

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, 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 240.13d-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 presentations to institutional investors at various meetings from December 18, 2020 through January 31, 2021 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 customer 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.

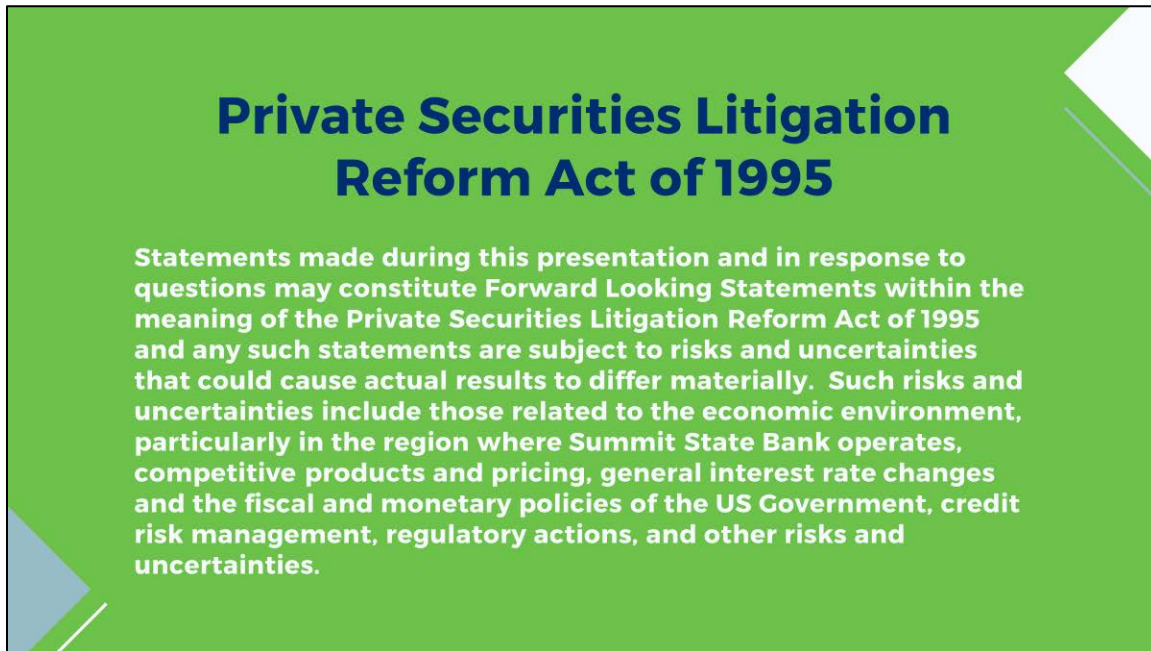
Dated: December 10, 2020

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	Presentation slides as of December 10, 2020



Summit State Bank - SSBI

Headquartered in Santa Rosa, CA

Branch Locations

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

Lending Area - Northern California Concentrated in Sonoma County with Regional Small Business Lending Group Headquartered in Roseville

- Commercial Property Investment Inventory Remains Low
- Diverse and Strong Economy:
 - Healthcare, Manufacturing, Construction and Wholesale Trade Comprise > 40% of the County's Earnings
- Ranked 15th in Median Household Income across California
- County Delays CA's Stricter Stay-at-Home Orders as ICU Capacity at 40% as of December 5, 2020



Our Leadership Team



Brian Reed
President & CEO
35 Years in the Industry
3 at Summit State Bank



Genie Del Secco
EVP & Chief Operating Officer
30 Years in the Industry
5 at Summit State Bank



Brandy Seppi
EVP & Chief Lending Officer
25 Years in the Industry
5 at Summit State Bank



Camille Kazarian
EVP & Chief Financial Officer
21 Years in the Industry
2 at Summit State Bank



Michael Castlio
SVP & Chief Credit Officer
25 Years in the Industry
2 at Summit State Bank

136 Years of Collective Experience

Investment Highlights

- ❖ Commitment to a Culture of Success
- ❖ Strategic Lending Platform Positioned to Deliver Results
- ❖ High Credit Quality with a Low Risk Profile
- ❖ California Peer Group Leader in Key Performance Metrics
- ❖ Strong Net Interest Margin & Improved Efficiency Ratio
- ❖ Experienced Executive & Management Team
- ❖ Focused on Organic Growth
- ❖ Consistent Quarterly Dividends

Actively Managing through COVID-19

- ❖ Commitment to the Safety and Wellbeing of Bank Employees
- ❖ A Community Leader as a Paycheck Protection Program (PPP) Lender
- ❖ Maintaining Strong Underwriting Guidelines
- ❖ Actively Managing and Monitoring Potential Changes in Asset Quality
- ❖ 19 Loans in CARES Act Deferral at ~\$21MM Down from May Peak at ~\$142MM
- ❖ Average LTV for Deferred Loans at 56%

PPP Lending Impact

- ❖ Total Originated PPP Loans:
 - ❖ 597 Loans at \$96.7MM
- ❖ PPP Pretax Earnings at \$1.3MM as of 2020 Q3
- ❖ 93 PPP Loans Forgiven at \$22.1MM as of November 30, 2020

Financial Trends

	2016	2017	2018	2019	2020 Q1 - Q3
Income Statement					
Interest Income	\$ 19,907	\$ 20,713	\$ 25,572	\$ 30,003	\$ 26,279
Interest Expense	1,233	2,141	3,950	7,025	4,840
Net interest income before provision	18,674	18,572	21,622	22,978	21,439
Total non-interest income	1,462	1,141	1,756	2,316	3,544
Total non-interest expense	11,686	13,271	14,804	15,719	12,608
Income before provisions	8,450	6,442	8,574	9,575	12,375
Provision for loan losses	-	520	530	700	1,600
Provision for income taxes	3,482	2,630	2,217	2,398	3,190
Net income	\$ 4,968	\$ 3,292	\$ 5,827	\$ 6,477	\$ 7,588
Balance Sheet					
Assets					
Assets	\$ 513,704	\$ 610,864	\$ 622,104	\$ 695,978	\$ 833,806
Net Loans	354,638	437,594	504,549	576,548	726,859
Cash & Investments	142,226	157,567	99,858	100,537	84,257
Deposits	318,397	463,607	498,103	551,338	610,596
Brokered Deposits & FHLB Advances	134,754	84,907	59,886	68,100	138,730
Ratios					
Net interest margin	3.72%	3.58%	3.75%	3.65%	3.79%
Return on average assets (preprovision pretax)	1.65%	1.20%	1.46%	1.47%	2.15%
NPA's to Assets	0.62%	0.88%	0.43%	0.09%	0.05%

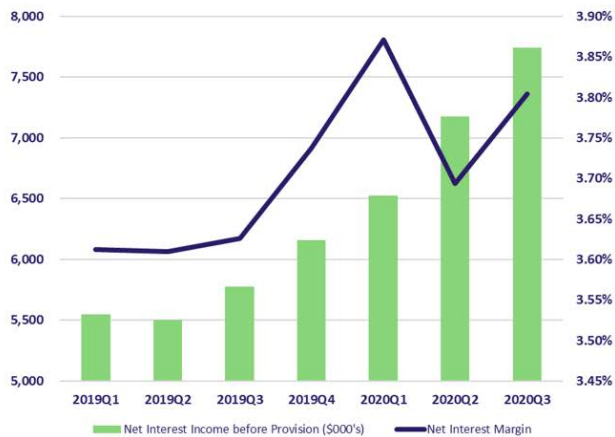
- Strong Interest Income Growth
- Non-interest Income Growth since 2017 due to:
 - SBA Loan Sales, and
 - SBA Servicing Income
- Strong Net Interest Margin Compared to CA Peer Group
- Increasing Return on Average Assets

Key Balance Sheet & Asset Quality Metrics

	2016	2017	2018	2019	2020 Q3
Total Capital Ratio	14.65%	12.70%	11.61%	12.36%	12.63%
Liquidity Ratio	24.83%	19.42%	11.23%	15.06%	10.42%
Loan to Deposit Ratio	93.53%	83.00%	101.87%	101.65%	106.86%
Loan Growth (YoY)	3.29%	23.21%	15.30%	14.25%	31.14%
NPA's to total loans	0.95%	0.66%	0.42%	0.05%	0.04%
Nonaccrual Rate	0.93%	0.62%	0.42%	0.05%	0.04%
ALLL to total loans	1.33%	1.18%	1.18%	1.16%	1.14%
Texas Ratio	5.30%	4.50%	3.17%	0.43%	0.34%

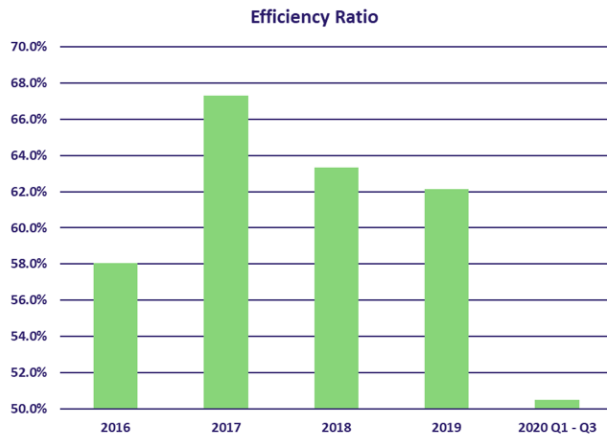
- Sustainable Capital and Liquidity Management
- Continued Peer Group Leader in Year-Over-Year Loan Growth
 - Loan Growth (YoY) without PPP Loans at 13.9%
- High Asset Quality with a Low Risk Profile
- Strong Reserves (Allowance for Loans & Lease Losses - ALLL)
 - ALLL is 1.31% without PPP Loans, which Carry a Zero-Risk Weighting

Most Recent Trends



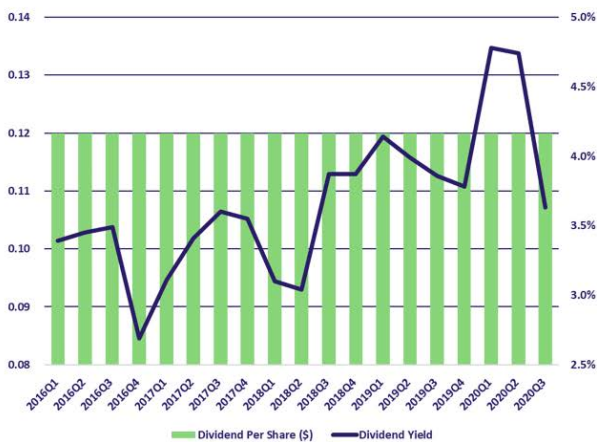
- Most recent 7 quarters show continued improvement in:
 - Net Interest Income Growth
 - Increased Profitability

Building the Infrastructure to Deliver Results



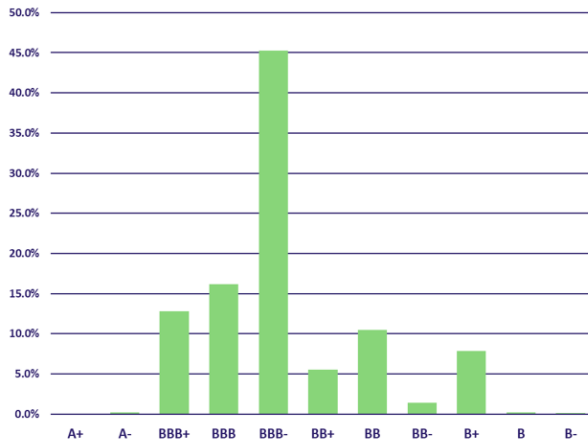
- Planned Increase in Staffing in 2017
- Infrastructure Designed to Deliver Strategic Results
- Consistent Gains in Efficiency through Expense Management

Historical Dividend Payout



- Consistent Quarterly Dividends
- Dividend Yield Over 3.5% since 2018Q3
- Stock Price Traded at 7.2 Times Trailing 12 Month Earnings as of 3Q2020
- 1.15 Times Price to Tangible Book Value as of 3Q2020
- Historical Dividend Payout Ratio >30%

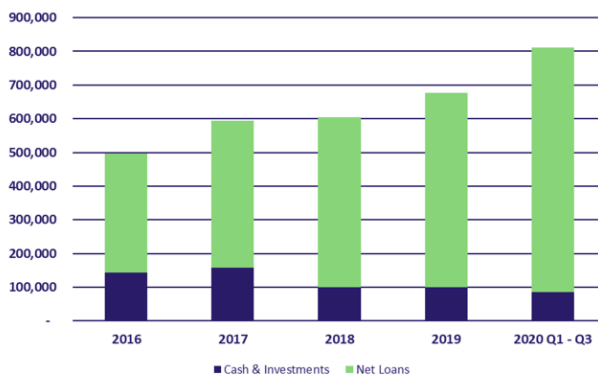
Loan Exposure by Credit Rating



- Total Loan Portfolio Weighted Average Interest Rate of 4.99%
- Total Loan Portfolio Weighted Average Interest Rate Net of Expected 3Q2020 Annualized Loss of 4.81%
- Premium Over Effective Bond Yields of 188bps
- Excludes PPP Loans

Repositioning Assets

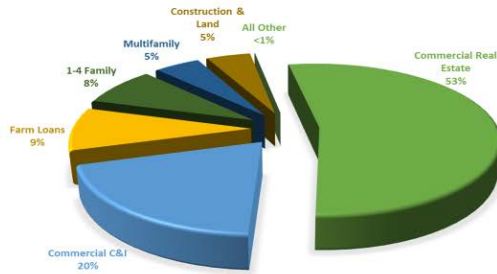
Net Loans and Cash & Investments
(\$'000's)



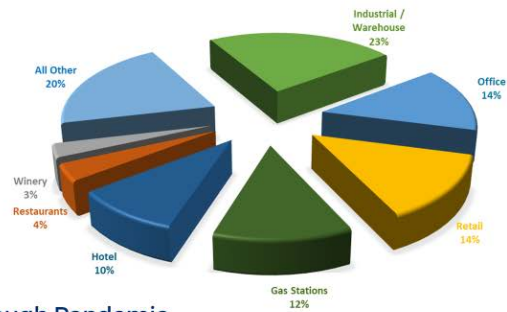
- Focused Growth on Higher Yielding Loans
- Maintained Mix of Loan Concentrations with Growth in Added Small Business Lending
- Organic Loan Growth through Strong Relationship Practices

Loan Composition

Total Loan Portfolio

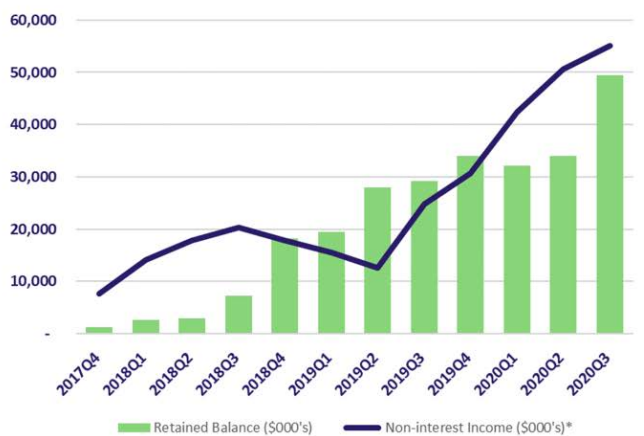


CRE Loan Portfolio Concentration



- Diversified Portfolio with Manageable Risk through Pandemic
- Total Portfolio LTV 48% (ex C&I); CRE LTV 50%
- CRE LTV 51% for Property Types with Higher Risk due to Pandemic
 - Wineries, Hotels, Restaurants, and Retail at ~31% of CRE Portfolio

SBA Loan Program

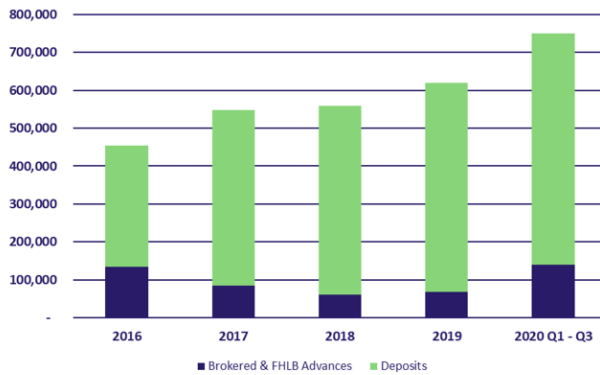


- Dedicated Small Business Lending Group Created in 2017
- Floating Rate Yields > 5%
- Increase in Non-interest Income through:
 - Consistent SBA Loan Sales
 - Growing SBA Servicing Income Currently ~\$400M Annually

* Rolling 4 Quarter Average

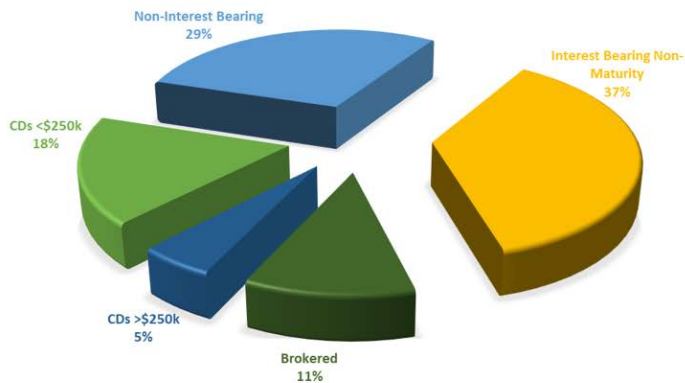
Repositioning Liabilities

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



- Focus on Local Deposit Growth
- Commercial & Consumer Deposit Products Offered
- Managed & Disciplined Use of Brokered Deposits & FHLB Advances

Deposit Composition



- Organic Deposit Growth through Strong Relationship Practices
- Focused Local Deposit Growth with Increased Market Share
- Non-interest Bearing Deposit Growth



Get in Touch

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