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): December 19, 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 7.01. Regulation FD Disclosure

The Chief Executive Officer of Summit State Bank (the "Bank") will make an investor letter and fact sheet available online beginning December 19, 2024 using the document 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 investor letter and fact sheet is attached hereto as Exhibit 99.1 and incorporated herein by reference.

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

This investor letter and fact sheet 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: December 19, 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	Investor letter and fact sheet dated December 27, 2024

SUMMIT STATE BANK

A Better Sonoma County. That's Our Business.

Member FDIC





December 27, 2024

Dear Valued Investor,

As we conclude the fiscal year, I wanted to provide you with an update on our financial performance, nonperforming loans, dividend policy, and our ongoing cost savings initiatives.

Over the past year we faced several challenges including a continued high-interest rate environment which is having an impact on funding costs, decreased deal volumes, and increased competition. As a result, our net income has been affected and we have experienced a decline in our financial performance. However, the recent actions from the Federal Reserve to reduce rates are starting to have a favorable impact because it is lowering the Bank's cost of funds. This rate decrease, in conjunction with the Bank's loan portfolio that continues to reprice, is expected to have a positive impact on the Bank's net interest margin going forward.

The Bank has experienced growth in net operating income[1] which increased to $2,122,000 for the third quarter 2024 compared to $1,955,000 and $1,267,000 for the first and second quarter 2024, respectively. However, net income has declined to $626,000 for the third quarter 2024 compared to $1,395,000 and $928,000 for the first and second quarter 2024. The biggest driver of the variance between net income and net operating income are increased loan loss provisions. We currently expect the fourth quarter to reflect additional loan loss provisioning as we prepare for various asset sales that are anticipated to be completed in the first half of 2025.

The Bank has experienced sustained heightened levels of nonperforming loans on our balance sheet. About 96% of our non-performing portfolio are made up of four credits with $3,672,000 in specific reserves to date. The Bank projects it will resolve three of these four large loans, totaling 73% of the nonperforming portfolio, in the first half of 2025, possibly as early as the first quarter of 2025. We continue to enhance our credit underwriting and monitoring policies and have strengthened our credit team with the addition of several new resources in 2024, including Mike Floyd who joined as Chief Credit Officer in March 2024.

In light of our current financial situation, the Board has made the difficult decision not to declare a dividend for the third quarter of 2024. We believe that retaining our earnings will provide us with a strong foundation to support future growth and performance. We understand the importance of returning value to our shareholders and will reevaluate our dividend policy once our capital performance improves and nonperforming loans are resolved.

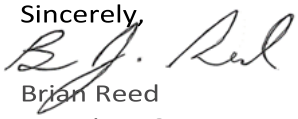
In the meantime, the Bank remains committed to driving cost efficiencies and improving our operational effectiveness. As part of this commitment, we have implemented numerous cost saving initiatives. This includes eliminating almost 8% of positions at the Bank, leveraging existing staff and technologies to reduce third-party expenses, eliminating raises and bonuses, reducing employee benefits Bank-wide and reducing director fees. These measures will result in a total savings of $3,500,000 by the end of 2025 and will contribute to our strategy of operating a lean and efficient institution that leverages technology and improved processes.

[1]Net operating income is a non-GAAP financial measure. Please see below for a reconciliation to GAAP.

We appreciate your continued support and we look forward to a strong 2025 because of the anticipated benefits that will accrue for the Bank based on the actions taken in 2024. We wish all of our stakeholders, employees and partners a joyous holiday season and a prosperous New Year.

If you have any questions or concerns, please do not hesitate to reach out to us. We look forward to keeping you informed of our progress.

Sincerely,



Brian Reed
President & CEO

707.568.6000
500 Bicentennial Way, Santa Rosa, CA
95403 summitstatebank.com

SUMMIT STATE BANK
Member FDIC

NASDAQ: SSBI / $7.45
December 5, 2024

FACT SHEET

Stock Price (12/05/24)	$7.45
Shares Outstanding	6.777 M
Market Cap	$50.5 M
TTM EPS	$0.72
Price/TTM EPS	10.35x
Book Value/Share	$14.85
Price/Book Value	0.50x
NIM (annualized)	2.71%
ROAA (2024Q3)	0.23%
ROAE (2024Q3)	2.48%

3Q 2024 FINANCIAL HIGHLIGHTS

- Net operating income before credit loss provision and income tax[1] 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.

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.

Corporate Information

Summit State Bank
500 Bicentennial Way
Santa Rosa, CA 95403
Phone: 707.568.6000

Executive Management

Brian Reed
President & CEO

Camille Kazarian
EVP & Chief Financial Officer

Genie Del Secco
EVP & Chief Operating Officer

Brandy Seppi
EVP & Chief Lending Officer

Mike Floyd
EVP & Chief Credit Officer

[1] Net operating income before credit loss provision and income tax in a non-GAAP financial measure. See below for a reconciliation to GAAP.

NASDAQ: SSBI / $7.45
December 5, 2024

FINANCIAL HIGHLIGHTS

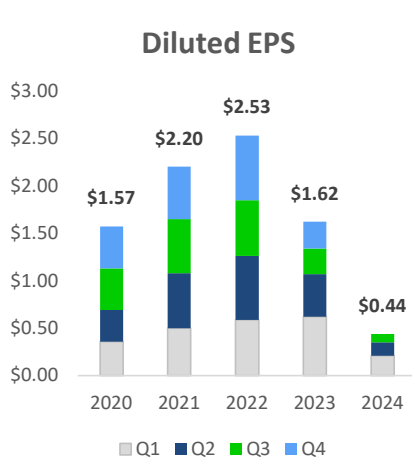
($ in thousands, except share data)

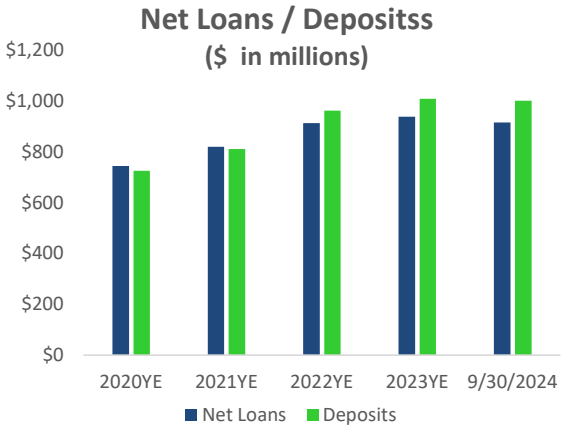
Income Statement	Three Months Ended		
(unaudited)	**30-Sep-24**	**30-Jun-24**	**30-Sep-23**
Total interest income	$14,977	$14,371	$14,931
Total interest expense	7,705	7,277	6,999
Net interest income	7,272	7,094	7,932
Provision for (reversal of) credit losses on loans	1,320	6	(27)
(Reversal of) provision for credit losses on unfunded loan commitments	(8)	(26)	(5)
Provision for (reversal of) credit losses on investments	(19)	4	27
Net interest income after provision	5,979	7,110	7,937
Total non-interest income	1030	801	1496
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

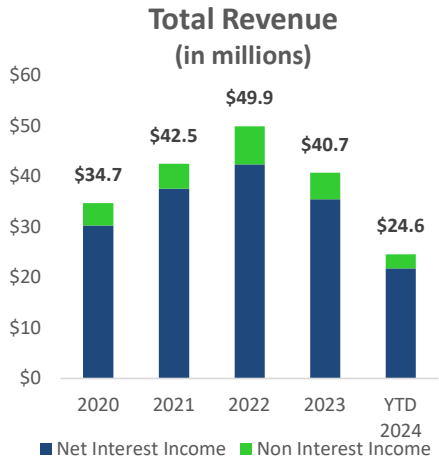
Selected per Common Share Data			
Diluted EPS (4)	$ 0.09	$ 0.14	$ 0.27
Dividends per share (4)	$ 0.04	$ 0.12	$ 0.12
Book value per common share (1)(4)	$ 14.85	$ 14.44	$ 13.77

Balance Sheet	**30-Sep-24**	**30-Jun-24**	**30-Sep-23**
Total assets	$ 1,118,791	$1,082,045	$ 1,142,174
Total shareholders' equity	100,662	97,949	93,439
Total deposits	1,002,770	966,587	1,030,836
Loans receivable, net	917,367	913,514	932,199

Select Financial 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%







Cautionary Note Regarding Forward-Looking Statements

This communication includes forward-looking statements within the meaning of the "safe-harbor" provisions of the Private Securities Litigation Reform Act of 1995, including forward-looking statements regarding our expectations and beliefs about our future financial performance and financial condition and trends in our business and markets. 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. Examples of forward-looking statements include statements regarding future operating results, operating improvements, loans sales and resolutions, cost savings and dividends. The forward-looking statements in this presentation are based on current information and on assumptions that we make about future events and circumstances that are subject to a number of risks and uncertainties that are often difficult to predict and beyond our control. As a result of those risks and uncertainties, our actual future financial results and outcomes could differ, possibly materially, from those expressed in or implied by the forward-looking statements contained in this presentation. Those risks and uncertainties include, but are not limited to, the risk of incurring credit losses; the quality and quantity of our deposits; adverse developments in the financial services industry and any related impact on depositor behavior or investor sentiment; risks related to the sufficiency of our liquidity; the risk that we will not be able to maintain growth at historic rates or at all; general economic conditions, either nationally or locally in the areas in which we conduct our business; risks associated with changes in interest rates, which could adversely affect our future operating results; the risk that customers or counterparties may not performance in accordance with the terms of credit documents due a decline in credit worthiness, business conditions or other reasons; the unpredictability of any litigation; adverse conditions in real estate markets; and the inherent uncertainty of expectations regarding the performance or resolution of loans. Additional information regarding these and other risks and uncertainties to which our business and future financial performance are subject is contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and other documents we file with the FDIC from time to time. Due to these and other possible uncertainties and risks, you should not place undue reliance on the forward-looking statements contained in this communication, which speak only as of today's date. We also disclaim any obligation to update forward-looking statements contained in this communication except as may be required by law.

[1] GAAP to Non-GAAP Reconciliation

We believe the presentation of net operating income, which is a non-GAAP financial measure, provides useful information to assess our consolidated financial condition and consolidated results of operations and to assist investors in evaluating our financial results relative to our peers. The following table presents a reconciliation of net operating income (non-GAAP) to net operating income (GAAP). Not all companies use identical calculations or the same definition of net operating income, so the presentation of this non-GAAP financial measure may not be comparable to other similarly titled measures used by other companies. This non-GAAP measure should be taken together with the corresponding GAAP measure and should not be considered a substitute of the GAAP measure.

	Three Months Ended		
	September 30, 2024	June 30, 2024	March 31, 2024
	(In thousands)		
Reconciliation of non-GAAP net operating income			
Net Income	$ 626	$ 928	$ 1,395
Excluding provision for (reversal of) credit losses	$ 1,294	$ (16)	$ (85)
Excluding provision for income taxes	202	355	645
Net Operating Income (Non-GAAP)	$ 2,122	$ 1,267	$ 1,955