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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 25, 2022

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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 25, 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 twelve months ended December 31, 2021.

Common stock cash dividend of \$0.12 per share declared on January 24, 2022 to be paid on February 17, 2022 to shareholders of record on February 10, 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: January 25, 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 January 25, 2022, announcing results of operation for the three and twelve months ended December 31, 2021 and declaration of quarterly dividend.

## **Summit State Bank Reports Record Earnings, a 40% Increase in Net Income to \$14,698,000 for 2021 and Declaration of Dividend**

SANTA ROSA, CA – (January 25, 2022) – Summit State Bank (Nasdaq: SSBI) today reported record net income for the year ended December 31, 2021 of \$14,698,000 and diluted earnings per share of \$2.20. This compares to net income of \$10,517,000 and diluted earnings per share of \$1.57 for the year ended December 31, 2020. 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 January 24, 2022 to be paid on February 17, 2022 to shareholders of record on February 10, 2022.

The Bank also issued a 10% stock dividend that was paid on November 4, 2021 to shareholders of record as of the close of business on October 29, 2021. The Bank issued 607,659 shares as a result of the stock dividend, increasing its total shares outstanding to 6,684,759. All prior period average share and earnings per share calculations disclosed in this press release have been retroactively adjusted to account for this stock split.

### **Net Income and Results of Operations**

For the quarter ended December 31, 2021, the Bank had net income of \$3,686,000 and diluted earnings per share of \$0.55 compared to \$2,929,000 of net income and \$0.44 diluted earnings per share, for the same period in 2020, a 26% increase in net income and diluted earnings per share.

“The Bank has experienced consistent core earnings growth throughout 2021 and we are pleased to report another year with record earnings,” noted Brian Reed, President and CEO. “The impacts of the pandemic have presented many challenges to our local customers and businesses. Our community’s fortitude and determination has allowed our local economy to persevere through these unprecedented times. Although the future impact of the new COVID variant is unknown, we are pleased to see many businesses continue to stay open and evolve with these changing conditions.”

The 2021 net interest margin was 4.28%, return on average assets was 1.64% and return on average equity was 18.48%. In 2020 net interest margin was 3.91%, return on average assets was 1.33% and return on average equity was 14.68%. The Bank is experiencing growth in its margin due to a reduction in cost of funds; this reduction was caused by repricing high-cost maturing deposits and an increase in low-cost, non-maturing deposit volume.

“In 2021 we continue to experience record earnings for the Bank,” said Brian Reed, President and CEO. “Five years ago we embarked on a growth strategy and have seen a consistent increase in earnings in the last four years. Our strategic plan is to remain on a

path to grow core earnings for many years to come by strategically managing our balance sheet growth.”

Interest income increased to \$41,973,000 in 2021 compared to \$36,425,000 in 2020, up 15% from 2020. The increase in interest income is attributable to \$2,632,000 from increases in loan balances, \$2,927,000 from increases in income net of fees due to the Paycheck Protection Program (“PPP”) loans, and (\$11,000) from decreases in investment income and deposits with Banks due to lower interest rates.

“Since the onset of the pandemic, the Bank funded over 860 PPP loans totaling \$134,000,000. We are actively working with our customers who received almost \$117,000,000 in forgiveness from the SBA,” said Reed. “We continue to work with our customers to request forgiveness from the SBA for the remaining balance of PPP loans that are on our books. Currently the Bank has almost \$17,000,000 in PPP loan balances with \$326,000 in net deferred fees.”

Net loans and deposits increased when comparing 2021 to 2020. Net loans increased 10% to \$820,987,000 at December 31, 2021 compared to \$745,939,000 at December 31, 2020. Total deposits increased 12% to \$811,600,000 at December 31, 2021 compared to \$726,295,000 at December 31, 2020.

Non-interest income increased in 2021 to \$4,901,000 compared to \$4,448,000 in 2020. The Bank recognized \$3,343,000 in gains on sales of SBA guaranteed loan balances in 2021 compared to \$2,108,000 in gains on sales of SBA guaranteed loans balances in 2020; the gains primarily reflect the Bank’s continued growth in the SBA lending group. The Bank also recognized \$65,000 in one-time investment security gains in 2021 compared to \$874,000 in 2020; these gains were a result of investments being called because of the reduced interest rate environment.

Operating expenses increased 15% in 2021 to \$20,333,000 compared to \$17,671,000 in 2020. The increase in expenses is primarily due to a \$975,000 increase in salaries net of deferred fees and costs, a \$492,000 increase in commissions directly related to the Bank’s loan portfolio growth, a \$397,000 increase in Stock Appreciation Rights benefits, a \$195,000 increase in marketing and donations, and a \$195,000 increase in reserve for undisbursed loans. The Bank’s efficiency ratio improved from 52.23% in 2020 to 47.91% in 2021.

Nonperforming assets were \$487,000 or 0.05% of total assets on December 31, 2021 compared to \$264,000 or 0.03% on December 31, 2020. Nonperforming assets on December 31, 2021 consist of one loan that is secured by real property, one PPP loan and another loan that has a guarantee from the State of California.

The Bank had a provision expense of \$1,294,000 in 2021. The allowance for credit losses to total loans including SBA-guaranteed PPP loans was 1.48% on December 31, 2021 and 1.18% on December 31, 2020. Excluding \$16,957,000 of PPP loans increases the ratio of allowance for credit losses to 1.51% on December 31, 2021 compared to 1.30% at December 31, 2020. 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.

Since the onset of the COVID pandemic, the Bank processed Credit Relief requests for 148 loans totaling \$206,649,000. As of December 31, 2021, all deferred loans are now current, and customers are paying on those loans as agreed, in accordance with the original loan terms.

Reed further explains “we are diligently working to ensure we maintain consistent financial growth in our core earnings. Our 2021 growth in the balance sheet and net income is a testament to our unwavering support of our customers, communities and employees.”

#### About Summit State Bank

Summit State Bank, a local community bank, has total assets of \$958 million and total equity of \$84 million at December 31, 2021. 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](http://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		Year Ended	
	December 31, 2021 (Unaudited)	December 31, 2020 (Unaudited)	December 31, 2021 (Unaudited)	December 31, 2020 (Unaudited)
<b>Interest income:</b>				
Interest and fees on loans	\$ 10,442	\$ 9,731	\$ 40,192	\$ 34,633
Interest on deposits with banks	12	4	37	65
Interest on investment securities	360	372	1,500	1,498
Dividends on FHLB stock	68	40	244	229
Total interest income	<u>10,882</u>	<u>10,147</u>	<u>41,973</u>	<u>36,425</u>
<b>Interest expense:</b>				
Deposits	734	1,030	3,205	4,956
Federal Home Loan Bank advances	198	201	787	833
Junior subordinated debt	94	94	375	375
Total interest expense	<u>1,026</u>	<u>1,325</u>	<u>4,367</u>	<u>6,164</u>
Net interest income before provision for credit losses	9,856	8,822	37,606	30,261
Provision for credit losses (1)	959	500	1,294	2,100
Net interest income after provision for credit losses	<u>8,897</u>	<u>8,322</u>	<u>36,312</u>	<u>28,161</u>
<b>Non-interest income:</b>				
Service charges on deposit accounts	220	215	858	808
Rental income	89	87	353	351
Net gain on loan sales	884	305	3,343	2,108
Net securities gain	9	-	65	874
Other income	47	30	282	307
Total non-interest income	<u>1,249</u>	<u>637</u>	<u>4,901</u>	<u>4,448</u>
<b>Non-interest expense:</b>				
Salaries and employee benefits	3,182	2,975	12,720	10,748
Occupancy and equipment	429	383	1,637	1,605
Other expenses	1,296	1,441	5,976	5,318
Total non-interest expense	<u>4,907</u>	<u>4,799</u>	<u>20,333</u>	<u>17,671</u>
Income before provision for income taxes	5,239	4,160	20,880	14,938
Provision for income taxes	1,553	1,231	6,182	4,421
Net income	<u>\$ 3,686</u>	<u>\$ 2,929</u>	<u>\$ 14,698</u>	<u>\$ 10,517</u>
Basic earnings per common share (2)	\$ 0.55	\$ 0.44	\$ 2.20	\$ 1.58
Diluted earnings per common share (2)	\$ 0.55	\$ 0.44	\$ 2.20	\$ 1.57
Basic weighted average shares of common stock outstanding (2)	6,685	6,677	6,680	6,677
Diluted weighted average shares of common stock outstanding (2)	6,685	6,682	6,682	6,680

(1) Allowance in 2021 reported with current expected credit loss ("CECL") method, all prior period allowance is reported in accordance with previous GAAP incurred loss method.

(2) Adjusted for 10% stock dividend rewarded on October 29, 2021



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

	<u>December 31,</u> 2021 (Unaudited)	<u>December 31,</u> 2020 (Unaudited)
<b>ASSETS</b>		
Cash and due from banks	\$ 40,699	\$ 30,826
Total cash and cash equivalents	<u>40,699</u>	<u>30,826</u>
Investment securities:		
Available-for-sale (at fair value; amortized cost of \$69,902 in 2021 and \$66,335 in 2020)	69,367	67,952
Total investment securities	<u>69,367</u>	<u>67,952</u>
Loans, less allowance for credit losses of \$12,329 in 2021 and \$8,882 in 2020 (1)	820,987	745,939
Bank premises and equipment, net	5,677	5,994
Investment in Federal Home Loan Bank stock, at cost	4,320	3,429
Goodwill	4,119	4,119
Accrued interest receivable and other assets	<u>12,911</u>	<u>7,595</u>
Total assets	<u>\$ 958,080</u>	<u>\$ 865,854</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits:		
Demand - non interest-bearing	\$ 234,824	\$ 199,097
Demand - interest-bearing	147,289	88,684
Savings	69,982	42,120
Money market	168,637	167,113
Time deposits that meet or exceed the FDIC insurance limit	29,255	35,765
Other time deposits	<u>161,613</u>	<u>193,516</u>
Total deposits	811,600	726,295
Federal Home Loan Bank advances	48,500	53,500
Junior subordinated debt	5,891	5,876
Accrued interest payable and other liabilities	<u>7,807</u>	<u>4,554</u>
Total liabilities	<u>873,798</u>	<u>790,225</u>
Total shareholders' equity	<u>84,282</u>	<u>75,629</u>
Total liabilities and shareholders' equity	<u>\$ 958,080</u>	<u>\$ 865,854</u>

(1) Allowance in 2021 reported with current expected credit loss ("CECL") method, all prior period allowance is reported in accordance with previous GAAP incurred loss method.

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

	As of and for the		As of and for the	
	Three Months Ended		Year Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Statement of Income Data:</b>				
Net interest income	\$ 9,856	\$ 8,822	\$ 37,606	\$ 30,261
Provision for credit losses (5)	959	500	1,294	2,100
Non-interest income	1,249	637	4,901	4,448
Non-interest expense	4,907	4,799	20,333	17,671
Provision for income taxes	1,553	1,231	6,182	4,421
Net income	<u>\$ 3,686</u>	<u>\$ 2,929</u>	<u>\$ 14,698</u>	<u>\$ 10,517</u>
<b>Selected per Common Share Data:</b>				
Basic earnings per common share (6)	\$ 0.55	\$ 0.44	\$ 2.20	\$ 1.58
Diluted earnings per common share (6)	\$ 0.55	\$ 0.44	\$ 2.20	\$ 1.57
Dividend per share (6)	\$ 0.11	\$ 0.11	\$ 0.44	\$ 0.44
Book value per common share (1)(6)	\$ 12.61	\$ 11.33	\$ 12.61	\$ 11.33
<b>Selected Balance Sheet Data:</b>				
Assets	\$ 958,080	\$ 865,854	\$ 958,080	\$ 865,854
Loans, net (5)	820,987	745,939	820,987	745,939
Deposits	811,600	726,295	811,600	726,295
Average assets	920,909	848,900	895,393	791,059
Average earning assets	901,914	831,481	878,258	774,037
Average shareholders' equity	83,780	74,941	79,538	71,637
Average common shareholders' equity	83,780	74,941	79,538	71,637
Nonperforming loans	487	264	487	264
Total nonperforming assets	487	264	487	264
Troubled debt restructures (accruing)	2,128	2,189	2,128	2,189
<b>Selected Ratios:</b>				
Return on average assets (2)	1.59%	1.37%	1.64%	1.33%
Return on average common shareholders' equity (2)	17.46%	15.55%	18.48%	14.68%
Efficiency ratio (3)	44.22%	50.73%	47.91%	52.23%
Net interest margin (2)	4.34%	4.22%	4.28%	3.91%
Common equity tier 1 capital ratio	9.73%	10.35%	9.73%	10.35%
Tier 1 capital ratio	9.73%	10.35%	9.73%	10.35%
Total capital ratio	11.77%	12.62%	11.77%	12.62%
Tier 1 leverage ratio	8.65%	8.15%	8.65%	8.15%
Common dividend payout ratio (4)	21.79%	24.85%	20.33%	27.70%
Average common shareholders' equity to average assets	9.10%	8.83%	8.88%	9.06%
Nonperforming loans to total loans	0.06%	0.03%	0.06%	0.03%
Nonperforming assets to total assets	0.05%	0.03%	0.05%	0.03%
Allowance for credit losses to total loans (5)	1.48%	1.18%	1.48%	1.18%
Allowance for credit losses to total loans excluding PPP (5)*	1.51%	1.30%	1.51%	1.30%
Allowance for credit losses to nonperforming loans (5)	2532.64%	3369.08%	2532.64%	3369.08%

(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) Allowance in 2021 reported with current expected credit loss ("CECL") method, all prior period allowance is reported in accordance with previous GAAP incurred loss method.

(6) Adjusted for 10% stock dividend rewarded on October 29, 2021

**\*Non-GAAP Financial Measures:**

This news release contains a non-GAAP (Generally Accepted Accounting Principles) financial measure in addition to results presented in accordance with GAAP for the allowance for credit losses to total loans excluding PPP loans. The Bank has presented this non-GAAP financial measure in the earnings release because it believes that it provides useful information to assess the Bank's allowance for credit loss reserves. This non-GAAP financial measure has inherent limitations, is not required to be uniformly applied, and is not audited. Further, this non-GAAP financial measure should not be considered in isolation or as a substitute for the allowance for credit losses to total loans determined in accordance with GAAP and may not be comparable to similarly titled measures reported by other financial institutions. Reconciliation of the GAAP and non-GAAP financial measurement is presented below.

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
	(In thousands)				
<u>Allowance for Credit Losses (ACL) on loans to Loans receivable, excluding SBA PPP loans</u>					
Allowance for credit losses on loans (1)	\$ 12,329	\$ 11,453	\$ 11,482	\$ 11,476	\$ 8,882
Loans receivable (GAAP)	\$ 833,316	\$ 803,957	\$ 765,461	\$ 761,416	\$ 754,820
Excluding SBA PPP loans	16,957	32,126	48,166	32,032	69,583
Loans receivable, excluding SBA PPP (non-GAAP)	<u>\$ 816,359</u>	<u>\$ 771,831</u>	<u>\$ 717,295</u>	<u>\$ 729,384</u>	<u>\$ 685,237</u>
ACL on loans to Loans receivable (GAAP)	1.48%	1.42%	1.50%	1.51%	1.18%
ACL on loans to Loans receivable, excluding SBA PPP loans (non-GAAP)	1.51%	1.48%	1.60%	1.57%	1.30%

(1) Allowance in 2021 reported using current expected credit loss ("CECL") method, all 2020 and prior periods' allowance are reported in accordance with previous GAAP using the incurred loss method.