
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): July 25, 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 July 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 and six months ended June 30, 2022.

Common stock cash dividend of \$0.12 per share declared on July 25, 2022 to be paid on August 18, 2022 to shareholders of record on August 11, 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: July 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 July 26, 2022, announcing results of operation for the three and six months ended June 30, 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 15% Increase in Net Income to \$4,501,000 for Second Quarter 2022 and Declaration of Dividend

SANTA ROSA, CA – (July 26, 2022) – Summit State Bank (Nasdaq: SSBI) today reported net income for the quarter ended June 30, 2022 of \$4,501,000 and diluted earnings per share of \$0.67. This compares to net income of \$3,898,000 and diluted earnings per share of \$0.58 for the quarter ended June 30, 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 July 25, 2022 to be paid on August 18, 2022 to shareholders of record on August 11, 2022.

Net Income and Results of Operations

Net income increased \$603,000 or 15% the second quarter of 2022 compared to second quarter of 2021. Net interest income increased to \$10,302,000 in the second quarter of 2022 compared to \$8,976,000 in the second quarter of 2021.

“Our continued increase in net income can be attributed to the Bank’s ongoing focus to grow core operations,” noted Brian Reed, President and CEO. “Throughout the pandemic and heading into a new economic environment, the Bank focuses on helping our customers through hardships while also growing core operations. We are pleased the Bank is benefitting from investing time and resources to make our business stronger and more financially sustainable.”

The net interest margin for the second quarter of 2022 was 4.36%, annualized return on average assets was 1.85% and annualized return on average equity was 21.26%. The second quarter of 2021 had a net interest margin of 4.13%, annualized return on average assets of 1.76% and annualized return on average equity of 20.18%.

Interest income increased to \$11,346,000 in the second quarter of 2022 compared to \$10,082,000 in the second quarter of 2021, this was an increase of 13%. The increase in interest income is attributable to a \$1,156,000 increase in core loan interest yield

primarily driven by increased volume, \$54,000 increase in interest on deposits with banks and \$46,000 increase in investment interest.

Net loans and deposits increased when comparing the second quarter of 2022 to 2021. Net loans increased 11% to \$838,265,000 at June 30, 2022 compared to \$753,979,000 at June 30, 2021. Total deposits increased 7% to \$819,932,000 at June 30, 2022 compared to \$763,953,000 at June 30, 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 second quarter of 2022 to \$2,354,000 compared to \$1,597,000 in the second quarter of 2021. The Bank recognized \$1,953,000 in gains on sales of SBA guaranteed loan balances in the second quarter of 2022 compared to \$1,160,000 in gains on sales of SBA guaranteed loans balances in the second quarter of 2021.

Operating expenses increased 5% in the second quarter of 2022 to \$5,298,000 compared to \$5,037,000 in the second quarter of 2021. The increase in expenses is primarily due to a \$158,000 increase in salaries and benefits net of deferred fees and costs, \$52,000 for annual equity grants, and \$127,000 increase in marketing and donations.

There was one nonperforming asset for \$570,000 or 0.06% of total assets at June 30, 2022 compared to \$464,000 or 0.05% of total assets on June 30, 2021.

The Bank had a provision for credit loss expense of \$998,000 in the second quarter of 2022. The allowance for credit losses to total loans was 1.58% on June 30, 2022 and 1.50% on June 30, 2021. Most of the increase in the allowance for credit loss was due adjusting the Bank's qualitative factors in response to recent economic changes.

"We are focused on managing challenges that lie ahead with the local and global economy," states Reed. "We remain focused on serving our local community. We are a reliable resource for our customers while continuing 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 \$980 million and total equity of \$85 million at June 30, 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, 65% 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

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 June 30, 2022 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)

	Three Months Ended		Six Months Ended	
	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Interest income:				
Interest and fees on loans	\$ 10,774	\$ 9,618	\$ 21,193	\$ 19,591
Interest on deposits with banks	61	7	73	15
Interest on investment securities	442	396	826	779
Dividends on FHLB stock	69	61	134	104
Total interest income	11,346	10,082	22,226	20,489
Interest expense:				
Deposits	750	818	1,460	1,751
Federal Home Loan Bank advances	200	194	393	387
Junior Subordinated Debt	94	94	187	187
Total interest expense	1,044	1,106	2,040	2,325
Net interest income before provision for credit losses	10,302	8,976	20,186	18,164
Provision for credit losses on loans	988	-	1,123	335
Provision for (reversal of) credit losses on unfunded loan commitments	10	-	(14)	-
Net interest income after provision for (reversal of) credit losses and unfunded loan commitments	9,304	8,976	19,077	17,829
Non-interest income:				
Service charges on deposit accounts	213	208	422	411
Rental income	45	88	123	175
Net gain on loan sales	1,953	1,160	3,499	1,509
Net securities gain	-	49	6	56
Other income	143	92	258	142
Total non-interest income	2,354	1,597	4,308	2,293
Non-interest expense:				
Salaries and employee benefits	3,311	3,153	7,275	6,170
Occupancy and equipment	416	418	826	832
Other expenses	1,571	1,466	3,484	2,874
Total non-interest expense	5,298	5,037	11,585	9,876
Income before provision for income taxes	6,360	5,536	11,800	10,246
Provision for income taxes	1,859	1,638	3,364	3,031
Net income	\$ 4,501	\$ 3,898	\$ 8,436	\$ 7,215
Basic earnings per common share (1)	\$ 0.67	\$ 0.58	\$ 1.26	\$ 1.08
Diluted earnings per common share (1)	\$ 0.67	\$ 0.58	\$ 1.26	\$ 1.08
Basic weighted average shares of common stock outstanding (1)	6,687	6,677	6,686	6,677
Diluted weighted average shares of common stock outstanding (1)	6,687	6,682	6,686	6,679

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

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
	(Unaudited)	(Unaudited)	(Unaudited)
ASSETS			
Cash and due from banks	\$ 36,616	\$ 40,699	\$ 56,143
Total cash and cash equivalents	36,616	40,699	56,143
Investment securities:			
Available-for-sale (at fair value; amortized cost of \$79,613, \$69,902 and \$66,666)	69,926	69,367	67,096
Total investment securities	69,926	69,367	67,096
Loans, less allowance for credit losses of \$13,452, \$12,329 and \$11,482	838,265	820,987	753,979
Bank premises and equipment, net	5,540	5,677	5,841
Investment in Federal Home Loan Bank stock, at cost	4,737	4,320	4,320
Goodwill	4,119	4,119	4,119
Affordable housing tax credit investment	9,050	3,500	-
Accrued interest receivable and other assets	12,532	9,411	10,145
Total assets	<u>\$ 980,785</u>	<u>\$ 958,080</u>	<u>\$ 901,643</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Demand - non interest-bearing	\$ 239,813	\$ 234,824	\$ 232,206
Demand - interest-bearing	139,765	147,289	120,664
Savings	66,938	69,982	50,380
Money market	167,761	168,637	162,157
Time deposits that meet or exceed the FDIC insurance limit	31,062	29,255	32,535
Other time deposits	174,593	161,613	166,011
Total deposits	819,932	811,600	763,953
Federal Home Loan Bank advances	58,600	48,500	48,500
Junior subordinated debt	5,898	5,891	5,884
Affordable housing commitment	5,998	2,483	-
Accrued interest payable and other liabilities	5,693	5,324	4,329
Total liabilities	896,121	873,798	822,666
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 6,687,959, 6,684,759 and 6,676,509 (1)	37,014	37,014	36,981
Retained earnings	54,470	47,644	41,693
Accumulated other comprehensive loss, net	(6,820)	(376)	303
Total shareholders' equity	84,664	84,282	78,977
Total liabilities and shareholders' equity	<u>\$ 980,785</u>	<u>\$ 958,080</u>	<u>\$ 901,643</u>

(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		As of and for the Six Months Ended	
	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Statement of Income Data:				
Net interest income	\$ 10,302	\$ 8,976	\$ 20,186	\$ 18,164
Provision for credit losses on loans	988	-	1,123	335
Provision for (Reversal of) credit losses on unfunded loan commitments	10	-	(14)	-
Non-interest income	2,354	1,597	4,308	2,293
Non-interest expense	5,298	5,037	11,585	9,876
Provision for income taxes	1,859	1,638	3,364	3,031
Net income	<u>\$ 4,501</u>	<u>\$ 3,898</u>	<u>\$ 8,436</u>	<u>\$ 7,215</u>
Selected per Common Share Data:				
Basic earnings per common share (5)	\$ 0.67	\$ 0.58	\$ 1.26	\$ 1.08
Diluted earnings per common share (5)	\$ 0.67	\$ 0.58	\$ 1.26	\$ 1.08
Dividend per share (5)	\$ 0.12	\$ 0.12	\$ 0.24	\$ 0.24
Book value per common share (1)(5)	\$ 12.66	\$ 13.01	\$ 12.66	\$ 13.01
Selected Balance Sheet Data:				
Assets	\$ 980,785	\$ 901,643	\$ 980,785	\$ 901,643
Loans, net	838,265	753,979	838,265	753,979
Deposits	819,932	763,953	819,932	763,953
Average assets	975,422	888,439	967,308	880,752
Average earning assets	948,762	872,483	942,286	864,616
Average shareholders' equity	84,906	77,477	85,154	76,520
Nonperforming loans	570	464	570	464
Total nonperforming assets	570	464	570	464
Troubled debt restructurings (accruing)	1,027	2,160	1,027	2,160
Selected Ratios:				
Return on average assets (2)	1.85%	1.76%	1.76%	1.65%
Return on average common shareholders' equity (2)	21.26%	20.18%	19.98%	19.01%
Efficiency ratio (3)	41.86%	47.86%	47.31%	48.41%
Net interest margin (2)	4.36%	4.13%	4.32%	4.24%
Common equity tier 1 capital ratio	10.00%	10.25%	10.00%	10.25%
Tier 1 capital ratio	10.00%	10.25%	10.00%	10.25%
Total capital ratio	11.94%	12.33%	11.94%	12.33%
Tier 1 leverage ratio	8.74%	8.29%	8.74%	8.29%
Common dividend payout ratio (4)	17.95%	18.68%	19.08%	20.19%
Average shareholders' equity to average assets	8.70%	8.72%	8.80%	8.69%
Nonperforming loans to total loans	0.07%	0.06%	0.07%	0.06%
Nonperforming assets to total assets	0.06%	0.05%	0.06%	0.05%
Allowance for credit losses to total loans	1.58%	1.50%	1.58%	1.50%
Allowance for credit losses to nonperforming loans	2360.36%	2476.35%	2360.36%	2476.35%

(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