

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): December 18, 2023

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 December 18, 2023 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 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 costumer 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: December 18, 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	Presentation slides as of December 18, 2023

99.1 Presentation slides as of December 18, 2023



**Investor
Presentation
Q3 2023**



Company Overview

- **Summit State Bank is a commercial bank headquartered in Santa Rosa, CA with \$1.14 billion in assets, 5 branch locations and more than 120 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 Locations

Headquartered in Santa Rosa, CA

Branch Locations

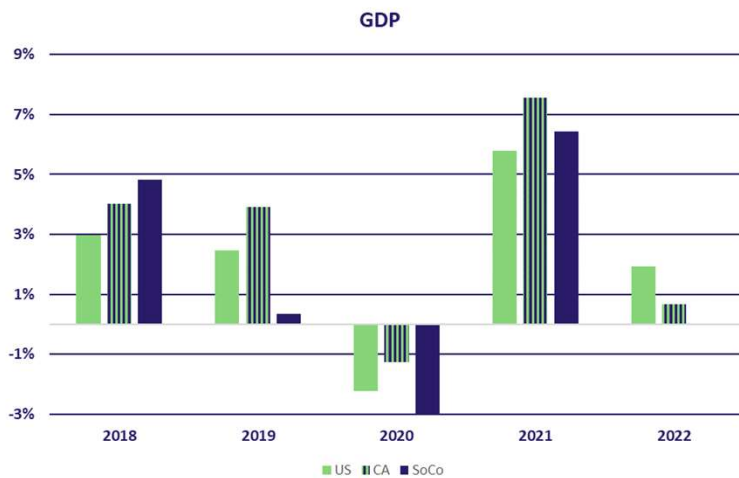
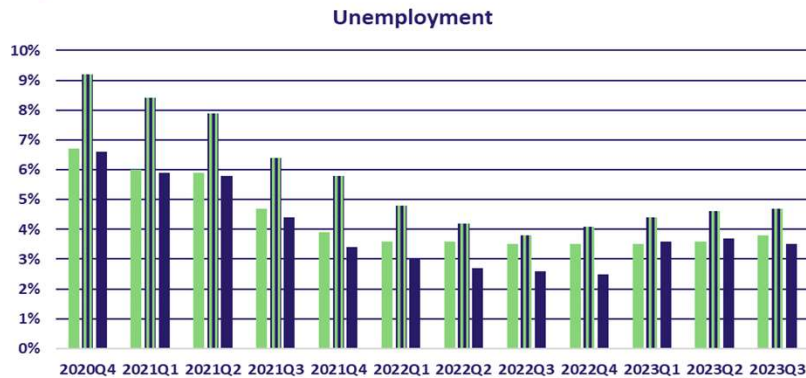
- Santa Rosa Main
- Healdsburg
- Santa Rosa Montgomery Village
- Rohnert Park
- Petaluma

Regional Small Business Lending Group

- HQ in Roseville, CA



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 and High GDP
- Ranked 12th in Median Household Income across California

* 2022 Sonoma County GDP figures unavailable

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

Our Leadership Team



Brian Reed

President & CEO
38 Years in the Industry
6 at Summit State Bank



Genie Del Secco

EVP & Chief Operating Officer
32 Years in the Industry
7 at Summit State Bank



Brandy Seppi

EVP & Chief Lending Officer
28 Years in the Industry
8 at Summit State Bank



Camille Kazarian

EVP & Chief Financial Officer
23 Years in the Industry
4 at Summit State Bank

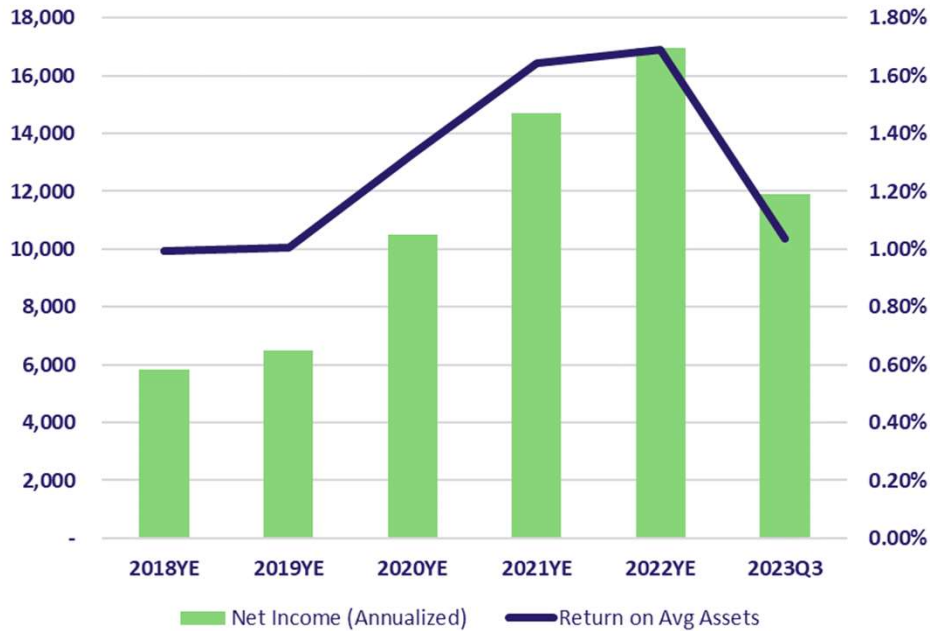


Michael Castlio

EVP & Chief Credit Officer
30 Years in the Industry
5 at Summit State Bank

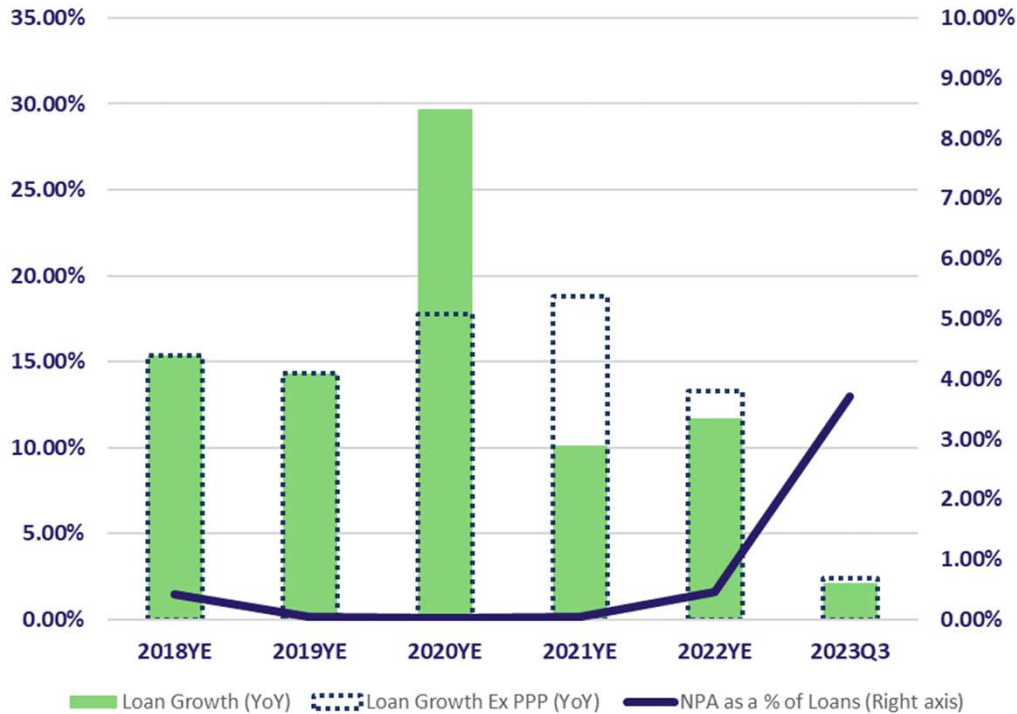
**151 Years of Collective
Experience**

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 \$4.9MM YTD Q3 2023 from \$5.4MM YTD Q3 2022. This is due to:
 - Reduced SBA Loan production
 - Reduced SBA Loan Sales
- 2023 Loan growth has been constrained due to current rate environment

Loan Growth & Asset Quality



- Loan Growth has declined from prior periods due to higher rates
- Strong Reserves (Allowance for Loans & Lease Losses - ACL)
 - ACL is 1.69% without PPP Loans, which Carry a Zero-Risk Weighting and excluding unsold guaranteed portion of SBA loans
- Elevated Non-Performing Loans are primarily comprised of a group of large relationships that are well collateralized, and our estimated loss is zero

Note: CECL Conversion as of January 1, 2021

Interest Income & Interest Expense Management

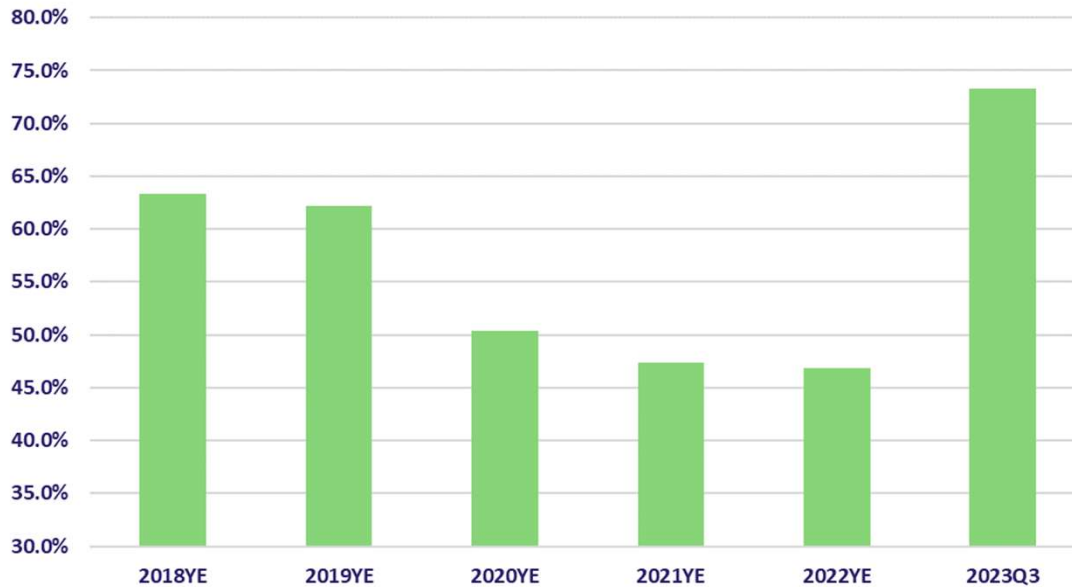
Net Interest Margin (%) and Net Interest Income (\$000)



- NIM compression and Net Interest Income decline observed due to planned deposit growth, increased interest rates, and lower Loan to Deposit ratio
- NIM and Net Interest Income are compressing as deposits reprice faster than the loan portfolio

Maintaining the Infrastructure to Deliver Results

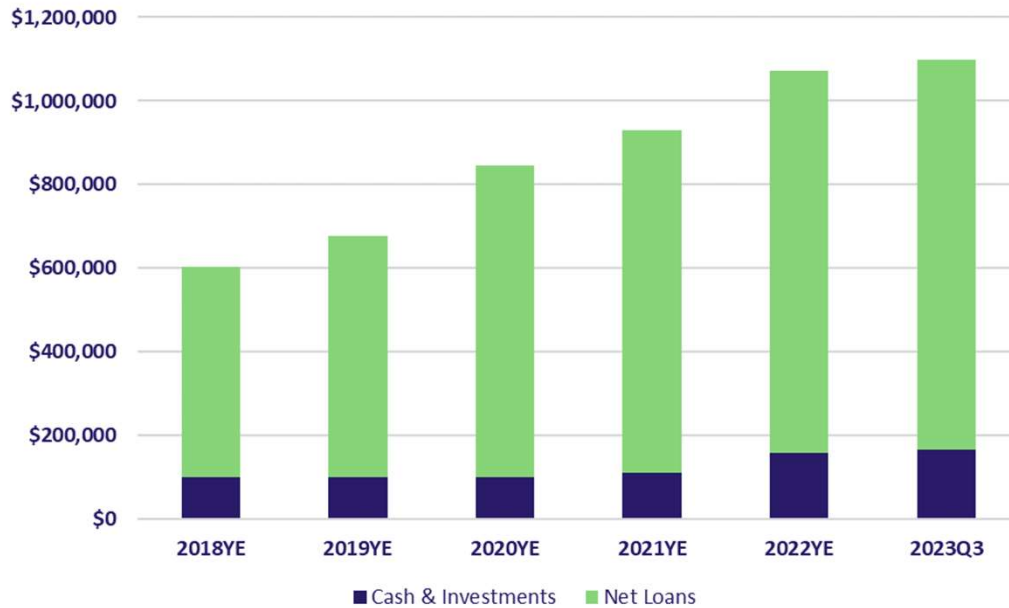
Efficiency Ratio



- Efficiency Ratio increased due to lower Net Operating Income as discussed on previous slide
- Focused on maintaining Portfolio Credit Quality and Loan Yield resulting in lower Loan Originations impacting the Efficiency Ratio in 2023

Assets Trends

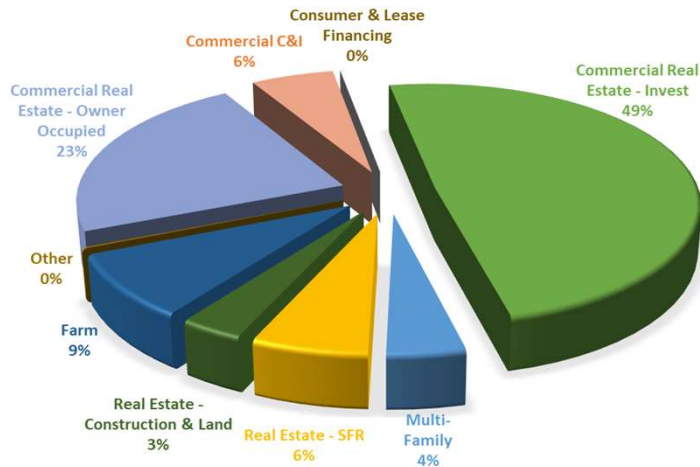
Net Loans and Cash & Investments
(\$000's)



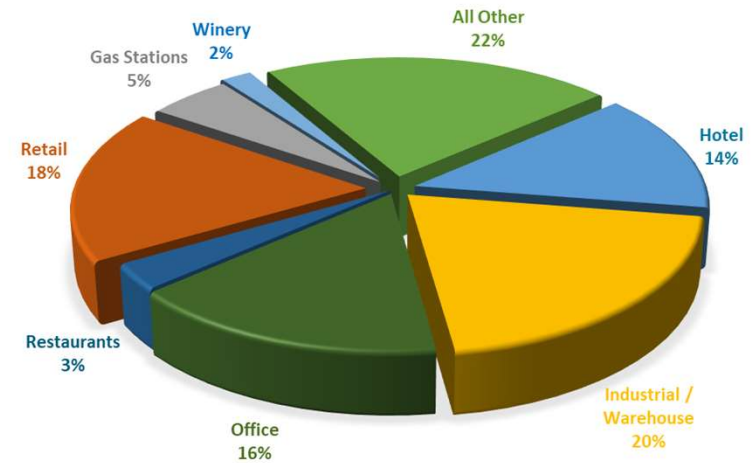
- Focused Growth on Conventional CRE and SBA Guaranteed Loans with Targeted Yield at 7.50%
- Portfolio Loan Yield as of 2023Q3 at 5.70%
- Elevated Cash trend related to our Strategy to increase liquidity while growing our Balance Sheet
- Focused on Organic Loan Growth through Strong Relationship Practices

Loan Composition

Total Loan Portfolio

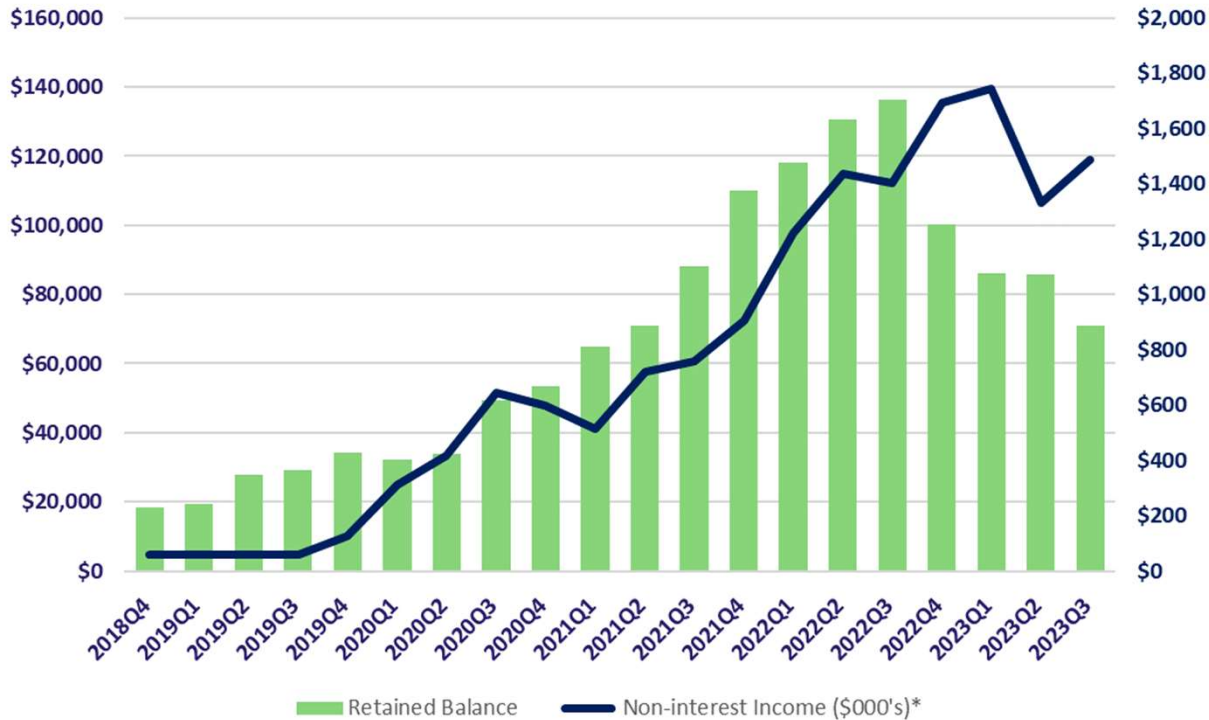


CRE Loan Portfolio Concentration: Investment & Owner Occupied



- Diversified Portfolio with Manageable Risk
- Total Portfolio LTV 46% (ex C&I); CRE LTV 45.6%
- CRE Portfolio: Investment 68%, DSCR 1.90x; Owner Occupied 32%, DSCR 2.29x
- CRE LTV 49% for Property Types with Higher Risk
 - Pandemic Risks: Wineries, Hotels, Restaurants, and Retail at ~37% of CRE Portfolio
 - Post Pandemic Risks: Office at 16% of CRE Portfolio (LTV 53%)

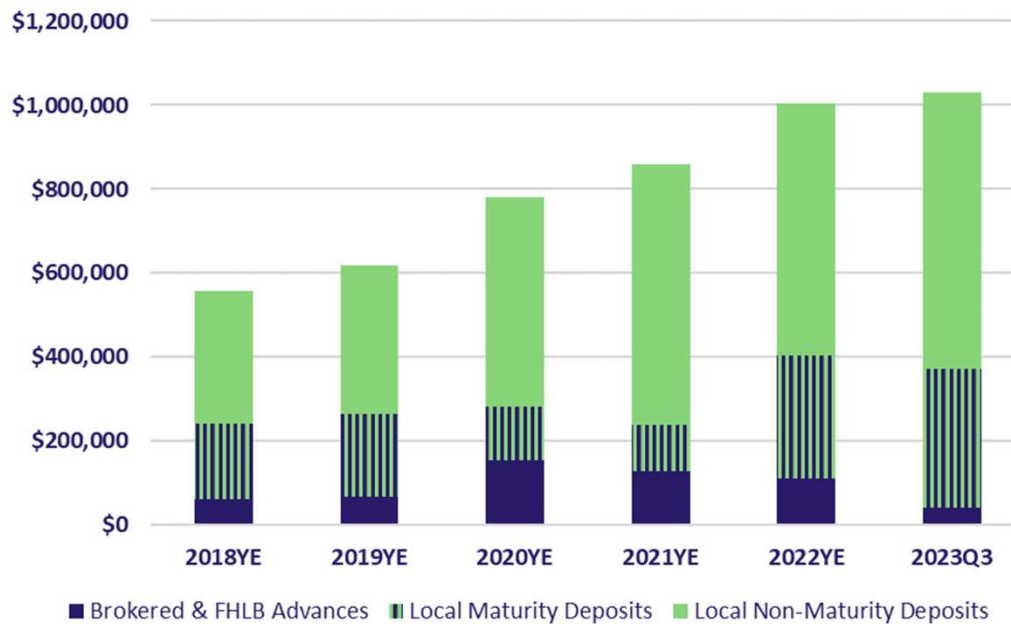
SBA Loan Program



- Dedicated Small Business Lending Group Created in 2017
- Floating Rate Yields ~ 11.3% (October 2023 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

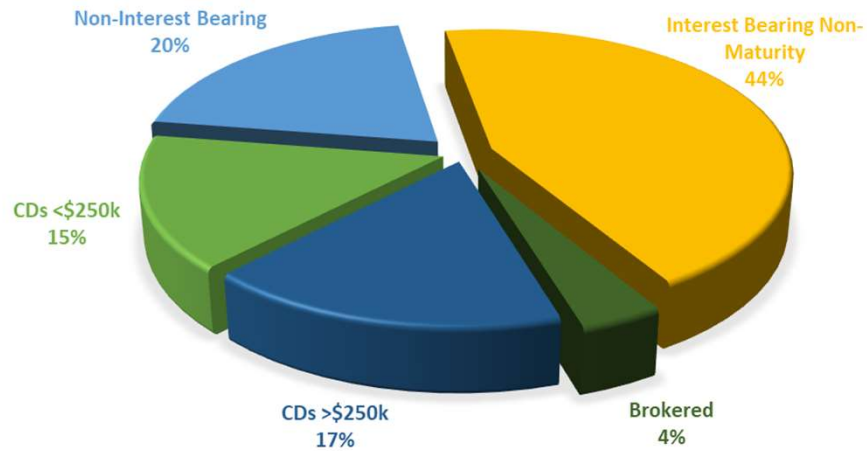
Liabilities Trends

Local Deposits and Brokered & FHLB Advances
(\$000's)



- Continued Focus on Managing Local Non-Maturity Deposit Growth to match Loan Growth
- 3Q2023 Average Cost of Funds at 2.22%
- Deposit growth from 2018 to 3Q2023:
 - Local Non-Maturity Deposits went from 57% to 64% of Total Deposits
 - Total Local Deposits went from 89% to 96% of Total Deposits

Deposit Composition



- Organic Deposit Growth through Strong Relationship Practices
- Focused Local Deposit Growth
- 3Q2023 Average Cost of Deposits at 2.23%



Focus on Liquidity and Quality as of Q3 2023

- ❖ \$160MM of Available Primary Liquidity
 - Including Cash and Investments Available for Sale
 - Primary Liquidity is 14%

- ❖ \$350MM of Available Secondary Lines
 - Including FHLB, Federal Reserve Bank, and Fed Funds lines
 - Secondary Liquidity is 31%

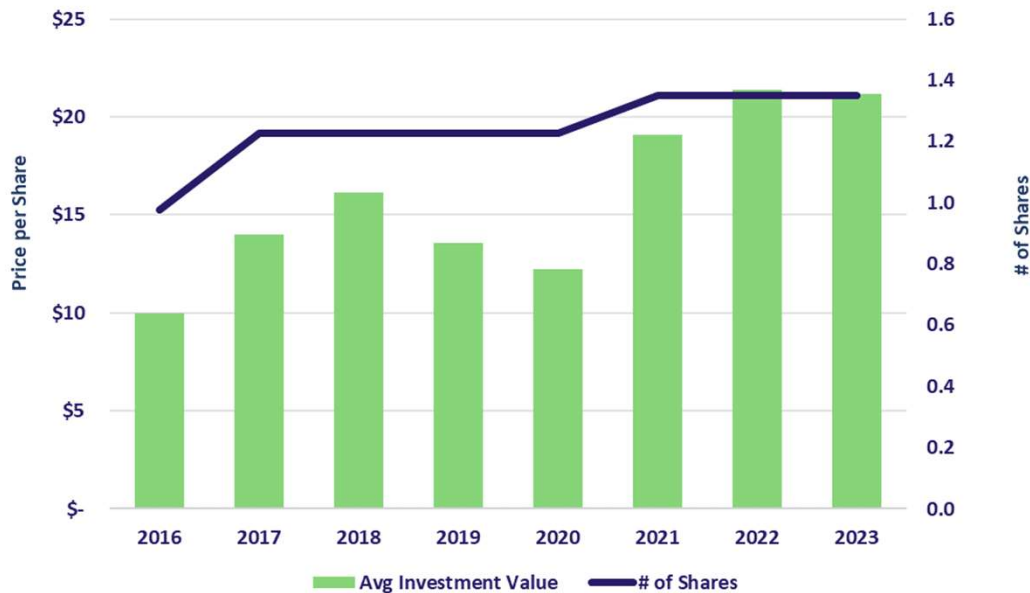
- ❖ \$205MM of Contingent Funding Sources
 - Including SBA Loan Sales, FRB (BTFP), Broker Deposits (based on internal policy limits)

- ❖ AOCI impact is minimal to Capital Ratio (~1%)

- ❖ Deposit Portfolio Quality
 - Only an estimated 22% of Deposits are uninsured by FDIC
 - Deposit Concentrations
 - Only 2 Depositors meet Regulatory definition of Large Depositors
 - Top 25 Depositors represent only 25% of Deposits as of Q2 2023
 - Total Local Deposits are 96% of Total Deposits

Consistently Delivering Strong Stock Value

Investment in 1 share since 2016



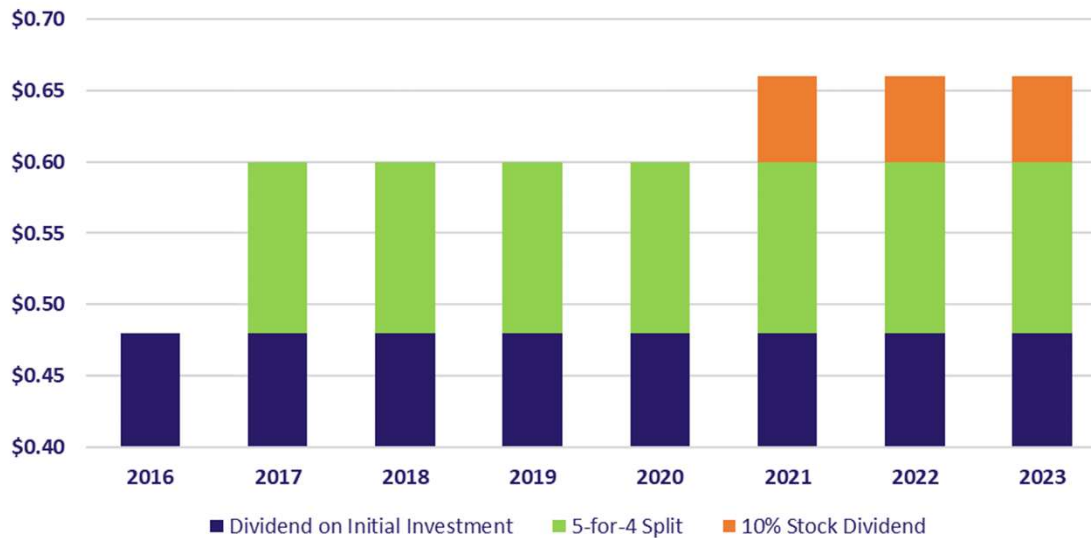
Graph illustrates investment in 1 share of stock beginning in 2016

- 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 113% since 2016, or an average of 17% per year

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

Consistent Dividend Return

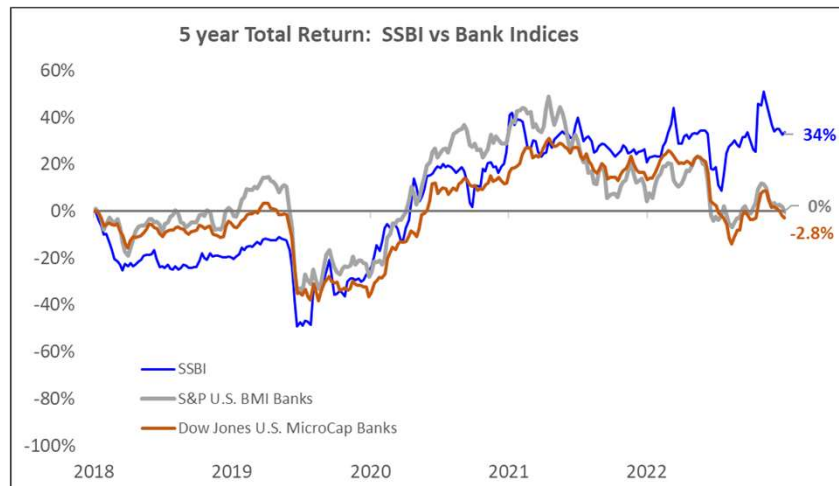
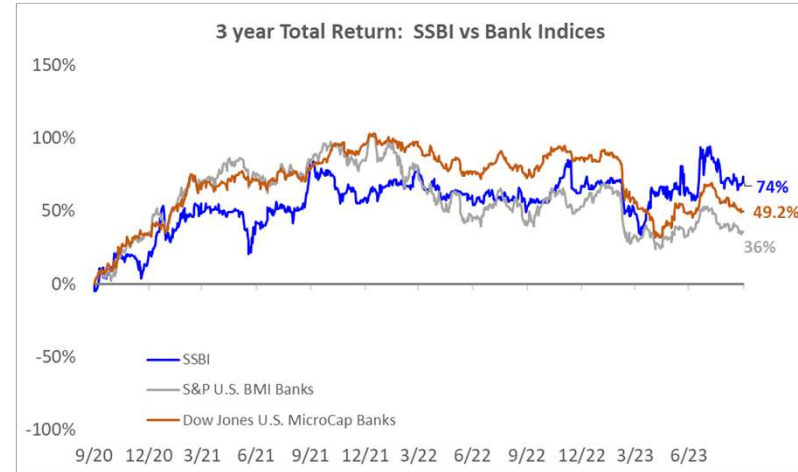
Dividend Paid on 1 share since 2016



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)

Stock Total Return Outperforms Bank Indices



Total Return vs
Bank Indices as of
Q3 2023



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**
- ❖ **Strong Total Return to Shareholders Compared to Industry**



Private Securities Litigation Reform Act of 1995

Statements made during this presentation and in response to questions may constitute Forward Looking Statements within the meaning of the Private Securities Litigation Reform Act of 1995 and any such statements are subject to risks and uncertainties that could cause actual results to differ materially. Such risks and uncertainties include those related to the economic environment, particularly in the region where Summit State Bank operates, competitive products and pricing, general interest rate changes and the fiscal and monetary policies of the US Government, credit risk management, regulatory actions, and other risks and uncertainties.



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