
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 27, 2020

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 27, 2020, 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, 2020.

Common stock cash dividend of \$0.12 per share declared on April 27, 2020, payable on May 22, 2020 to shareholders of record on May 15, 2020.

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 27, 2020

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 27, 2020, announcing results of operation for the three months ended March 31, 2020 and declaration of quarterly dividend.

Summit State Bank Reports 69% Increase in Net Income for First Quarter 2020 and Declaration of Dividend

SANTA ROSA, CA – (April 27, 2020) – Summit State Bank (Nasdaq: SSBI) today reported net income for the quarter ended March 31, 2020 of \$2,415,000 and diluted earnings per share of \$0.40. 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 27, 2020 to be paid on May 22, 2020 to shareholders of record on May 15, 2020.

Net Income and Results of Operations

For the quarter ended March 31, 2020, Summit State Bank (“Bank”) had net income of \$2,415,000 and diluted earnings per share of \$0.40 compared to \$1,425,000 in net income and \$0.23 diluted earnings per share for the same quarter in 2019.

Net income increased \$990,000 or 69% the first quarter of 2020 compared to first quarter of 2019. Net interest income increased to \$6,525,000 in the first quarter of 2020 compared to \$5,547,000 in the first quarter of 2019.

“Summit spent the past three years implementing a strategic plan to restructure and grow the Bank’s balance sheet and earnings,” said Brian Reed, President and CEO. “We saw the Bank’s performance successfully shift in this direction in the second half of 2019 and continue growing into the first quarter of 2020.”

“With the recent impact to the economy caused by the COVID-19 pandemic, the Bank is aware that making changes to our operations and how we support our customers is imperative,” said Reed. “We are headed into a new era and although we do not know how the market will react in the medium to longer term, the Bank is planning for change. We will remain flexible and support our customers as we respond to these changing economic conditions.”

Non-interest income increased in the first quarter of 2020 to \$1,929,000 compared to \$493,000 in the first quarter of 2019. The Bank recognized \$871,000 in gain from called securities and \$697,000 in gains on sales of SBA guaranteed loan balances in the first quarter of 2020 compared to \$167,000 in gains on sales of SBA guaranteed loans balances in the first quarter of 2019.

Reed notes that “due to the decreasing rate environment, several investment bonds originally purchased at a discount were called in the first quarter of 2020.”

Total loans and deposits also increased when comparing the first quarter of 2020 to first quarter of 2019; loans were \$601,400,000 in 2020 compared to \$509,989,000 in 2019 and deposits were \$574,006,000 in 2020 compared to \$555,255,000 in 2019. The net interest margin increased to 3.88% for the first quarter of 2020 compared to 3.65% for the first quarter of 2019.

Annualized return on average assets for the first quarter of 2020 was 1.41%, annualized return on average equity was 14.13% and the efficiency ratio was 58.31% during the first quarter of 2020. The first quarter of 2019 had an annualized return on average assets of 0.92%, annualized return on average equity of 9.26% and efficiency ratio of 69.74%.

There was a \$210,000 or 5% increase in operating expenses in the first quarter of 2020 compared to the first quarter of 2019. The increase in expenses is primarily due to an increase in employee expenses and occupancy costs.

Nonperforming assets were \$472,000 or 0.07% of total assets at March 31, 2020 compared to \$736,000 or 0.12% at March 31, 2019. The nonperforming assets at March 31, 2020, consist of loans which are predominantly secured by real property. The Bank had provision expense of \$600,000 in the first quarter of 2020. The allowance for loan losses to loans was 1.21% at March 31, 2020 and was 1.19% at March 31, 2019.

About Summit State Bank

Summit State Bank, a local community bank, has total assets of \$722 million and total equity of \$68 million at March 31, 2020. 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, 75% 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, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Interest income:		
Interest and fees on loans	\$ 7,820	\$ 6,452
Interest on deposits with banks	44	101
Interest on investment securities	369	590
Dividends on FHLB stock	59	54
Total interest income	8,292	7,197
Interest expense:		
Deposits	1,445	1,471
Federal Home Loan Bank advances	322	179
Total interest expense	1,767	1,650
Net interest income before provision for loan losses	6,525	5,547
Provision for loan losses	600	100
Net interest income after provision for loan losses	5,925	5,447
Non-interest income:		
Service charges on deposit accounts	214	190
Rental income	87	90
Net gain on loan sales	697	167
Net securities gain	871	-
Other income	60	46
Total non-interest income	1,929	493
Non-interest expense:		
Salaries and employee benefits	2,723	2,657
Occupancy and equipment	383	423
Other expenses	1,316	1,132
Total non-interest expense	4,422	4,212
Income before provision for income taxes	3,432	1,728
Provision for income taxes	1,017	303
Net income	\$ 2,415	\$ 1,425
Basic earnings per common share	\$ 0.40	\$ 0.23
Diluted earnings per common share	\$ 0.40	\$ 0.23
Basic weighted average shares of common stock outstanding	6,070	6,067
Diluted weighted average shares of common stock outstanding	6,074	6,073

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

	March 31, 2020	December 31, 2019	March 31, 2019
	(Unaudited)	(Unaudited)	(Unaudited)
ASSETS			
Cash and due from banks	\$ 36,493	\$ 38,299	\$ 18,628
Total cash and cash equivalents	36,493	38,299	18,628
Investment securities:			
Held-to-maturity, at amortized cost	-	7,998	7,993
Available-for-sale (at fair value; amortized cost of \$58,690, \$53,591 and \$71,610)	58,160	54,241	70,690
Total investment securities	58,160	62,239	78,683
Loans, less allowance for loan losses of \$7,375, \$6,769 and \$6,139	601,400	576,548	509,989
Bank premises and equipment, net	6,270	6,301	6,364
Investment in Federal Home Loan Bank stock, at cost	3,342	3,342	3,085
Goodwill	4,119	4,119	4,119
Accrued interest receivable and other assets	11,861	5,130	5,422
Total assets	\$ 721,645	\$ 695,978	\$ 626,290
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Demand - non interest-bearing	\$ 136,875	\$ 129,084	\$ 117,870
Demand - interest-bearing	66,412	69,383	62,140
Savings	27,459	28,359	26,503
Money market	123,341	128,377	112,553
Time deposits that meet or exceed the FDIC insurance limit	47,682	76,564	86,073
Other time deposits	172,237	142,070	150,116
Total deposits	574,006	573,837	555,255
Federal Home Loan Bank advances	69,300	45,600	4,700
Junior subordinated debt	5,865	5,862	-
Accrued interest payable and other liabilities	4,273	3,335	2,970
Total liabilities	653,444	628,634	562,925
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 6,069,600, 6,069,600 and 6,067,975	36,981	36,981	36,974
Retained earnings	31,593	29,906	27,039
Accumulated other comprehensive income (loss), net	(373)	457	(648)
Total shareholders' equity	68,201	67,344	63,365
Total liabilities and shareholders' equity	\$ 721,645	\$ 695,978	\$ 626,290

Financial Summary
(Dollars in thousands except per share data)

	As of and for the Three Months Ended	
	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Statement of Income Data:		
Net interest income	\$ 6,525	\$ 5,547
Provision for loan losses	600	100
Non-interest income	1,929	493
Non-interest expense	4,422	4,212
Provision for income taxes	1,017	303
Net income	\$ 2,415	\$ 1,425
 Selected per Common Share Data:		
Basic earnings per common share	\$ 0.40	\$ 0.23
Diluted earnings per common share	\$ 0.40	\$ 0.23
Dividend per share	\$ 0.12	\$ 0.12
Book value per common share (2)	\$ 11.24	\$ 10.44
 Selected Balance Sheet Data:		
Assets	\$ 721,645	\$ 626,290
Loans, net	601,400	509,989
Deposits	574,006	555,255
Average assets	688,842	627,931
Average earning assets	673,731	616,014
Average shareholders' equity	68,569	62,388
Nonperforming loans	472	736
Total nonperforming assets	472	736
Troubled debt restructures (accruing)	2,061	2,472
 Selected Ratios:		
Return on average assets (1)	1.41%	0.92%
Return on average common shareholders' equity (1)	14.13%	9.26%
Efficiency ratio (3)	58.31%	69.74%
Net interest margin (1)	3.88%	3.65%
Common equity tier 1 capital ratio	10.30%	10.70%
Tier 1 capital ratio	10.30%	10.70%
Total capital ratio	12.50%	11.80%
Tier 1 leverage ratio	9.30%	9.60%
Common dividend payout ratio (4)	30.14%	51.09%
Average shareholders' equity to average assets	9.95%	9.94%
Nonperforming loans to total loans	0.08%	0.14%
Nonperforming assets to total assets	0.07%	0.12%
Allowance for loan losses to total loans	1.21%	1.19%
Allowance for loan losses to nonperforming loans	1562.90%	834.24%

(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.