
FEDERAL DEPOSIT INSURANCE CORPORATION

Washington, D.C. 20429

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): July 27, 2009

Summit State Bank

(Exact name of registrant as specified in its charter)

<u>California</u> (State or other jurisdiction of incorporation)	<u>32203</u> (FDIC Insurance Certificate No.)	<u>94-2878925</u> (IRS Employer Identification Number)
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<u>500 Bicentennial Way</u> <u>Santa Rosa, California</u> (Address of principal executive offices)	<u>95403</u> (Zip Code)
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(707) 568-6000
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed 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 communications 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 communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On July 27, 2009, the registrant issued the press release attached hereto as Exhibit 99 and incorporated herein by reference.

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: July 27, 2009

SUMMIT STATE BANK

By: /s/ Dennis E. Kelley
Dennis Kelley
*Senior Vice President
and Chief Financial Officer
(Duly Authorized Officer)*

Exhibit Index

<u>Exhibit Number</u>	<u>Description</u>
99	Press release of Summit State Bank dated July 27, 2009 announcing results of operations for the three and six months ended June 30, 2009 and declaration of dividend.

Summit State Bank Reports Continued Earnings Growth in Second Quarter and Declaration of Dividend

SANTA ROSA, CA – (July 27, 2009) – Summit State Bank (Nasdaq: SSBI) today reported a 22% increase in net income for the second quarter ended June 30, 2009 over the same quarter in 2008. “We continue to benefit from our focus on providing our customers the best service experience, improving net interest margins, driving efficiencies in operations, & managing strong loan portfolio performance,” said President and CEO, Thomas Duryea.

Net income was \$713,000 for the quarter and \$1,560,000 for the six months ended June 30, 2009. A dividend of \$0.09 per share on the Company’s common stock was declared.

Dividend

On July 27, 2009, the Board of Directors declared a quarterly cash dividend of \$0.09 per share on the Company’s common stock. The dividend is payable August 21, 2009 to shareholders of record as of the close of business on August 11, 2009. Additionally, a dividend on the preferred stock of \$106,250 was declared payable on August 15, 2009.

Net Income and Results of Operations

The Bank had net income of \$713,000 and net income available for common stockholders, which deducts the preferred dividends, of \$575,000 or \$0.12 per diluted share for the quarter ended June 30, 2009 compared to \$584,000, or \$0.12 per diluted share for the quarter ended June 30, 2008. Net income for the six months ended June 30, 2009 was \$1,560,000, and net income available for common stockholders was \$1,325,000 or \$0.28 per diluted share compared to \$814,000, or \$0.17 per diluted share for the same period in 2008.

“Our higher earnings were the result of improved net interest margin, our continued focus on gaining greater operating efficiencies resulting in our efficiency ratio improving from 64% to 57% over same quarter in 2008; and, above all, providing our growing customer base the top service experience,” said President and CEO Thomas Duryea.

The Bank’s regulatory capital remains well above the required capital ratios with a Tier 1 capital leverage ratio of 14.7%, a Tier 1 risk-based capital ratio of 17.7% and a Total risk-based capital ratio of 18.9% at June 30, 2009.

Annualized return on average assets and annualized return on average equity was 0.80% and 5.10% for the three months ended June 30, 2009, as compared to 0.70% and 4.92% for the second quarter of 2008.

Net interest income increased \$810,000, or 26%, to \$3,872,000 during the second quarter of 2009 compared to \$3,062,000 for the same quarter of 2008. The annualized net interest margin increased to 4.53% for the second quarter of 2009, compared to 3.84% for the

second quarter of 2008. The net interest margin continues to improve as the Bank lowered its funding costs by more than the decline in yields on earning assets.

“The Bank experienced a 14% increase in non time deposits since December 31, 2008, reflecting the level of confidence our growing customer base has in us, which will enhance longer term performance,” said Dennis Kelley, Chief Financial Officer.

Non-interest income was \$225,000 for the second quarter of 2009 compared to \$221,000 for the second quarter of 2008. Office lease income declined to \$114,000 for the current quarter compared to \$150,000 for the same quarter in 2008, as new tenants leased space in the Bank’s headquarters’ building at lower lease rates. The second quarter of 2008 was negatively impacted from a \$61,000 securities impairment charge.

Non-interest expense increased \$203,000 or 10% for the second quarter of 2009 over the second quarter of 2008. The increase was primarily attributable to the increase in FDIC insurance premiums of approximately \$245,000 including the special assessment of \$153,000 for the quarter ended June 30, 2009.

Loans totaled \$304,485,000 at June 30, 2009 representing a 10% increase compared to June 30, 2008.

Total assets declined \$8.7 million or 2% to \$355,919,000 at June 30, 2009 compared to December 31, 2008, as the Bank’s investment portfolio experienced calls on its long-term government agency securities.

“With our strong balance sheet with high capital ratios and performing loan portfolio, Summit State Bank is able and willing to lend unlike some banks; however, there is low loan demand in this current economy. Nonetheless, we continue to actively seek to provide loans in the communities we serve while maintaining our high lending standards. We will not grow for growth’s sake, but will continue to let available new loan credit quality determine our growth,” said Mr. Duryea.

Nonperforming assets at June 30, 2009 were \$3,927,000 compared to \$3,682,000 at March 31, 2009. Nonperforming loans to gross loans was 1.28% at June 30, 2009 which compares favorably to the banking industry. The Bank only had one loan past due 30 to 89 days in the amount of \$91,000 at June 30, 2009.

“Our loan portfolio continues to be well managed resulting in higher performing loan levels than our peers. This is due to our prudent lending standards, proactive efforts to address potential problems early, and to the caliber of our customers. The small amount of loans less than 90 days past due is a further example of our proactive portfolio management and collection efforts carried out by our strong, experienced lending team. Other than one past due loan of \$91,000 representing less than 0.03% of our portfolio, the Bank had no 30-89 day past due loans for eight out of the past 10 quarters. Since 2007, Summit has had no foreclosed properties,” said Chief Credit Officer, Guy Dana.

The provision for loan losses was \$550,000 for the second quarter ended June 30, 2009 as compared to \$180,000 for the second quarter of 2008. The Bank had \$627,000 in loan charge-offs and recoveries of \$50,000 during the second quarter of 2009. At June 30, 2009, the allowance for loan losses was \$4,415,000 and represented a ratio to gross loans of 1.45% and to nonperforming loans of 114%. These ratios compare to 1.47% and 122% at March 31, 2009.

The Bank's lending focus has remained on business lending and commercial real estate with reduced focus on construction lending. Residential home mortgage lending has been minimal over the past several years and the Bank has not made loans that would be classified as subprime mortgage loans.

"The Bank's strategy to curtail construction lending early on and never doing subprime lending enabled us to largely avoid the first wave of credit problems currently facing other community banks. Like all businesses, we are not immune from the second wave coming from the sharpest economic downturn experienced in decades; however, we have fared better than most as our performance continues to rank favorable to our peers." said Mr. Duryea.

"We remain unwavering in our commitment to provide the ultimate customer service experience by which our customers, shareholders, and employees should continue to benefit. With essentially the same deposits and loan products as our peers, providing the best customer service experience will continue to distinguish us from our peers," said Mr. Duryea.

"We are very proud of our team, whose strong efforts have resulted in Summit State Bank remaining the only bank in Sonoma County to receive the highest bank rating – Five Star Superior- by Bauer Financial, the industry's premier rating service. The Five Star Superior rating, most importantly, provides our customers with the added comfort of knowing they are banking with a safe and sound bank," said Mr. Duryea.

About Summit State Bank

Summit State Bank has total assets of \$356 million and total equity of \$56 million at June 30, 2009. Headquartered in Sonoma County, the Bank provides diverse financial products and services throughout Sonoma, Napa, San Francisco, and Marin Counties. 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 for earnings per share data)

	Three Months Ended		Six Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income:				
Interest and fees on loans	\$ 4,845	\$ 4,643	\$ 9,589	\$ 9,384
Interest on Federal funds sold	-	-	-	69
Interest on investment securities and deposits in banks	446	658	1,044	1,257
Dividends on FHLB stock	-	35	-	68
	5,291	5,336	10,633	10,778
Interest expense:				
Deposits	1,149	1,723	2,501	4,015
FHLB advances	270	551	558	1,054
	1,419	2,274	3,059	5,069
Net interest income before provision for loan losses	3,872	3,062	7,574	5,709
Provision for loan losses	550	180	1,000	335
Net interest income after provision for loan losses	3,322	2,882	6,574	5,374
Non-interest income:				
Service charges on deposit accounts	98	101	199	214
Office leases	114	150	339	309
Net securities gains	-	-	28	-
Loan servicing, net	11	19	38	34
Securities impairment	-	(61)	-	(61)
Other income	2	12	27	15
	225	221	631	511
Non-interest expense:				
Salaries and employee benefits	1,049	1,039	2,173	2,331
Occupancy and equipment	407	425	849	842
Other expenses	859	648	1,528	1,329
	2,315	2,112	4,550	4,502
Income before provision for income taxes	1,232	991	2,655	1,383
Provision for Income taxes	519	407	1,095	569
Net income	\$ 713	\$ 584	\$ 1,560	\$ 814
Less: preferred dividends	138	-	235	-
Net income available for common stockholders	\$ 575	\$ 584	\$ 1,325	\$ 814
Basic earnings per common share	\$ 0.12	\$ 0.12	\$ 0.28	\$ 0.17
Diluted earnings per common share	\$ 0.12	\$ 0.12	\$ 0.28	\$ 0.17
Basic weighted average shares of common stock outstanding	4,745	4,745	4,745	4,745
Diluted weighted average shares of common stock outstanding	4,764	4,745	4,749	4,745

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

	June 30, 2009	June 30, 2008
	(Unaudited)	(Unaudited)
ASSETS		
Cash and due from banks	\$ 2,364	\$ 4,781
Total cash and cash equivalents	2,364	4,781
Available-for-sale investment securities - amortized cost of \$32,699 at June 30, 2009 and \$46,080 at June 30, 2008	32,050	45,412
Loans, less allowance for loan losses of \$4,415 at June 30, 2009 and \$3,813 at June 30, 2008	300,070	271,809
Bank premises and equipment, net	7,697	8,112
Investment in Federal Home Loan Bank stock, at cost	2,941	3,098
Goodwill	4,119	4,119
Accrued interest receivable and other assets	6,678	4,467
Total assets	\$ 355,919	\$ 341,798
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Demand - non interest-bearing	\$ 12,722	\$ 11,966
Demand - interest-bearing	17,905	12,294
Savings	11,479	10,795
Money market	26,958	22,304
Time deposits, \$100 thousand and over	89,460	98,824
Other time deposits	97,831	73,454
Total deposits	256,355	229,637
Federal Home Loan Bank (FHLB) advances	42,950	64,045
Accrued interest payable and other liabilities	959	839
Total liabilities	300,264	294,521
Shareholders' equity		
Preferred stock, no par value; 20,000,000 shares authorized; shares issued and outstanding 8,500 in 2009 and 2008; per share redemption of \$1,000 for total liquidation preference of \$8,500	7,927	-
Common stock, no par value; shares authorized - 30,000,000 shares; shares issued and outstanding 4,744,720 at June 30, 2009 and June 30, 2008	36,262	36,244
Common stock warrants	622	-
Retained earnings	11,223	11,415
Accumulated other comprehensive income (loss), net of taxes	(379)	(382)
Total shareholders' equity	55,655	47,277
Total liabilities and shareholders' equity	\$ 355,919	\$ 341,798

Earnings Summary
(In Thousands)

	Three Months Ended		Six Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Statement of Income Data:				
Net interest income	\$ 3,872	\$ 3,062	\$ 7,574	\$ 5,709
Provision for loan losses	550	180	1,000	335
Non-interest income	225	221	631	511
Non-interest expense	2,315	2,112	4,550	4,502
Provision for Income taxes	519	407	1,095	569
Net income	<u>\$ 713</u>	<u>\$ 584</u>	<u>\$ 1,560</u>	<u>\$ 814</u>
Less: preferred dividends	138	-	235	-
Net income available for common stockholders	<u>\$ 575</u>	<u>\$ 584</u>	<u>\$ 1,325</u>	<u>\$ 814</u>
Selected per Share Data:				
Basic earnings per common share	\$ 0.12	\$ 0.12	\$ 0.28	\$ 0.17
Diluted earnings per common share	\$ 0.12	\$ 0.12	\$ 0.28	\$ 0.17
Book value per common share (2)(3)	\$ 10.06	\$ 9.96	\$ 10.06	\$ 9.96
Selected Balance Sheet Data: (000)				
Assets	\$ 355,919	\$ 341,798	\$ 355,919	\$ 341,798
Loans, net	300,070	271,809	300,070	271,809
Deposits	256,355	229,637	256,355	229,637
Average assets	357,568	336,891	360,192	337,491
Average earnings assets	343,185	319,759	349,291	320,299
Average equity	56,085	47,731	56,368	47,759
Nonperforming loans	3,886	267	3,886	267
Total nonperforming assets	3,927	267	3,927	267
Selected Ratios:				
Return on average assets (1)	0.80%	0.70%	0.87%	0.49%
Return on average equity (1)	5.10%	4.92%	5.58%	3.43%
Return on average tangible equity (1)	5.50%	5.39%	6.02%	3.75%
Efficiency ratio	56.50%	64.33%	55.45%	72.38%
Net interest margin (1)	4.53%	3.84%	4.37%	3.58%
Tier 1 leverage capital ratio	14.7%	12.9%	14.7%	12.9%
Tier 1 risk-based capital ratio	17.7%	16.5%	17.7%	16.5%
Total risk-based capital ratio	18.9%	15.2%	18.9%	15.2%
Common dividend payout ratio (4)	74.26%	73.12%	64.45%	104.91%
Average equity to average assets	15.69%	14.17%	15.65%	14.15%
Nonperforming loans to total loans (2)	1.28%	0.10%	1.28%	0.10%
Nonperforming assets to total assets (2)	1.10%	0.08%	1.10%	0.08%
Allowance for loan losses to total loans (2)	1.45%	1.38%	1.45%	1.38%
Allowance for loan losses to nonperforming loans (2)	113.61%	1428.09%	113.61%	1428.09%

(1) Annualized.

(2) As of period end

(3) Total shareholders' equity less preferred stock divided by total common shares outstanding

(4) common dividends divided by net income available for common stockholders