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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): January 23, 2023

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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 January 24, 2023, 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 and year ended December 31, 2022.

Common stock cash dividend of \$0.12 per share declared on January 23, 2023 to be paid on February 16, 2023 to shareholders of record on February 9, 2023.

**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: January 24, 2023

**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 January 24, 2023, announcing results of operation for the three months and year ended December 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 Earnings Increase 15% to \$17.0 Million for the Year 2022 and Increase 24% to \$4.6 Million for Fourth Quarter 2022; Declares Quarterly Cash Dividend of \$0.12 Per Common Share**

SANTA ROSA, CA – (January 24, 2023) – Summit State Bank (Nasdaq: SSBI) today reported net income for the year ended December 31, 2022 increased \$2,270,000, or 15%, to \$16,968,000, or \$2.54 per diluted share, compared to net income of \$14,698,000, or \$2.20 per diluted share for the year ended December 31, 2021. Strong loan and deposit growth and net interest margin expansion contributed to profitability for the quarter. For the fourth quarter ended December 31, 2022, net income increased 24% to \$4,553,000, or \$0.68 per diluted share, compared to \$3,686,000, or \$0.55 per diluted share, for the same period in 2021. Additionally, a quarterly dividend of \$0.12 per share was declared for common shareholders.

Dividend:

The Board of Directors declared a quarterly cash dividend of \$0.12 per share on January 23, 2023. The quarterly dividend will be paid on February 16, 2023 to shareholders of record on February 9, 2023.

Results of Operations:

“We delivered another strong quarter, and record profits for the year 2022,” noted Brian Reed, President and CEO. “We saw substantial growth in the loan portfolio year-over-year, increases to our core deposit base, and expansion of our net interest margin. Continued growth in the loan and investment portfolios, combined with a higher interest rate environment, contributed significantly to the increased net interest income and profitability relative to the prior year. Additionally, noninterest bearing deposit balances continued to increase despite deposit pricing pressures. With our strong core operations and capital base, we have the resources in place to make our business stronger and more financially sustainable. Looking ahead, we remain committed to protecting our profitability as we continue to grow in a disciplined manner.”

The 2022 net interest margin was 4.34%, return on average assets was 1.69% and return on average equity was 19.72%. This compared to a net interest margin of 4.28%, return on average assets of 1.64% and return on average equity of 18.48% in 2021. For the fourth

quarter of 2022, net interest margin was 4.29%, return on average assets was 1.69% and return on average equity was 20.84%. This compared to net interest margin of 4.34%, annualized return on average assets of 1.59% and annualized return on average equity of 17.46%, respectively, for the fourth quarter of 2021. These results were above the average 3.70% net interest margin, 1.18% return on average assets and 13.10% return on average equity posted by the 154 bank index peers that make up the Dow Jones U.S. MicroCap Bank index as of September 30, 2022.\*

Interest income increased 17% to \$48,956,000 in 2022 compared to \$41,973,000 in 2021. The increase in interest income is attributable to a \$5,932,000 increase in loan interest yield primarily driven by increased loan volume and secondarily by increased rates, \$559,000 increase in interest on deposits with banks and \$435,000 increase in investment interest.

For the fourth quarter of 2022, interest income increased 30% to \$14,188,000 compared to \$10,882,000 in the fourth quarter of 2021. The increase in interest income is attributable to a \$2,655,000 increase in loan interest yield primarily driven by increased loan volume and secondarily by increased rates, \$357,000 increase in interest on deposits with banks and \$264,000 increase in investment interest.

Net loans and deposits increased when comparing 2022 to 2021. Net loans increased 11% to \$913,707,000 at December 31, 2022 compared to \$820,987,000 at December 31, 2021. Total deposits increased 19% to \$962,654,000 at December 31, 2022 compared to \$811,600,000 at December 31, 2021. Most of the deposit increase year-over-year is due to the Bank's ongoing focus on growing local deposits organically. The Bank's wholesale broker deposits decreased to \$69,060,000 at December 31, 2022 compared to \$78,414,000 at December 31, 2021.

Non-interest income increased in 2022 to \$7,495,000 compared to \$4,901,000 in 2021. The increase is primarily due to the Bank recognizing \$5,839,000 in gains on sales of SBA guaranteed loan balances in 2022, compared to \$3,343,000 in gains on sales of SBA guaranteed loans balances in 2021. For the fourth quarter of 2022, non-interest income increased to \$2,132,000 compared to \$1,249,000 in the fourth quarter of 2021. The Bank recognized \$1,762,000 in gains on sales of SBA guaranteed loan balances in the fourth quarter of 2022, compared to \$884,000 in gains on sales of SBA guaranteed loans balances in the same period a year earlier.

Operating expenses increased 16% in 2022 to \$23,511,000 compared to \$20,333,000 in 2021. A majority of the \$3,178,000 increase is due to a \$1,057,000 increase in salaries net of deferred fees and costs and a \$525,000 increase in employee benefit-related expenses. Other factors attributing to the increase include a \$401,000 increase in donations and payments as part of the non-profit partner program, a \$309,000 increase in commissions directly related to the Bank's loan portfolio growth, a \$164,000 increase in IT-related expenses, \$155,000 increase in Restricted Stock Awards and Stock Appreciation Rights expenses, and a \$130,000 increase in marketing and advertising expenses.

For the fourth quarter of 2022, operating expenses increased to \$6,395,000, compared to \$4,907,000 in the fourth quarter of 2021. The \$1,488,000 increase is due to a \$623,000

increase in Restricted Stock Awards and Stock Appreciation Rights expenses, a \$350,000 increase in employee benefit-related expenses, a \$215,000 in donations and payments as part of the non-profit partner program, and a \$188,000 increase in salaries and commissions net of deferred fees and costs.

Nonperforming assets were \$3,756,000, or 0.34% of total assets, at December 31, 2022, and consisted of one real estate secured commercial loan for \$3,189,000 that is in process of liquidation and one commercial and agriculture secured loan for \$567,000. Nonperforming assets totaled \$487,000, or 0.05% of total assets, at December 31, 2021. In the fourth quarter of 2022 the Bank charged off \$190,000 and in the fourth quarter of 2021 the Bank charged off \$92,000. For the full year, the Bank charged off \$211,000 and \$133,000 for 2022 and 2021, respectively.

Due to strong loan growth and increased risk in the economy, the Bank recorded a \$2,541,000 provision for credit loss expense in 2022. This compares to \$1,294,000 provision for credit loss expense in 2021. For the fourth quarter, the Bank recorded a \$807,000 provision for credit loss expense, compared to a \$959,000 provision for credit loss expense for the fourth quarter of 2021. The allowance for credit losses to total loans was 1.60% on December 31, 2022 and 1.48% on December 31, 2021.

“We continue to focus on being a reliable resource for our customers and communities through all economic cycles,” said Reed. “While the local and global economy remains a challenge, we have the right team in place, together with the strength of our local markets, to prosper in 2023.”

#### About Summit State Bank

Summit State Bank, a local community bank, has total assets of \$1.1 billion and total equity of \$89 million at December 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, 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’s Bank & Thrift Sm-All Stars. 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).

\*As of September 30, 2022, the Dow Jones U.S. MicroCap Bank Index tracked 154 banks with total common market capitalization under \$250 million for the following ratios: NIM of 3.70%, return on average assets (ROAA) 1.18%, and return on average equity (ROAE) 13.10%.

## 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 annual report on Form 10-K for the period ended December 31, 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		Year Ended	
	December 31, 2022 (Unaudited)	December 31, 2021 (Unaudited)	December 31, 2022 (Unaudited)	December 31, 2021 (Unaudited)
Interest income:				
Interest and fees on loans	\$ 13,097	\$ 10,442	\$ 46,124	\$ 40,192
Interest on deposits with banks	369	12	596	37
Interest on investment securities	624	360	1,935	1,500
Dividends on FHLB stock	98	68	301	244
Total interest income	<u>14,188</u>	<u>10,882</u>	<u>48,956</u>	<u>41,973</u>
Interest expense:				
Deposits	2,380	734	4,942	3,205
Federal Home Loan Bank advances	463	198	1,212	787
Junior subordinated debt	94	94	375	375
Total interest expense	<u>2,937</u>	<u>1,026</u>	<u>6,529</u>	<u>4,367</u>
Net interest income before provision for credit losses	11,251	9,856	42,427	37,606
Provision for credit losses on loans	807	959	2,683	1,294
Reversal of credit losses on unfunded loan commitments	(145)	-	(142)	-
Net interest income after provision for (reversal of) credit losses and unfunded loan commitments	<u>10,589</u>	<u>8,897</u>	<u>39,886</u>	<u>36,312</u>
Non-interest income:				
Service charges on deposit accounts	219	220	859	858
Rental income	37	89	199	353
Net gain on loan sales	1,762	884	5,839	3,343
Net (loss) gain on securities	(3)	9	4	65
Other income	117	47	594	282
Total non-interest income	<u>2,132</u>	<u>1,249</u>	<u>7,495</u>	<u>4,901</u>
Non-interest expense:				
Salaries and employee benefits	3,873	3,182	14,651	12,720
Occupancy and equipment	506	429	1,716	1,637
Other expenses	2,016	1,296	7,144	5,976
Total non-interest expense	<u>6,395</u>	<u>4,907</u>	<u>23,511</u>	<u>20,333</u>
Income before provision for income taxes	6,326	5,239	23,870	20,880
Provision for income taxes	1,773	1,553	6,902	6,182
Net income	<u>\$ 4,553</u>	<u>\$ 3,686</u>	<u>\$ 16,968</u>	<u>\$ 14,698</u>
Basic earnings per common share (1)	\$ 0.68	\$ 0.55	\$ 2.54	\$ 2.20
Diluted earnings per common share (1)	\$ 0.68	\$ 0.55	\$ 2.54	\$ 2.20
Basic weighted average shares of common stock outstanding (1)	6,688	6,685	6,687	6,680
Diluted weighted average shares of common stock outstanding (1)	6,688	6,685	6,687	6,682

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

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>ASSETS</b>		
Cash and due from banks	\$ 75,240	\$ 40,699
Total cash and cash equivalents	75,240	40,699
Investment securities:		
Available-for-sale (at fair value; amortized cost of \$98,017 in 2022 and \$69,902 in 2021)	83,785	69,367
Loans, less allowance for credit losses of \$14,839 and \$12,329	913,707	820,987
Bank premises and equipment, net	5,461	5,677
Investment in Federal Home Loan Bank stock, at cost	4,737	4,320
Goodwill	4,119	4,119
Affordable housing tax credit investments	8,881	3,500
Accrued interest receivable and other assets	17,086	9,411
	<hr/>	<hr/>
Total assets	<b>\$ 1,113,016</b>	<b>\$ 958,080</b>
	<hr/>	<hr/>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits:		
Demand - non interest-bearing	\$ 252,033	\$ 234,824
Demand - interest-bearing	143,767	147,289
Savings	67,117	69,982
Money market	137,362	168,637
Time deposits that meet or exceed the FDIC insurance limit	141,691	29,255
Other time deposits	220,684	161,613
Total deposits	<hr/> 962,654	<hr/> 811,600
Federal Home Loan Bank advances	41,000	48,500
Junior subordinated debt, net	5,905	5,891
Affordable housing commitment	4,677	2,483
Accrued interest payable and other liabilities	10,233	5,324
	<hr/>	<hr/>
Total liabilities	1,024,469	873,798
	<hr/>	<hr/>
Total shareholders' equity	88,547	84,282
	<hr/>	<hr/>
Total liabilities and shareholders' equity	<b>\$ 1,113,016</b>	<b>\$ 958,080</b>
	<hr/>	<hr/>

**Financial Summary**  
(In thousands except per share data)

	As of and for the Three Months Ended		As of and for the Year Ended	
	December 31, 2022 (Unaudited)	December 31, 2021 (Unaudited)	December 31, 2022 (Unaudited)	December 31, 2021 (Unaudited)
<b>Statement of Income Data:</b>				
Net interest income	\$ 11,251	\$ 9,856	\$ 42,427	\$ 37,606
Provision for credit losses	807	959	2,683	1,294
Provision for (Reversal of) credit losses on unfunded loan commitment	(145)	-	(142)	-
Non-interest income	2,132	1,249	7,495	4,901
Non-interest expense	6,395	4,907	23,511	20,333
Provision for income taxes	1,773	1,553	6,902	6,182
Net income	\$ 4,553	\$ 3,686	\$ 16,968	\$ 14,698
<b>Selected per Common Share Data:</b>				
Basic earnings per common share (5)	\$ 0.68	\$ 0.55	\$ 2.54	\$ 2.20
Diluted earnings per common share (5)	\$ 0.68	\$ 0.55	\$ 2.54	\$ 2.20
Dividend per share (5)	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12
Book value per common share (1)(5)	\$ 13.24	\$ 11.09	\$ 13.24	\$ 11.09
<b>Selected Balance Sheet Data:</b>				
Assets	\$ 1,113,016	\$ 958,080	\$ 1,113,016	\$ 958,080
Loans, net	913,707	820,987	913,707	820,987
Deposits	962,654	811,600	962,654	811,600
Average assets	1,070,000	920,909	1,005,186	895,393
Average earning assets	1,040,154	901,914	978,169	878,258
Average shareholders' equity	86,675	83,780	86,038	79,538
Nonperforming loans	3,756	487	3,756	487
Total nonperforming assets	3,756	487	3,756	487
Troubled debt restructures (accruing)	1,002	2,128	1,002	2,128
<b>Selected Ratios:</b>				
Return on average assets (2)	1.69%	1.59%	1.69%	1.64%
Return on average common shareholders' equity (2)	20.84%	17.46%	19.72%	18.48%
Efficiency ratio (3)	47.77%	44.22%	47.10%	47.91%
Net interest margin (2)	4.29%	4.34%	4.34%	4.28%
Common equity tier 1 capital ratio	9.31%	9.73%	9.31%	9.73%
Tier 1 capital ratio	9.31%	9.73%	9.31%	9.73%
Total capital ratio	11.16%	11.77%	11.16%	11.77%
Tier 1 leverage ratio	8.53%	8.65%	8.53%	8.65%
Common dividend payout ratio (4)	17.72%	21.79%	19.01%	20.33%
Average shareholders' equity to average assets	8.10%	9.10%	8.56%	8.88%
Nonperforming loans to total loans	0.40%	0.06%	0.40%	0.06%
Nonperforming assets to total assets	0.34%	0.05%	0.34%	0.05%
Allowance for credit losses to total loans	1.60%	1.48%	1.60%	1.48%
Allowance for credit losses to nonperforming loans	395.09%	2532.64%	395.09%	2532.64%
(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				