
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 26, 2022

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.

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 26, 2022, 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, 2022.

Common stock cash dividend of \$0.12 per share declared on April 25, 2022 to be paid on May 19, 2022 to shareholders of record on May 12, 2022.

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 26, 2022

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 26, 2022, announcing results of operation for the three months ended March 31, 2022 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 19% Increase in Net Income to \$3,935,000 for First Quarter 2022 and Declaration of Dividend

SANTA ROSA, CA – (April 26, 2022) – Summit State Bank (Nasdaq: SSBI) today reported net income for the quarter ended March 31, 2022 of \$3,935,000 and diluted earnings per share of \$0.59. This compares to net income of \$3,317,000 and diluted earnings per share of \$0.50 for the quarter ended March 31, 2021. Additionally, 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 25, 2022 to be paid on May 19, 2022 to shareholders of record on May 12, 2022.

Net Income and Results of Operations

Net income increased \$618,000 or 19% the first quarter of 2022 compared to first quarter of 2021. Net interest income increased to \$9,882,000 in the first quarter of 2022 compared to \$9,190,000 in the first quarter of 2021.

“The Bank is pleased to announce continued earnings growth in the first quarter of 2022,” noted Brian Reed, President and CEO. “Since the onset of the pandemic, the Bank placed equal focus on helping our customers through hardships while also growing our core operations. Most of our customers have adapted to a new normal with their operations showing positive trends. We are also adjusting to a new steady state and are seeing the benefits from investing time and resources into our business to make it stronger and more sustainable.”

The net interest margin for the first quarter of 2022 was 4.28%, annualized return on average assets was 1.66% and annualized return on average equity was 18.69%. The first quarter of 2021 had a net interest margin of 4.35%, annualized return on average assets of 1.54% and annualized return on average equity of 17.80%.

Interest income increased to \$10,879,000 in the first quarter of 2022 compared to \$10,409,000 in the first quarter of 2021, this was an increase of 5%. The increase in

interest income is attributable to a \$1,296,000 increase in core loan interest yield primarily driven by increased volume, \$27,000 increase in investment interest, and a \$859,000 decrease in PPP loan volumes and forgiveness. Excluding PPP, core interest income increased to \$10,681,000 in the first quarter of 2022 compared to \$9,352,000 in the first quarter of 2021, this was a 14% increase.

Net loans and deposits increased when comparing the first quarter of 2022 to 2021. Net loans increased 9% to \$817,618,000 at March 31, 2022 compared to \$749,940,000 at March 31, 2021. Excluding PPP loans, net loans increased 15% to \$804,341,000 at March 31, 2022 when compared to March 31, 2021. Total deposits increased 10% to \$831,934,000 at March 31, 2022 compared to \$747,350,000 at March 31, 2021. Most of the deposit increase is due to the Bank's ongoing focus to organically grow local deposits.

Non-interest income increased in the first quarter of 2022 to \$1,955,000 compared to \$694,000 in the first quarter of 2021. The Bank recognized \$1,546,000 in gains on sales of SBA guaranteed loan balances in the first quarter of 2022 compared to \$348,000 in gains on sales of SBA guaranteed loans balances in the first quarter of 2021.

Operating expenses increased 30% in the first quarter of 2022 to \$6,286,000 compared to \$4,839,000 in the first quarter of 2021. The increase in expenses is primarily due to a \$506,000 increase in salaries and benefits net of deferred fees and costs due to filling pandemic-related vacant positions from the prior year, a \$380,000 increase in commissions directly related to the Bank's loan portfolio growth, a \$196,000 increase in Stock Appreciation Rights benefits, and \$95,000 increase in marketing and donations.

There were no nonperforming assets at March 31, 2022 compared to \$467,000 or 0.05% of total assets on March 31, 2021.

The Bank had a provision expense of \$111,000 in the first quarter of 2022. The allowance for credit losses to total loans was 1.57% on March 31, 2022 and 1.51% on March 31, 2021. Most of the increase in the allowance for credit loss was due to the early conversion of the Current Expected Credit Loss ("CECL") on January 1, 2021.

"Throughout the pandemic we were deliberate with our objective to continue growing core operations and are coming out of this unforgettable global crisis with a positive outlook," states Reed. "We are cognizant of the challenges that lie ahead with the global economy. We plan to remain steadfast in our intention to serve our local community, remain a reliable resource for our customers, and continue to be focused on the longer-term growth of our Bank."

About Summit State Bank

Summit State Bank, a local community bank, has total assets of \$981 million and total equity of \$84 million at March 31, 2022. 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, 64% 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, and Super Premier Performing Bank. 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
STATEMENTS OF INCOME**

(In thousands except earnings per share data)

	Three Months Ended	
	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)
Interest income:		
Interest and fees on loans	\$ 10,419	\$ 9,976
Interest on deposits with banks	12	7
Interest on investment securities	383	383
Dividends on FHLB stock	65	43
Total interest income	10,879	10,409
Interest expense:		
Deposits	710	933
Federal Home Loan Bank advances	193	192
Junior Subordinated Debt	94	94
Total interest expense	997	1,219
Net interest income before provision for credit losses	9,882	9,190
Provision for credit losses	111	335
Net interest income after provision for credit losses	9,771	8,855
Non-interest income:		
Service charges on deposit accounts	209	203
Rental income	79	86
Net gain on loan sales	1,546	348
Net securities gain	6	7
Other income	115	50
Total non-interest income	1,955	694
Non-interest expense:		
Salaries and employee benefits	3,964	3,018
Occupancy and equipment	409	414
Other expenses	1,913	1,407
Total non-interest expense	6,286	4,839
Income before provision for income taxes	5,440	4,710
Provision for income taxes	1,505	1,393
Net income	\$ 3,935	\$ 3,317
Basic earnings per common share (1)	\$ 0.59	\$ 0.50
Diluted earnings per common share (1)	\$ 0.59	\$ 0.50
Basic weighted average shares of common stock outstanding (1)	6,685	6,677
Diluted weighted average shares of common stock outstanding (1)	6,685	6,677

(1) Adjusted for 10% stock dividend declared; effective October 29, 2021

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

	March 31, 2022	December 31, 2021	March 31, 2021
	(Unaudited)	(Unaudited)	(Unaudited)
ASSETS			
Cash and due from banks	\$ 65,897	\$ 40,699	\$ 46,949
Total cash and cash equivalents	65,897	40,699	46,949
Investment securities:			
Available-for-sale (at fair value; amortized cost of \$69,131, \$69,902 and \$68,966)	63,332	69,367	68,973
Total investment securities	63,332	69,367	68,973
Loans, less allowance for credit losses of \$13,006, \$12,329 and \$11,476	817,618	820,987	749,940
Bank premises and equipment, net	5,584	5,677	5,943
Investment in Federal Home Loan Bank stock, at cost	4,320	4,320	3,429
Goodwill	4,119	4,119	4,119
Affordable housing investment	9,136	3,500	-
Accrued interest receivable and other assets	11,728	9,411	6,790
Total assets	\$ 981,734	\$ 958,080	\$ 886,143
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Demand - non interest-bearing	\$ 256,253	\$ 234,824	\$ 220,197
Demand - interest-bearing	152,823	147,289	111,646
Savings	61,563	69,982	44,588
Money market	174,447	168,637	164,621
Time deposits that meet or exceed the FDIC insurance limit	29,585	29,255	37,147
Other time deposits	157,263	161,613	169,151
Total deposits	831,934	811,600	747,350
Federal Home Loan Bank advances	48,500	48,500	53,500
Junior subordinated debt	5,895	5,891	5,880
Affordable housing commitment	6,573	2,483	-
Accrued interest payable and other liabilities	5,124	5,324	3,904
Total liabilities	898,026	873,798	810,634
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 6,684,759 6,684,759 and 6,676,509 (1)	37,014	37,014	36,981
Retained earnings	50,777	47,644	38,524
Accumulated other comprehensive income, net	(4,083)	(376)	4
Total shareholders' equity	83,708	84,282	75,509
Total liabilities and shareholders' equity	\$ 981,734	\$ 958,080	\$ 886,143

(1) Adjusted for 10% stock dividend declared; effective October 29, 2021

Financial Summary
(Dollars in thousands except per share data)

	As of and for the Three Months Ended	
	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)
Statement of Income Data:		
Net interest income	\$ 9,882	\$ 9,190
Provision for credit losses	111	335
Non-interest income	1,955	694
Non-interest expense	6,286	4,839
Provision for income taxes	1,505	1,393
Net income	\$ 3,935	\$ 3,317
Selected per Common Share Data:		
Basic earnings per common share (5)	\$ 0.59	\$ 0.50
Diluted earnings per common share (5)	\$ 0.59	\$ 0.50
Dividend per share (5)	\$ 0.12	\$ 0.12
Book value per common share (1)(5)	\$ 12.52	\$ 12.44
Selected Balance Sheet Data:		
Assets	\$ 981,734	\$ 886,143
Loans, net (5)	817,618	749,940
Deposits	831,934	747,350
Average assets	959,103	872,980
Average earning assets	935,736	856,663
Average shareholders' equity	85,405	75,554
Nonperforming loans	-	467
Total nonperforming assets	-	467
Troubled debt restructures (accruing)	2,112	2,176
Selected Ratios:		
Return on average assets (2)	1.66%	1.54%
Return on average common shareholders' equity (2)	18.69%	17.80%
Efficiency ratio (3)	53.13%	48.99%
Net interest margin (2)	4.28%	4.35%
Common equity tier 1 capital ratio	9.36%	10.21%
Tier 1 capital ratio	9.36%	10.21%
Total capital ratio	11.30%	12.32%
Tier 1 leverage ratio	8.40%	8.10%
Common dividend payout ratio (4)	20.38%	21.95%
Average shareholders' equity to average assets	8.90%	8.65%
Nonperforming loans to total loans	0.00%	0.06%
Nonperforming assets to total assets	0.00%	0.05%
Allowance for credit losses to total loans	1.57%	1.51%
Allowance for credit losses to nonperforming loans	N/A	2458.47%

(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.

(5) Adjusted for 10% stock dividend declared; effective October 29, 2021