
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): April 29, 2019

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 240.13e-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 by 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.

Item 2.02. Results of Operations and Financial Condition.

On April 30, 2019, 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, 2019.

Common stock cash dividend of \$0.12 per share declared on April 29, 2019, payable on May 24, 2019 to shareholders of record on May 17, 2019.

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 29, 2019

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, 2019, announcing results of operation for the three months ended March 31, 2019 and declaration of quarterly dividend.

Summit State Bank Reports Net Income for First Quarter 2019 and Declaration of Dividend

SANTA ROSA, CA – (April 30, 2019) – Summit State Bank (Nasdaq: SSBI) today reported net income for the quarter ended March 31, 2019 of \$1,425,000 and diluted earnings per share of \$0.23. A quarterly dividend of \$0.12 per share was declared for common shareholders.

Dividend

The Board of Directors declared a \$0.12 per share quarterly dividend on April 29, 2019 to be paid on May 24, 2019 to shareholders of record on May 17, 2019.

Net Income and Results of Operations

For the quarter ended March 31, 2019, Summit State Bank (“Bank”) had net income of \$1,425,000 and diluted earnings per share of \$0.23 compared to \$1,740,000 in net income and \$0.29 diluted earnings per share for the same quarter in 2018.

Net income decreased \$315,000 or 18% the first quarter of 2019 compared to first quarter of 2018. Net interest income increased to \$5,547,000 in the first quarter of 2019 compared to \$5,314,000 in the first quarter of 2018.

“When comparing our net income to first quarter 2018, the difference is a result of the Bank implementing its strategy to increase loans and total assets,” said Jim Brush, President and CEO. “We expanded our team of experienced staff which increased our salary-related expenses. We are also retaining more SBA loans instead of selling them given the decreasing premiums in the secondary market.”

Net loans and deposits also increased when comparing the first quarter of 2019 to first quarter of 2018; loans were \$509,989,000 in 2019 compared to \$457,256,000 in 2018 and deposits were \$555,255,000 in 2019 compared to \$503,858,000 in 2018. The net interest margin decreased from 3.80% for the first quarter of 2018 to 3.65% for the first quarter of 2019.

Annualized return on average assets for the first quarter of 2019 was 0.92% and annualized return on average equity was 9.3%. The Bank’s efficiency ratio was 69.7% and the net interest margin was 3.65% during the first quarter of 2019. The first quarter of 2018 had an annualized return on average assets of 1.22%, annualized return on average equity of 11.8%, efficiency ratio of 58.4% and net interest margin of 3.80%.

Non-interest income decreased in the first quarter of 2019 to \$493,000 compared to \$763,000 in the first quarter of 2018. The Bank recognized \$167,000 in gains on sales of SBA guaranteed loan balances in 2019 and \$292,000 in the first quarter of 2018. Rental income also decreased in the first quarter of 2019 to \$90,000 compared to \$147,000 in

the first quarter of 2018; this decrease was due to less office space available to rent out caused by the increase number of staff personnel occupying the space.

There was a \$670,000 or 19% increase in operating expenses between the first quarter of 2019 as compared to the first quarter of 2018. The increased expenses are primarily due to the increase in employees and related personnel and occupancy costs.

Total assets at March 31, 2019 were \$626,290,000 compared to \$576,983,000 at March 31, 2018. Total assets increased 9% or \$49,307,000 between March 31, 2019 and 2018. Net loans increased 12% or \$52,733,000 and total deposits increased 10% or \$51,397,000 between March 31, 2019 and 2018.

“Our increasing balance sheet is a testament to our strategic plan becoming a reality,” according to Brush. “I am pleased to report net income ended the quarter within 1% of the plan and the balance sheet continues increasing in alignment with our strategic plan.”

“When we developed our 2019 plan, we anticipated continued pressure on our net interest margin. As we continue to manage our balance sheet growth, we are focused on making business decisions that shift assets from lower yielding investment securities to higher yielding loans while also managing deposit costs,” said Mr. Brush.

Nonperforming assets were \$736,000 or 0.12% of total assets at March 31, 2019 compared to \$2,679,000 or 0.46% at March 31, 2018. The nonperforming assets at March 31, 2019, consist of five loans which are predominantly secured by real property. The Bank had provision expense of \$100,000 in the first quarter of 2019. The allowance for loan losses to loans was 1.19% at March 31, 2019 and was 1.21% at March 31, 2018.

About Summit State Bank

Summit State Bank, a local community bank, has total assets of \$626 million and total equity of \$63 million at March 31, 2019. 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 and results for shareholders. Presently, 82% 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, Corporate Philanthropy Award and Best Places to Work in the North Bay. 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.

Forward-looking Statements

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 AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME**

(In thousands except earnings per share data)

	Three Months Ended	
	March 31, 2019	March 31, 2018
	(Unaudited)	(Unaudited)
Interest income:		
Interest and fees on loans	\$ 6,452	\$ 5,310
Interest on deposits with banks	101	69
Interest on federal funds sold	-	7
Interest on investment securities	590	614
Dividends on FHLB stock	54	54
Total interest income	7,197	6,054
Interest expense:		
Deposits	1,471	709
Federal Home Loan Bank advances	179	31
Total interest expense	1,650	740
Net interest income before provision for loan losses	5,547	5,314
Provision for loan losses	100	150
Net interest income after provision for loan losses	5,447	5,164
Non-interest income:		
Service charges on deposit accounts	190	194
Rental income	90	147
Net gain on loan sales	167	292
Net securities gain	-	7
Other income	46	123
Total non-interest income	493	763
Non-interest expense:		
Salaries and employee benefits	2,657	2,027
Occupancy and equipment	423	397
Other expenses	1,132	1,118
Total non-interest expense	4,212	3,542
Income before provision for income taxes	1,728	2,385
Provision for income taxes	303	645
Net income	\$ 1,425	\$ 1,740
Basic earnings per common share	\$ 0.23	\$ 0.29
Diluted earnings per common share	\$ 0.23	\$ 0.29
Basic weighted average shares of common stock outstanding	6,067	6,059
Diluted weighted average shares of common stock outstanding	6,073	6,066

SUMMIT STATE BANK AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(In thousands except share data)

	March 31, 2019	December 31, 2018	March 31, 2018
	(Unaudited)	(1)	(Unaudited)
ASSETS			
Cash and due from banks	\$ 18,628	\$ 21,693	\$ 18,901
Federal funds sold	-	-	2,000
Total cash and cash equivalents	18,628	21,693	20,901
Investment securities:			
Held-to-maturity, at amortized cost	7,993	7,991	7,986
Available-for-sale (at fair value; amortized cost of \$71,610, \$72,716 and \$76,892)	70,690	70,174	74,502
Total investment securities	78,683	78,165	82,488
Loans, less allowance for loan losses of \$6,139, \$6,029 and \$5,590	509,989	504,549	457,256
Bank premises and equipment, net (2)	6,364	5,803	5,208
Investment in Federal Home Loan Bank stock, at cost	3,085	3,085	3,085
Goodwill	4,119	4,119	4,119
Other Real Estate Owned	-	-	-
Accrued interest receivable and other assets (2)	5,422	4,690	3,926
Total assets	\$ 626,290	\$ 622,104	\$ 576,983
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Demand - non interest-bearing	\$ 117,870	\$ 120,011	\$ 131,243
Demand - interest-bearing	62,140	65,652	73,605
Savings	26,503	25,817	29,905
Money market	112,553	104,060	109,226
Time deposits that meet or exceed the FDIC insurance limit	86,073	83,071	72,343
Other time deposits	150,116	102,578	87,536
Total deposits	555,255	501,189	503,858
Federal Home Loan Bank advances	4,700	56,800	11,200
Accrued interest payable and other liabilities (2)	2,970	2,595	2,202
Total liabilities	562,925	560,584	517,260
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 6,067,975, 6,066,475 and 6,066,475	36,974	36,967	36,967
Retained earnings	27,039	26,342	24,438
Accumulated other comprehensive loss, net	(648)	(1,789)	(1,682)
Total shareholders' equity	63,365	61,520	59,723
Total liabilities and shareholders' equity	\$ 626,290	\$ 622,104	\$ 576,983

(1) Information derived from audited financial statements.

(2) ASU No. 2016-02 (Topic 842) was adopted January 1, 2019 using the modified retrospective approach at the beginning of the adoption period. This standard increases the transparency by recognizing the right-to-use lease asset for the lease term. As of March 31, 2019, the right-of-use asset was recorded for \$1,209,000 and a lease liability was recorded for \$1,212,000.

Financial Summary
(Dollars in thousands except per share data)

	At or for the Three Months Ended	
	March 31, 2019	March 31, 2018
	(Unaudited)	(Unaudited)
Statement of Income Data:		
Net interest income	\$ 5,547	\$ 5,314
Provision for loan losses	100	150
Non-interest income	493	763
Non-interest expense	4,212	3,542
Provision for income taxes	303	645
Net income	\$ 1,425	\$ 1,740
Selected per Common Share Data:		
Basic earnings per common share	\$ 0.23	\$ 0.29
Diluted earnings per common share	\$ 0.23	\$ 0.29
Dividend per share	\$ 0.12	\$ 0.12
Book value per common share (2)	\$ 10.44	\$ 9.85
Selected Balance Sheet Data:		
Assets	\$ 626,290	\$ 576,983
Loans, net	509,989	457,256
Deposits	555,255	503,858
Average assets	627,931	578,109
Average earning assets	616,014	567,341
Average shareholders' equity	62,388	59,761
Nonperforming loans	736	2,679
Total nonperforming assets	736	2,679
Troubled debt restructures (accruing)	2,472	1,610
Selected Ratios:		
Return on average assets (1)	0.92%	1.22%
Return on average common shareholders' equity (1)	9.26%	11.81%
Efficiency ratio (3)	69.74%	58.35%
Net interest margin (1)	3.65%	3.80%
Common equity tier 1 capital ratio	10.2%	11.3%
Tier 1 capital ratio	10.2%	11.3%
Total capital ratio	11.3%	12.5%
Tier 1 leverage ratio	9.6%	10.0%
Common dividend payout ratio (4)	51.09%	41.84%
Average shareholders' equity to average assets	9.94%	10.34%
Nonperforming loans to total loans	0.14%	0.58%
Nonperforming assets to total assets	0.12%	0.46%
Allowance for loan losses to total loans	1.19%	1.21%
Allowance for loan losses to nonperforming loans	834.24%	208.65%

(1) Annualized.

(2) Total shareholders' equity divided by total common shares outstanding.

(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.