

# 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): June 20, 2024

# Summit State Bank

(Exact Name of Registrant as Specified in Charter)

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)

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 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 7.01. Regulation FD Disclosure**

The Chief Executive Officer of Summit State Bank (the “Bank”) will make a presentation to institutional investors available online beginning June 20, 2024 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](http://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 customer 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: June 19, 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	Presentation slides as of June 20, 2024

99.1 Presentation slides as of June 20, 2024



**SUMMIT**  
STATE BANK  
Member FDIC

**Investor  
Presentation  
Q1 2024**

## Company Overview

- Summit State Bank is a commercial bank headquartered in Santa Rosa, CA with \$1.08 billion in assets, 5 branch locations and more than 115 employees
- Bank formed in 1982
- Listed on NASDAQ in 2006 under the ticker symbol "SSBI"
- **Summit Way Service Standards** -Dedicated to serving and giving back to its customers and communities by delivering the best service and solutions available



*Building a Better Sonoma County, That's Our Business*

**SUMMIT**  
STATE BANK  
Member FDIC

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## Summit State Bank Locations

Headquartered in Santa Rosa, CA

### Branch Locations

- Santa Rosa Main
- Healdsburg
- Santa Rosa Montgomery Village
- Rohnert Park
- Petaluma

### Regional Small Business Lending Group

- HQ in Roseville, CA



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## Market Area Highlights



### Northern California Concentrated in Sonoma County

- Commercial Property Investment Inventory Remains Low due to limited construction over the past ten years.
- Diverse and Strong Economy:
  - Healthcare, Manufacturing, Construction and Wholesale Trade Comprise > 40% of the County's Earnings
  - Consistently Low Unemployment
- Ranked 14<sup>th</sup> in Median Household Income across California



Note: Real Annual GDP Rate of change, not seasonally adjusted.  
Source: <https://fred.stlouisfed.org>

\* 2023 Sonoma County GDP figures unavailable

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## Our Leadership Team



### Brian Reed

President & CEO  
39 Years in the Industry  
7 at Summit State Bank



### Genie Del Secco

EVP & Chief Operating Officer  
33 Years in the Industry  
8 at Summit State Bank



### Brandy Seppi

EVP & Chief Lending Officer  
30 Years in the Industry  
9 at Summit State Bank



### Camille Kazarian

EVP & Chief Financial Officer  
24 Years in the Industry  
5 at Summit State Bank



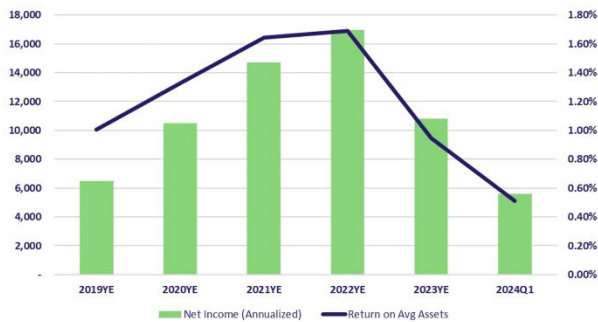
### Michael Floyd

EVP & Chief Credit Officer  
39 Years in the Industry  
New to Summit State Bank

165 Years of Collective  
Experience

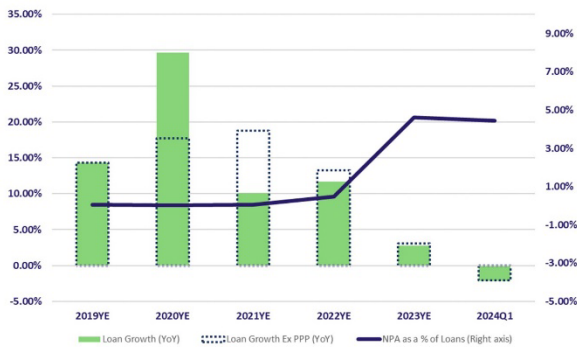
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## Financial Trends



- Rate increases combined with our strategy to significantly increase liquidity have put downward pressure on Net Interest Margin ultimately resulting in reduced Return on Average Assets
- Non-interest income decreased to \$950M YTD Q1 2024 from \$2MM YTD Q1 2023. This is due to:
  - Reduced SBA Loan production
  - Reduced SBA Loan Sales
- 2024 Loan growth has been constrained due to current rate environment

## Loan Growth & Asset Quality



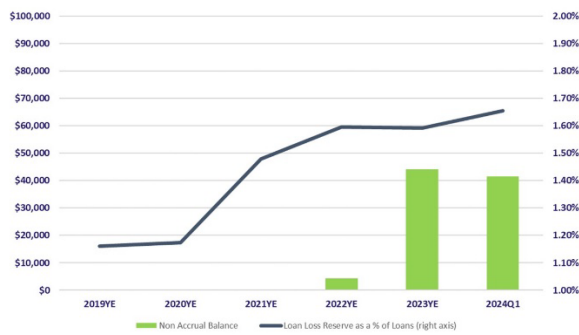
- Loan Growth has declined from prior periods due to elevated risk in the market partially attributable to higher interest rates
- Strong Reserves (Allowance for Loans & Lease Losses - ACL)
  - ACL is 1.66% and adequately covers the performing and non-performing portfolios
- Elevated Non-Performing Loans are primarily comprised of a group of large relationships that are well collateralized, and individually assessed and assigned specific reserves



Note: CECL Conversion as of January 1, 2021

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## Non-Performing Assets and Loan Loss Reserve



Note: CECL Conversion as of January 1, 2021

### Non-Performing Loans:

- 4 specific relationships make up 92% of non-performing assets as of Q1 2024
- \$3.6MM of specific reserves set aside for all Non-Performing assets
- General pool reserves remain at 1.35% (excluding specific relationships)

### Historical Loan Losses

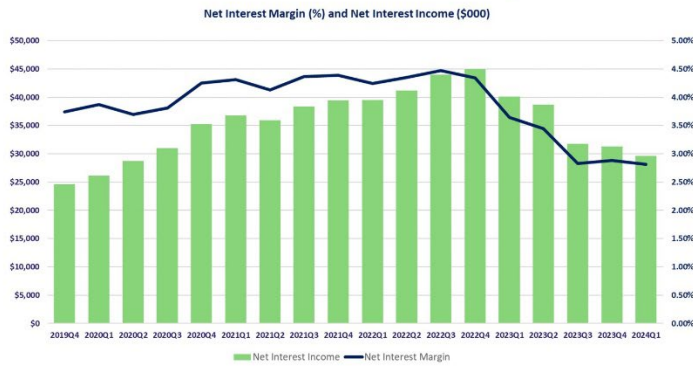
- Loan Losses, net of recoveries from 2018 through current result in a net recovery of \$100K
- Historically, actual losses during the Great Recession were ~1% of loans annually for 4 years



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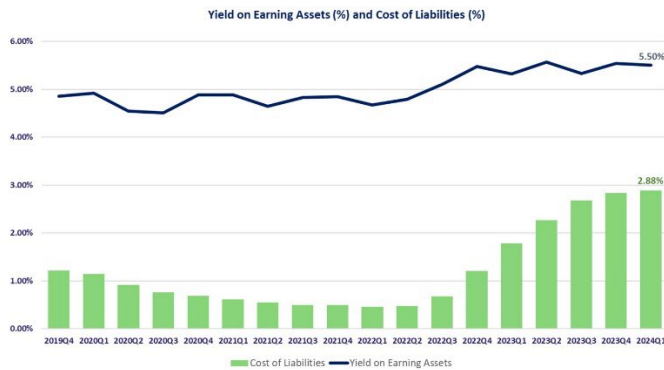


## Interest Income & Interest Expense Management



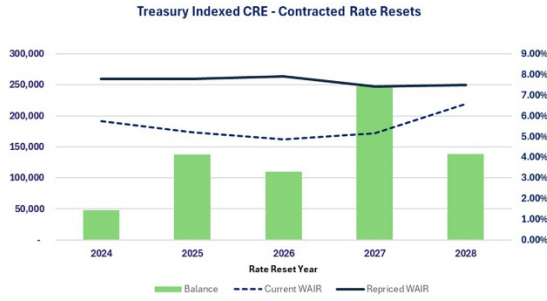
- NIM compression and Net Interest Income decline due to elevated cost of funds and lower volume of new higher priced loans
- NIM and Net Interest Income compression is slowing as deposit repricing has slowed and more loans are repricing higher

## Yield on Earning Assets vs Cost of Liabilities



- Cost of Liabilities has risen faster than the Yield on Earning Assets
- Cost of Liabilities has been stabilizing in the past two quarters

## Treasury Indexed CRE – Contracted Rate Resets



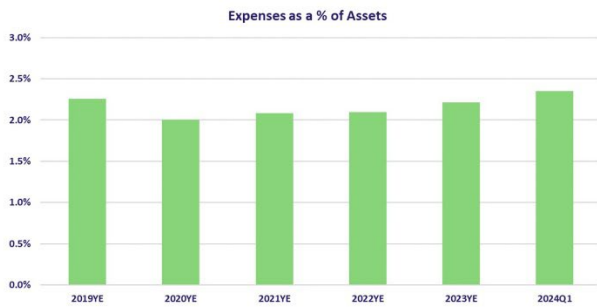
Note: Loan Balance does not reflect potential for loan defaults, refinancing activities or prepayments. This graph is not intended as an indication of future financial results. Please reference page 22 of this report.



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- Most Treasury Indexed CRE Loans repriced every 5 years based on the corresponding Constant Maturity Treasury index
- Repriced rates reflect a snapshot of market rates as of 3/31/2024; Actual repricing rates can differ depending on market rates at the time of repricing
- Treasury Indexed CRE Loans represent about 70% of the Total loan portfolio
- In 2023 and 1Q 2024 \$54MM of Treasury Indexed CRE loans repriced

## Managing Infrastructure Costs in an Inflationary Environment

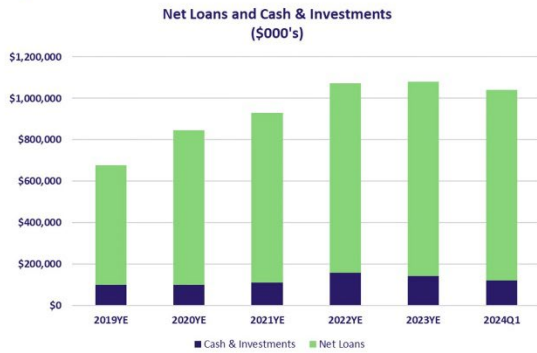


- Expenses as a % of Total Assets has seen modest increases since the Pandemic
- Expenses are actively managed yet are increasing due to inflationary pressures
- Increase in 1Q 2024 partially driven by reduction in Total Assets



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## Assets Trends

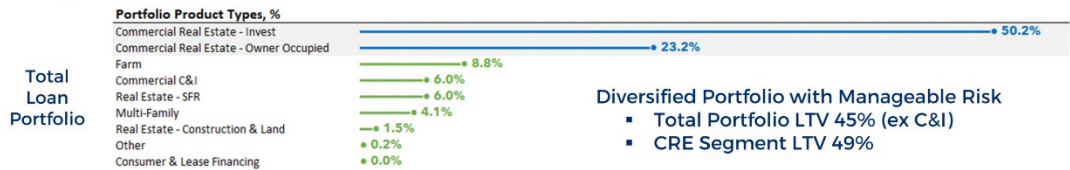


- Focused Growth on Conventional CRE and SBA Guaranteed Loans with Targeted Yield at 7.35%
- Portfolio Loan Yield as of 2024Q1 at 5.83%
- Focused on Organic Loan Growth amid challenging market conditions



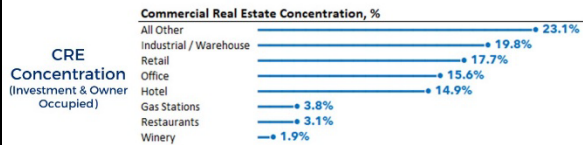
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## Loan Portfolio Composition



### Diversified Portfolio with Manageable Risk

- Total Portfolio LTV 45% (ex C&I)
- CRE Segment LTV 49%



### Commercial Real Estate (CRE) Portfolio:

- Investment: 68% of segment, DSCR 1.92x
- Owner Occupied 32% of segment, DSCR 2.46x
- CRE LTV 49% for Property Types with Higher Risk

### Commercial Real Estate (CRE) Segment Risks:

- Current Risks: Wineries, Hotels, and Restaurants at ~20% of CRE segment
- Post Pandemic Risks: Office at 16% of CRE segment (LTV 53%)



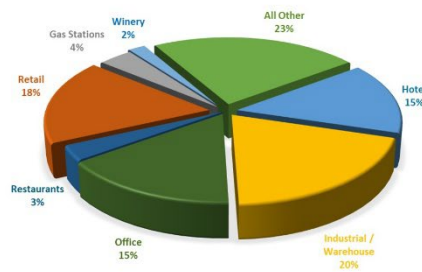
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## Loan Composition

Total Loan Portfolio



CRE Loan Portfolio Concentration: Investment & Owner Occupied



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## SBA Loan Program



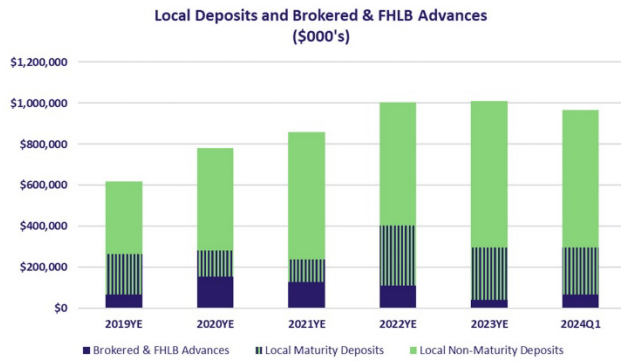
- Dedicated Small Business Lending Group Created in 2017
- Floating Rate Yields ~ 11.4% (April 2024 adjustment)
- Decrease in Non-Interest Income through:
  - Lower SBA Loan Sales Volume and Premiums
  - Offset by increasing Servicing income
- Decreased Retained Balance driven by selling majority of guaranteed balances and slowing SBA originations



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\* Rolling 4 Quarter Average

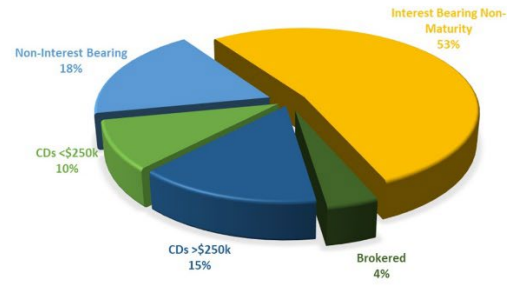
## Liabilities Trends



- Continued Focus on Managing Local Non-Maturity Deposit Growth to match Loan Growth
- 1Q2024 Average Cost of Funds at 2.86%
- Deposit growth from 2018 to 1Q2024:
  - Local Non-Maturity Deposits went from 57% to 69% of Total Deposits
  - Total Local Deposits went from 89% to 93% of Total Deposits



## Deposit Composition



- Organic Deposit Growth through Strong Relationship Practices
- Focused Local Deposit Growth
- 1Q2024 Average Cost of Deposits at 2.82%



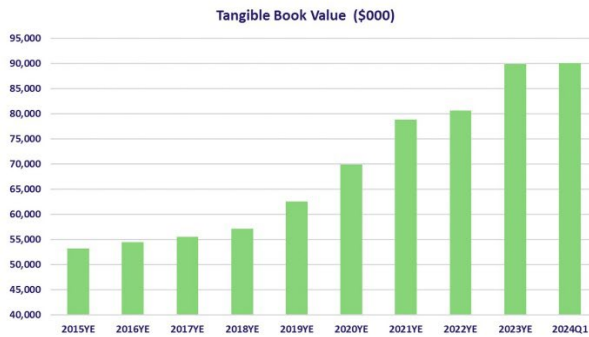
## Focus on Liquidity and Quality as of Q1 2024

- ❖ 113MM of Available Primary Liquidity
  - Including Cash and Investments Available for Sale
  - Primary Liquidity is 11%
  
- ❖ \$305MM of Available Secondary Lines
  - Including FHLB, Federal Reserve Bank, and Fed Funds lines
  - Total Liquidity (Primary + Secondary Liquidity) is 39%
  
- ❖ \$200MM of Contingent Funding Sources
  - Including SBA Loan Sales, FRB (BTFP), Broker Deposits (based on internal policy limits)
  
- ❖ AOCI impact is minimal to Capital Ratio (~1%)
  
- ❖ Deposit Portfolio Quality
  - Only an estimated 23% of Deposits are uninsured by FDIC
  - Deposit Concentrations
    - Only 3 Depositors meet Regulatory definition of Large Depositors
    - Top 25 Depositors represent only 26% of Deposits as of Q1 2024
    - Total Local Deposits are 93% of Total Deposits



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## Tangible Book Value Growth

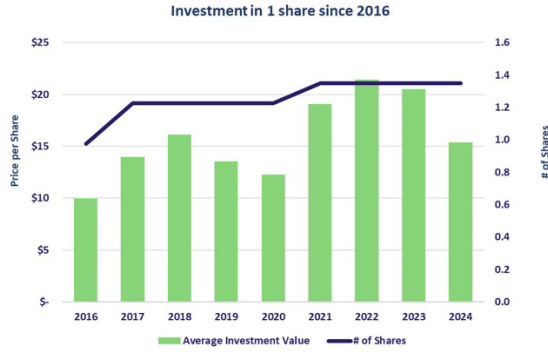


- Tangible Book Value has improved 58% since 2018, or 11% annualized growth
- Tangible Book Value growth has solely been driven by retention of earnings



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## Consistently Delivering Strong Stock Value



Graph illustrates investment in 1 share of stock beginning in 2016

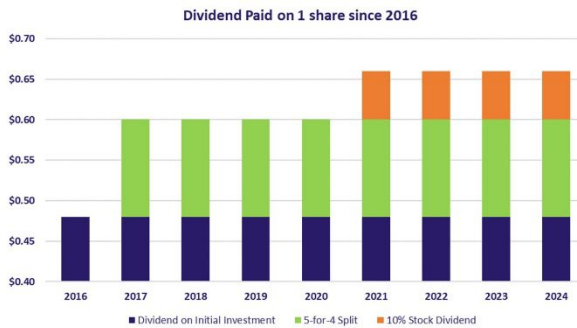
- 2016: One share of stock purchased
- 2017: A five-for-four stock split results in 1.25 shares outstanding
- 2021: A one time 10% stock dividend results in 1.38 shares outstanding
- Stock Value increased 54% since 2016, or an average of 7% per year

Note: Value represents the Bank's average annual stock price adjusted historically for splits and dividend multiplied by the number of shares



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## Consistent Dividend Return



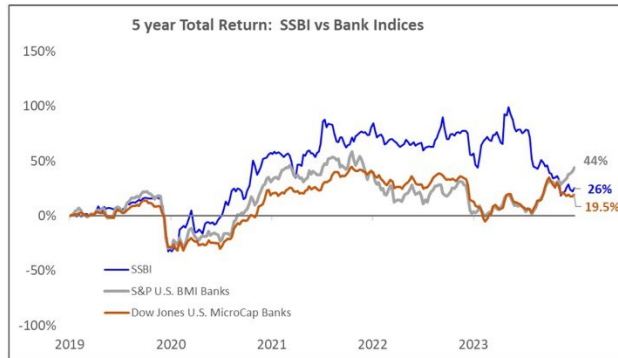
Graph illustrates investment in 1 share of stock beginning in 2016

- Dividend on Initial Investment relates to the original purchase of 1 share
- Additional Dividend Return of 37.5% is a result of:
  - 5-for-4 stock split (2017)
  - one time 10% stock dividend (2021)



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## Stock Total Return Versus Bank Indices



Total 5-year Return vs Bank Indices as of Q1 2024

## Awards and Accolades





## Why Summit State Bank?

- ❖ Experienced Executive & Management Team
- ❖ Commitment to a Culture of Success
- ❖ Focus on Organic Growth and Driving Core Customer Deposits
- ❖ Strategic Lending Platform Positioned to Deliver Results
- ❖ Stable Dividend Strategy
- ❖ Consistent Total Return to Shareholders
- ❖ Experienced and dedicated Board of Directors with strong local ties



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## Forward-Looking Statements

This presentation 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. 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 future financial condition 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; and expectations regarding the performance of loans and loan repayments. 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 to place undue reliance on the forward-looking statements contained in this presentation, which speak only as of today's date. We also disclaim any obligation to update forward-looking statements contained in this presentation except as may be required by law.



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