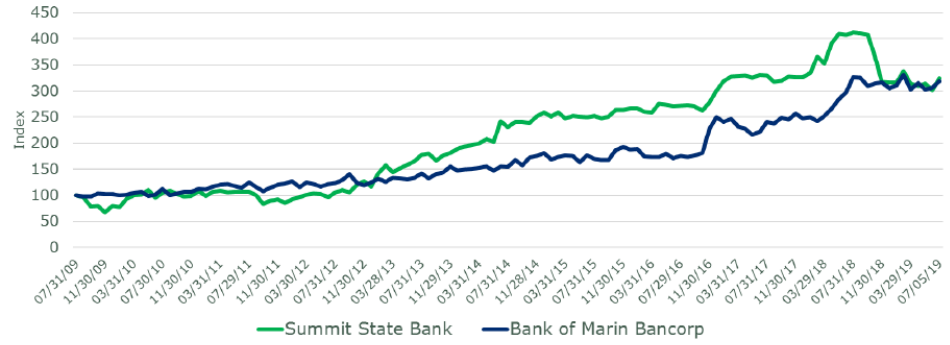
CREATING A SUSTAINABLE CULTURE OF SUCCESS

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

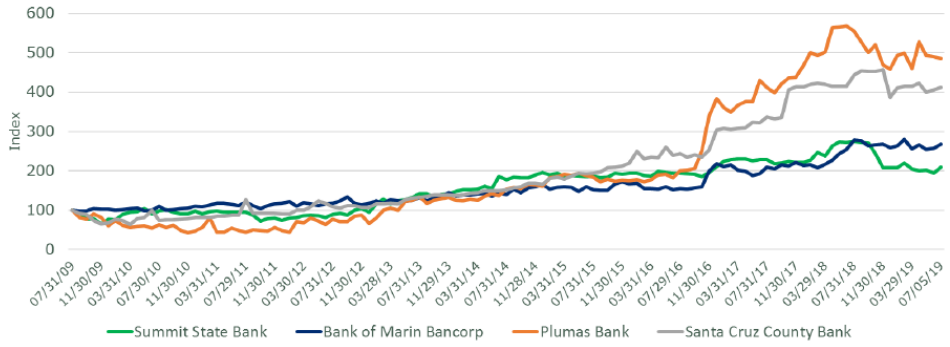
10-YEAR HISTORY OF SUMMIT STATE BANK STOCK PRICE



10-YEAR HISTORY OF SUMMIT STATE BANK TOTAL RETURN



SUMMIT STATE BANK: AIMING FOR SUCCESS



THANK YOU FROM SUMMIT STATE BANK!











SUMMIT
STATE BANK



QUESTIONS