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# FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, DC 20549

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## FORM 8-K

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### CURRENT REPORT

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

Date of report (Date of earliest event reported): April 29, 2024

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# Summit State Bank

(Exact Name of Registrant as Specified in Charter)

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California  
(State of Other Jurisdiction  
Of Incorporation)

32203  
(FDIC  
Certificate Number)

94-2878925  
(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)

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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 240.13e-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 new 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 April 30, 2024, the registrant issued the press release attached hereto as Exhibit 99.1 and incorporated herein by reference regarding the declaration of dividend and results of operations for the three months ended March 31, 2024.

Common stock cash dividend of \$0.12 per share declared on April 29, 2024 to be paid on May 23, 2024 to shareholders of record on May 16, 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: April 30, 2024

**SUMMIT STATE BANK**

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

**Exhibit Index**

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press release of Summit State Bank dated April 30, 2024, announcing results of operation for the three months ended March 31, 2024 and declaration of quarterly dividend.



## News Release

For Immediate Release

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

### **Summit State Bank Reports Net Income of \$1.4 Million for First Quarter 2024; Declares Quarterly Cash Dividend of \$0.12 Per Common Share**

SANTA ROSA, CA – (April 30, 2024) – Summit State Bank (the “Bank”) (Nasdaq: SSBI) today reported net income for the first quarter ended March 31, 2024 of \$1,395,000, or \$0.21 per diluted share, compared to net income of \$4,116,000, or \$0.62 per diluted share for the first quarter ended March 31, 2023.

The Board of Directors declared the Bank’s eighty second consecutive quarterly cash dividend for common shareholders of \$0.12 per share on April 29, 2024. It will be paid on May 23, 2024, to shareholders of record on May 16, 2024.

“First quarter earnings were impacted by current challenges facing the entire banking industry. We are implementing steps to reverse declines in net income and remain focused on continuing to improve financial performance,” said Brian Reed, President and CEO. “We continue to operate in a high interest rate environment where competition for deposits is growing and the cost of funding remains high. Additionally, quarterly loan growth has moderated, as we remain selective with the loans we are putting on the balance sheet. We are focused on protecting our net interest income while also maintaining a strong capital position as we look for opportunities to grow in our market.”

#### **First Quarter 2024 Financial Highlights** (at or for the three months ended March 31, 2024)

- Net income was \$1,395,000, or \$0.21 per diluted share, compared to \$4,116,000, or \$0.62 per diluted share, in the first quarter of 2023 and \$1,901,000, or \$0.28 per diluted share, for the quarter ended December 31, 2023.
- Reversal of credit losses on loans was \$15,000, compared to a provision for credit losses on loans of \$400,000 in the first quarter a year ago and a reversal of credit losses on loans of \$31,000 in the preceding quarter.
- Net interest margin was 2.81%, compared to 3.69% in the first quarter a year ago and 2.85% in the preceding quarter.
- First quarter revenues (interest income plus noninterest income) decreased 7.1% to \$15,425,000, compared to \$16,609,000 in the first quarter a year ago and increased 0.6% compared to \$15,333,000 in the preceding quarter.

- Annualized return on average assets was 0.51%, compared to 1.47% in the first quarter of 2023 and 0.67% in the preceding quarter.
- Annualized return on average equity was 5.74%, compared to 18.38% in the first quarter a year ago and 8.02% in the preceding quarter.
- Net loans increased \$10,062,000 to \$917,685,000 at March 31, 2024, compared to \$907,623,000 one year earlier and decreased \$20,941,000 compared to \$938,626,000 three months earlier.
- Total deposits decreased 8% to \$939,202,000 at March 31, 2024, compared to \$1,015,652,000 at March 31, 2023, and decreased 7% when compared to the prior quarter end of \$1,009,693,000.
- The Bank's nonperforming loans to gross loans were 4.45% and nonperforming assets to total assets were 3.85%, at March 31, 2024. This is compared to nonperforming loans to gross loans of 1.13% and nonperforming assets to total assets of 0.91% at March 31, 2023, and nonperforming loans to gross loans of 4.63% and nonperforming assets to total assets of 3.94% at December 31, 2023.
- Book value was \$14.43 per share, compared to \$13.76 per share a year ago and \$14.40 in the preceding quarter.
- Declared its 82nd consecutive quarterly cash dividend, this being \$0.12 per share for the three months ended March 31, 2024.

## Operating Results

For the first quarter of 2024, the annualized return on average assets was 0.51% and the annualized return on average equity was 5.74%. This compared to an annualized return on average assets of 1.47% and an annualized return on average equity of 18.38%, respectively, for the first quarter of 2023.

“Our net interest margin contracted four basis points during the quarter, as the increase in loan yields was more than offset by higher funding costs. The cost of deposits in the first quarter was 2.83% as customers continue to seek higher rates,” said Reed. Summit's net interest margin was 2.81% in the first quarter of 2024, compared to 2.85% in the preceding quarter and 3.69% in the first quarter of 2023.

Interest and dividend income decreased 1.0% to \$14,477,000 in the first quarter of 2024 compared to \$14,648,000 in the first quarter of 2023. The decrease in interest income is attributable to a \$544,000 decrease in interest on deposits with banks and a decrease of \$7,000 in interest on investment securities offset by an increase in interest on loans of \$335,000 and an increase in dividends on FHLB stock of \$45,000.

Noninterest income decreased in the first quarter of 2024 to \$948,000 compared to \$1,961,000 in the first quarter of 2023. The Bank recognized \$514,000 in gains on sales of SBA and USDA guaranteed loan balances in the first quarter of 2024 compared to \$1,435,000 in gains on sales of SBA guaranteed loan balances in the first quarter of 2023.

Operating expenses increased in the first quarter of 2024 to \$6,400,000 compared to \$5,818,000 in the first quarter of 2023. The increase is primarily due to a \$184,000 increase in salaries and commissions net of deferred fees and costs, a \$158,000 one-time

vacation accrual expense, a \$60,000 increase in information technology expense and a \$58,000 increase in professional fees.

### ***Balance Sheet Review***

Net loans increased 1% to \$917,685,000 at March 31, 2024, compared to \$907,623,000 at March 31, 2023, and decreased 2% compared to December 31, 2023.

Total deposits decreased 8% to \$939,202,000 at March 31, 2024, compared to \$1,015,652,000 at March 31, 2023, and decreased 7% when compared to the prior quarter end. At March 31, 2024, noninterest bearing demand deposit accounts decreased 23% compared to a year ago and represented 19% of total deposits; savings, NOW and money market accounts increased 35% compared to a year ago and represented 52% of total deposits, and CDs decreased 36% compared to a year ago and comprised 28% 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 2.83% in the first quarter of 2024, compared to 1.79% in the first quarter of 2023.

Shareholders' equity was \$97,878,000 at March 31, 2024, compared to \$97,678,000 three months earlier and \$92,665,000 a year earlier. The increase in shareholders' equity compared to a year ago was primarily due to an increase of \$4,861,000 in retained earnings. At March 31, 2024 tangible book value was \$14.43 per share, compared to \$14.40 three months earlier, and \$13.76 at March 31, 2023.

Summit State Bank continues to maintain capital levels in excess of the requirements to be categorized as "well-capitalized" with tangible equity to tangible assets of 8.96% at March 31, 2024, compared to 8.38% at December 31, 2023, and 7.99% at March 31, 2023. The increase compared to March 2023 was due to the Bank's retention of capital to build liquidity, which is exceeding asset growth.

### **Credit Quality**

"We are closely monitoring asset quality, and nonperforming loans declined from the immediate prior quarter while there were no charge offs during the first quarter. Despite the challenging operating outlook and the 'higher for longer' interest rate environment that's impacting the entire banking industry, our asset quality remains within manageable levels, with our commercial, owner occupied commercial real estate, and non-owner occupied commercial real estate portfolios all performing well."

Nonperforming assets were \$41,548,000, or 3.85% of total assets, at March 31, 2024, and consisted of seventeen loans; two loans totaling \$6,709,000 are real estate secured commercial loans and fifteen loans totaling \$34,839,000 are commercial and agriculture secured loans. This compared to \$44,206,000 in nonperforming assets at December 31, 2023, and \$10,411,000 in nonperforming assets at March 31, 2023.

Net recoveries were \$281,000 during the three months ended March 31, 2024, compared to \$40,000 during the three months ended December 31, 2023 and \$13,000 during the three months ended March 31, 2023.

For the first quarter of 2024, consistent with factors within the allowance for credit losses, the Bank recorded a \$15,000 reversal for credit loss expense for loans, a \$65,000 reversal for credit losses for unfunded loan commitments and a \$5,000 reversal for credit losses on investments. This compared to a \$400,000 provision for credit loss expense on loans and a \$33,000 reversal for credit losses on unfunded loan commitments in the first quarter of 2023. The allowance for credit losses to total loans was 1.66% on March 31, 2024, and 1.65% on March 31, 2023.

The real estate non-owner occupied portfolio, which accounts for a majority of the Bank's loan portfolio, had an average loan-to-value of 49% and a debt service coverage ratio of 1.96 as of March 31, 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 March 31, 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, 63% 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, Best Places to Work in the North Bay, Top Community Bank Loan Producer, Raymond James Bankers Cup, Super Premier Performing Bank, and Piper Sandler SM-ALL Star. 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](http://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 March 31, 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)

	<b>Three Months Ended</b>		
	<b>March 31, 2024</b> <b>(Unaudited)</b>	<b>December 31, 2023</b> <b>(Unaudited)</b>	<b>March 31, 2023</b> <b>(Unaudited)</b>
Interest and dividend income:			
Interest and fees on loans	\$ 13,274	\$ 13,409	\$ 12,939
Interest on deposits with banks	362	792	906
Interest on investment securities	712	712	719
Dividends on FHLB stock	129	123	84
Total interest and dividend income	<u>14,477</u>	<u>15,036</u>	<u>14,648</u>
Interest expense:			
Deposits	6,786	7,113	4,400
Federal Home Loan Bank advances	190	-	119
Junior subordinated debt	94	94	94
Total interest expense	<u>7,070</u>	<u>7,207</u>	<u>4,613</u>
Net interest income before provision for credit losses	7,407	7,829	10,035
(Reversal of) provision for credit losses on loans	(15)	(31)	400
(Reversal of) provision for credit losses on unfunded loan commitments	(65)	(65)	(33)
(Reversal of) provision for credit losses on investments	(5)	31	-
Net interest income after provision for (reversal of) credit losses on loans, unfunded loan commitments and investments	<u>7,492</u>	<u>7,894</u>	<u>9,668</u>
Non-interest income:			
Service charges on deposit accounts	233	219	208
Rental income	60	54	39
Net gain on loan sales	514	-	1,435
Other income	141	24	279
Total non-interest income	<u>948</u>	<u>297</u>	<u>1,961</u>
Non-interest expense:			
Salaries and employee benefits	4,182	3,044	3,793
Occupancy and equipment	485	386	452
Other expenses	1,733	2,053	1,573
Total non-interest expense	<u>6,400</u>	<u>5,483</u>	<u>5,818</u>
Income before provision for income taxes	2,040	2,708	5,811
Provision for income taxes	645	807	1,695
Net income	<u>\$ 1,395</u>	<u>\$ 1,901</u>	<u>\$ 4,116</u>
Basic earnings per common share	\$ 0.21	\$ 0.28	\$ 0.62
Diluted earnings per common share	\$ 0.21	\$ 0.28	\$ 0.62
Basic weighted average shares of common stock outstanding	6,698	6,698	6,688
Diluted weighted average shares of common stock outstanding	6,698	6,698	6,688

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
	(Unaudited)	(Unaudited)	(Unaudited)
<b>ASSETS</b>			
Cash and due from banks	\$ 37,712	\$ 57,789	\$ 116,569
Total cash and cash equivalents	37,712	57,789	116,569
Investment securities:			
Available-for-sale, less allowance for credit losses of \$53, \$58 and \$0 (at fair value; amortized cost of \$96,973, \$97,034 and \$97,951)	83,832	84,546	84,841
Loans, less allowance for credit losses of \$15,487, \$15,221 and \$15,252	917,685	938,626	907,623
Bank premises and equipment, net	5,287	5,316	5,507
Investment in Federal Home Loan Bank stock (FHLB), at cost	5,541	5,541	4,737
Goodwill	4,119	4,119	4,119
Affordable housing tax credit investments	8,165	8,405	8,773
Accrued interest receivable and other assets	17,850	18,166	14,854
Total assets	<u>\$ 1,080,191</u>	<u>\$ 1,122,508</u>	<u>\$ 1,147,023</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Deposits:			
Demand - non interest-bearing	\$ 179,328	\$ 201,909	\$ 232,825
Demand - interest-bearing	222,313	244,748	153,214
Savings	48,214	54,352	63,895
Money market	222,153	212,278	148,433
Time deposits that meet or exceed the FDIC insurance limit	65,763	63,159	84,800
Other time deposits	201,431	233,247	332,485
Total deposits	939,202	1,009,693	1,015,652
Federal Home Loan Bank advances	28,600	-	23,000
Junior subordinated debt	5,924	5,920	5,909
Affordable housing commitment	4,094	4,094	4,435
Accrued interest payable and other liabilities	4,493	5,123	5,362
Total liabilities	982,313	1,024,830	1,054,358
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 6,732,699	37,552	37,471	37,217
Retained earnings	69,539	68,957	64,678
Accumulated other comprehensive loss, net	(9,213)	(8,750)	(9,230)
Total shareholders' equity	97,878	97,678	92,665
Total liabilities and shareholders' equity	<u>\$ 1,080,191</u>	<u>\$ 1,122,508</u>	<u>\$ 1,147,023</u>

**Financial Summary**  
(Dollars in thousands except per share data)

	As of and for the Three Months Ended		
	March 31, 2024 (Unaudited)	December 31, 2023 (Unaudited)	March 31, 2023 (Unaudited)
<b>Statement of Income Data:</b>			
Net interest income	\$ 7,407	\$ 7,829	\$ 10,035
(Reversal of) provision for credit losses on loans	(15)	(31)	400
(Reversal of) provision for credit losses on unfunded loan commitments	(65)	(65)	(33)
(Reversal of) provision for credit losses on investments	(5)	31	-
Non-interest income	948	297	1,961
Non-interest expense	6,400	5,483	5,818
Provision for income taxes	645	807	1,695
Net income	\$ 1,395	\$ 1,901	\$ 4,116
<b>Selected per Common Share Data:</b>			
Basic earnings per common share	\$ 0.21	\$ 0.28	\$ 0.62
Diluted earnings per common share	\$ 0.21	\$ 0.28	\$ 0.62
Dividend per share	\$ 0.12	\$ 0.12	\$ 0.12
Book value per common share (1)	\$ 14.43	\$ 14.40	\$ 13.76
<b>Selected Balance Sheet Data:</b>			
Assets	\$ 1,080,191	\$ 1,122,508	\$ 1,147,023
Loans, net	917,685	938,626	907,623
Deposits	939,202	1,009,693	1,015,652
Average assets	1,087,960	1,123,057	1,135,912
Average earning assets	1,057,338	1,089,808	1,104,134
Average shareholders' equity	97,471	94,096	90,814
Nonperforming loans	41,548	44,206	10,411
Net loans recovered	281	40	13
Total nonperforming assets	41,548	44,206	10,411
<b>Selected Ratios:</b>			
Return on average assets (2)	0.51%	0.67%	1.47%
Return on average common shareholders' equity (2)	5.74%	8.02%	18.38%
Efficiency ratio (3)	76.60%	67.47%	48.50%
Net interest margin (2)	2.81%	2.85%	3.69%
Common equity tier 1 capital ratio	10.40%	9.90%	9.58%
Tier 1 capital ratio	10.40%	9.90%	9.58%
Total capital ratio	12.27%	11.75%	11.44%
Tier 1 leverage ratio	9.21%	8.85%	8.30%
Common dividend payout ratio (4)	58.27%	42.63%	20.04%
Average shareholders' equity to average assets	8.96%	8.38%	7.99%
Nonperforming loans to total loans	4.45%	4.63%	1.13%
Nonperforming assets to total assets	3.85%	3.94%	0.91%
Allowance for credit losses to total loans	1.66%	1.60%	1.65%
Allowance for credit losses to nonperforming loans	37.27%	34.43%	146.49%

(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.