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): November 19, 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

The Chief Executive Officer of Summit State Bank (the "Bank") will make presentations to institutional investors at various meetings from November 19, 2019 through January 31, 2020 using the slide presentation included as Exhibit 99.1 of this report. The information in this report (including Exhibit 99.1) shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other documents filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by the specific reference in such filing.

A copy of the presentation is attached hereto as Exhibit 99.1 and incorporated herein by reference.

The presentation is also available on the Bank's website at www.summitstatebank.com under the "Investor Relations" tab.

This presentation of Summit State Bank (also referred to as we, us or our) may contain certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, our forward-looking statements. Words such as "expects," "anticipates," "believes," "estimates" and other similar expressions or future or conditional verbs such as "will," "should," "would" and "could" are intended to identify such forward-looking statements.

Forward-looking statements, by their nature, are subject to risks, uncertainties and assumptions. Readers are cautioned not to put undue reliance on any forward-looking statement. The statements are representative only as of the date they are made, and we undertake no obligation to update any forward-looking statement.

Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, but are not limited to: a weakness or a decline in the economy, nationally or locally, particularly in Northern California, as well as an unexpected declines in commercial real estate values within our market areas; the risk of fires, droughts and other national disasters; our inability to compete for and to retain customers and key employees; our inability to grow costumer deposits to keep pace with loan growth; an increase in our allowance for loan losses; greater than expected operating costs, such as technology-related costs; the effect of cyber-attacks, computer viruses or other malware that may breach the security of our websites or other systems to obtain unauthorized access to confidential information, destroy data, disable or degrade service, or sabotage our systems; results of examinations by banking regulators; and changes in accounting policies or accounting standards, including the new accounting guidance known as the current expected credit loss (CECL) model, which may increase the required level of our allowance for credit losses. A detailed discussion of factors that could affect our results is included in our SEC filings, including the "Risk Factors" section of our most

recent Annual Report on Form 10-K filed with the Federal Deposit Insurance Corporation ("FDIC") and those in any other public filing we may make with the FDIC.

Item 9.01. Financial Statements and Exhibits

(d) 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: November 13, 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
99.1	Presentation slides as of November 13, 2019

99.1 Presentation slides as of November 13, 2019

SUMMIT
STATE BANK



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	%	Avg Yield %	$000's	%	Avg Yield %
Cash	21,895	4.1	0.90	12,104	1.9	2.50
Investment Securities	132,754	24.7	2.73	67,848	10.7	2.75
Loans (Net)	366,259	68.1	4.46	536,674	84.4	5.04
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	0.55	485,994	76.5	1.56
Wholesale & FHLB	152,407	28.4	0.55	75,563	11.9	1.56
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	

- Moving over 16% of interest earning assets into higher yielding loans generates additional interest income around $1.5MM in 2019
- Reduced reliance on wholesale & FHLB funding from 28% to 12%
- Lot of effort to transition loans and deposits into higher core earnings

UNDERSTANDING FINANCIAL RESULTS FROM GROWTH

- Hypothetical additional $50 MM growth in one year over peer median
  - First year – add staff to fuel loan and deposit growth in excess of peers, estimate 1.5% of assets
  - 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%	900	1,800
Growth Staff 1.5%	(750)	-
Support Staff 1.5%	(375)	(750)
Provision 1.2%	(600)	(125)
Net	(825)	925
Average Assets	25MM	50MM
ROAA Pre-Tax	-0.83%	1.85%
Efficiency	-25.00%	41.67%

UNDERSTANDING FINANCIAL RESULTS FROM GROWTH OVER SEVERAL YEARS

- Consistent with the preceding example, a hypothetical loan growth scenario of an additional $50 MM per year over 3 years with a 4th year of peer average growth is demonstrated below
  - This example assumes a decrease in net income due to principal payments and prepayments
  - Positive results that yield a significant return don't appear until Year 3
  - This example is comparable to the Bank's actual planned loan growth which started in Q3 2017

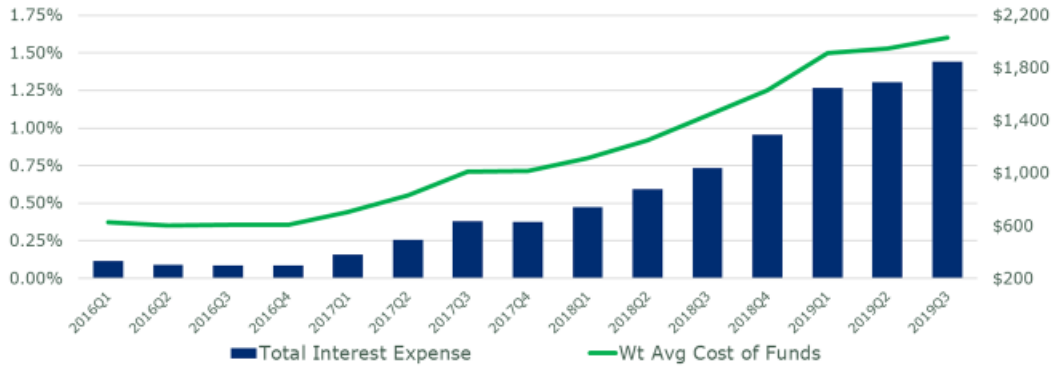
	Grow Yr 1	Grow Yr 2	Grow Yr 3	Stabilize Yr 4
Year 1	(825)	925	900	875
Year 2		(825)	925	900
Year 3			(825)	925
Year 4				0
Net	(825)	100	1,000	2,700
Income Tax	(242)	29	293	791
Net After Tax	(583)	71	707	1,909
Average Assets	25MM	75MM	124MM	147MM
ROAA Pre-Tax	-0.83%	0.01%	0.81%	1.84%
Efficiency	-25.00%	69.44%	58.65%	42.17%

INCREASING ASSET YIELD



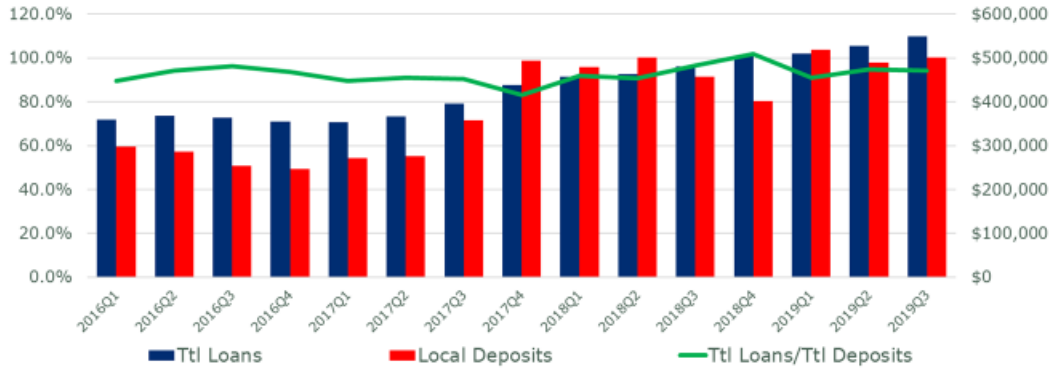
- Repositioning assets tightened difference between Asset Yield and Loan Yield between 2Q17 & 2Q19
- Focus on increasing average Loan Yield while maintaining credit quality includes:
  - Targeting loans with a story, Increasing SBA & Construction lending, and Reducing Consumer & Purchased loans
  - Higher Fed rates beginning in 2017 thru 2018, then lessening slightly beginning in July 2019

STABILIZING COST OF FUNDS



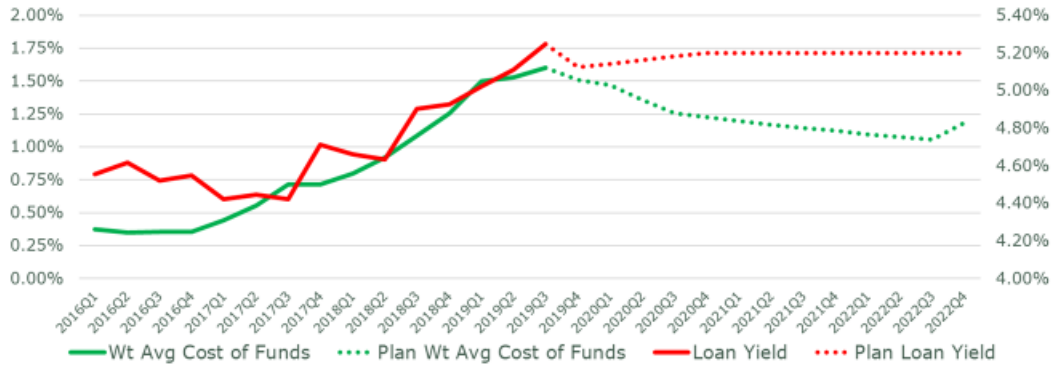
- Projecting interest yields to stabilize and decrease during 2019
- Better focus on increasing lower cost core deposits began in 2019

LOAN & DEPOSIT GROWTH



- Core deposit growth not staying up with loans is a concern
- Total loans to deposits near 100% may be a concern
- Contingency plans include Money Market or CD special rate promotion or selling loans

LOAN YIELD & COST OF FUNDS



- The relationship reflects conservative cost and yield estimates in a declining rate environment
- Decrease in cost in advance of yield is reflective of a liability sensitive balance sheet
- Stabilizing cost at ~1.25% reflects management's intention to lock in longer term deposits (CD's & Wholesale) and promote specials when appropriate

NET INTEREST INCOME & MARGIN



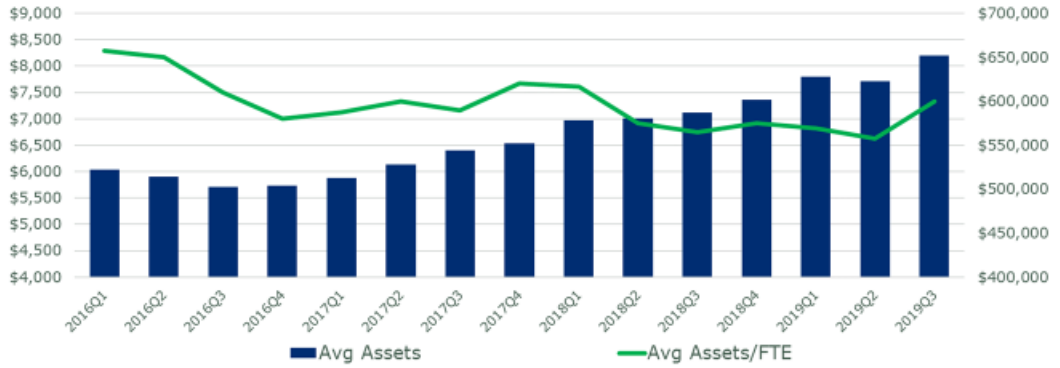
- Goal is to maintain 3.60% average over time
- What is better: incremental growth, or higher NIM with constraints such as capital, liquidity & core deposits?
- Staffing & non-interest expenses should support planned growth

STABILIZING NON-INTEREST EXPENSES



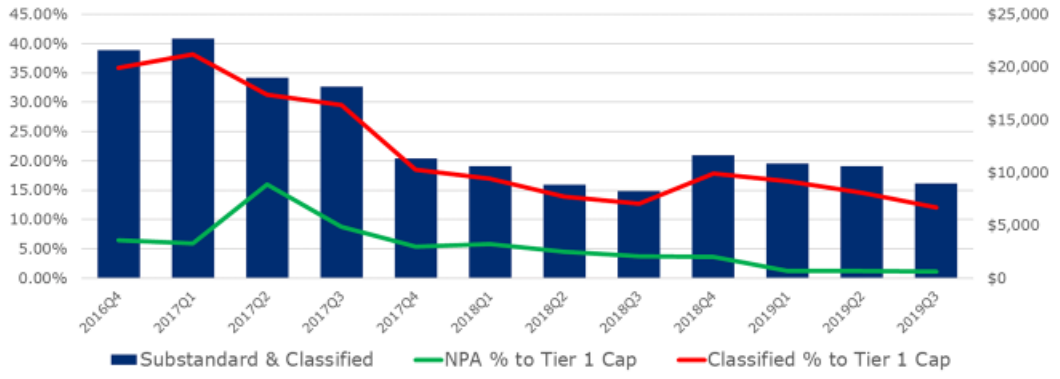
- Beginning late 2016, added staff to improve customer service and support growth, stabilizing in Q3 2019
- Improving internal processes to support growth and improve efficiencies
  - Examples: Document imaging project took 12 months at an approximate cost of $600,000, went live in Q2 2019
- Expanded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

AVERAGE ASSETS PER FTE



- We are currently near peer median. More projected Assets per FTE includes assumptions of larger average loan and deposit balances
- More Assets per FTE help drive a lower efficiency ratio
- More Assets per FTE also reflects technological improvements and other efficiencies

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 sell vs. hold, and service fee income from sold loans
- Expanding core deposits will increase servicing income

RETURN ON AVERAGE ASSETS



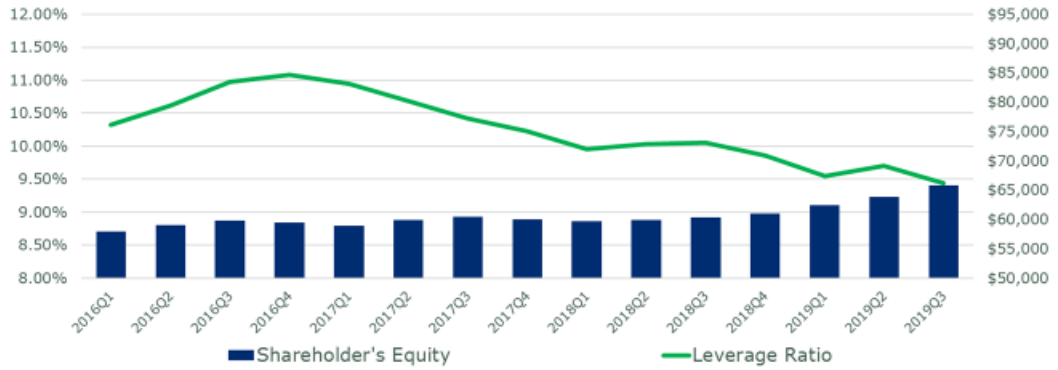
- Continues to be around peer median
- Continues to have costs related to higher growth than peers drag down net income

RETURN ON AVERAGE EQUITY



- Relates directly to ROAA and leverage ratio
- ROAA remains steady while leverage ratio decreases in plan
- Projects higher than peer median beginning in late 2020

SHAREHOLDER'S EQUITY & LEVERAGE RATIO



- This needs to be monitored carefully in light of growth, liquidity, volatile deposit funding, and credit quality
- Contingency planning needs to be robust: includes suspension of dividends, private capital raise, sale/leaseback of Bicentennial building, and sale of loans
- Management's risk appetite needs to be aligned with Board's; focus on appropriate metrics on regular basis

CREATING A SUSTAINABLE CULTURE OF SUCCESS

- Community banking is all about the people
  - Management and Board of Directors
  - 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

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AIMING FOR SUCCESS