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# 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): April 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 April 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: April 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 April 27, 2009 announcing results of operations for the first quarter ended March 31, 2009 and declaration of dividend.

## **Summit State Bank Reports Increase of over 100% in First Quarter Net Income and Declaration of Dividend**

SANTA ROSA, CA – (April 27, 2009) – Summit State Bank (Nasdaq: SSBI) today reported stronger and continuing improvements in bank performance with net income increasing more than 100% over the same quarter of 2008. “We continue to benefit from improved net interest margins, greater efficiencies in operations, strong asset quality, and safe and smart lending into our community” said President & CEO, Thomas Duryea.

Summit State Bank (Nasdaq: SSBI) today reported net income of \$847,000, or \$0.16 per diluted common share for the quarter ended March 31, 2009 and the declaration of a dividend of \$0.09 per share on the Company’s common stock.

### **Dividend**

On April 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 May 21, 2009 to shareholders of record as of the close of business on May 11, 2009. Additionally, a dividend on the preferred stock of \$106,250 was declared payable on May 15, 2009.

### **Net Income and Results of Operation**

The Bank had net income of \$847,000, or \$0.16 per diluted common share for the quarter ended March 31, 2009. Net income available for common shareholders after preferred dividends was \$751,000. This compares to net income of \$230,000, or \$0.05 per diluted common share for the first quarter of 2008. Net income in the first quarter of 2008 was negatively impacted by \$189,000 in employee severance expense and \$140,000 in expense related to a core data processor conversion. Adjusting for these expenses, net income increased by 101% between the first quarter of 2009 compared to first quarter 2008. Net income was positively impacted in 2009 by a continued improving net interest margin and controlled operating expenses.

Annualized return on average assets and annualized return on average equity was 0.95% and 6.24% for the three months ended March 31, 2009, as compared to 0.27% and 1.94% for the same period one year ago.

Net interest income increased 40% to \$3,702,000 during the first quarter of 2009 compared to \$2,647,000 for the same quarter of 2008. The annualized net interest margin increased to 4.33% for the first quarter of 2009, compared to 3.32% for the first quarter of 2008. The net interest margin improvement was largely attributable to the cost of funding strategies employed by the bank during the past year.

Average earning assets were \$346,874,000 for the first quarter of 2009, as compared to \$320,839,000 for the same quarter of 2008. The annualized yield on average earning assets was 6.25% and the annualized cost of average interest-bearing liabilities was 2.26% for the first quarter of 2009, as compared to the annualized yield on average

earning assets of 6.82% and annualized cost of interest-bearing liabilities of 4.04% for the same quarter of 2008.

For the first quarter of 2009, total non-interest income was \$406,000, as compared to \$290,000 for the first quarter of 2008. The increase was primarily attributable to \$75,000 in additional office lease income from the early termination of a lease in the first quarter of 2009 and net securities gains of \$28,000.

For the first quarter of 2009, non-interest expense declined \$155,000 or 6% to \$2,235,000, compared to the same quarter in 2008. In the first quarter of 2008, the Bank incurred \$189,000 of expenses associated employee terminations and \$140,000 of expenses related to our core data processor change.

“Expense control and operating efficiencies continue to be a major focus,” said Dennis Kelley, Chief Financial Officer

The bank’s efficiency ratio improved from 69% before severance and core processing costs at the first quarter of 2008 to 54% at first quarter 2009.

Total shareholders’ equity was \$55,763,000 at March 31, 2009 and book value per common share was \$9.96. The Bank’s regulatory capital remains well above the required capital ratios with the Bank having some of the highest regulatory capital ratios in its market place.

Total loans were \$302,223,000 at March 31, 2009, an increase of \$31,692,000, or 12%, compared to total loans of \$270,531,000 at March 31, 2008. “The Bank’s sound condition has allowed us to continue to lend into the community and attract new customers,” said Mr. Duryea.

Total assets were \$362,104,000 at March 31, 2009, an increase of \$27,885,000, or 8%, compared to \$334,219,000 at March 31, 2008.

Nonperforming assets at March 31, 2009 consisted of \$3,642,000 of loans on nonaccrual status and \$40,000 in investment securities. The nonperforming loans are secured by real estate, of which \$2,415,000 was for construction of a condominium project originated in the first quarter of 2006 and was added to nonperforming during the quarter. Nonperforming assets represented 1.02% of total assets comparing favorably to local, state, and national peer levels.

The bank had no REO (foreclosed properties) in 2008 and first quarter 2009.

The provision for loan losses was \$450,000 for the first quarter ended March 31, 2009 as compared to \$155,000 in the first quarter of 2008. The Bank had \$24,000 in loan charge-offs during the first quarter of 2009. At March 31, 2009, the allowance for loan losses represented a ratio to gross loans of 1.47% and to nonperforming loans of 122%. These ratios compare to 1.40% and 263% at March 31, 2008. The increase in the provision resulted from the increased level of nonperforming loans in 2009 and management’s assessment of the current economy.

The Bank's lending focus has remained on commercial 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 at the end of 2006 has enabled us to avoid many of the problems currently facing other community banks," said Mr. Duryea.

"We are very proud of the team that we are building which has resulted in Summit State Bank receiving the highest bank rating in Sonoma County – Five Star Superior- by Bauer Financial the industry's premier rating service. This superior rating provides our customers with the added comfort of knowing their deposits are safe and sound so important in these times" said Mr. Duryea. .

#### About Summit State Bank

Summit State Bank has total assets of \$362 million and total equity of \$56 million at March 31, 2009. Headquartered in Sonoma County, the Bank provides diverse financial products and services throughout Sonoma, Napa, San Francisco, and Marin Counties. Summit State Bank 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 AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(In thousands, except for earnings per share data)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	<b>March 31,</b>
	<b>2009</b>	<b>2008</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest income:		
Interest and fees on loans	\$ 4,744	\$ 4,741
Interest on Federal funds sold	-	69
Interest on investment securities and deposits in banks	598	599
Dividends on FHLB stock	-	33
	<u>5,342</u>	<u>5,442</u>
Total interest income		
Interest expense:		
Deposits	1,352	2,292
FHLB advances	288	503
	<u>1,640</u>	<u>2,795</u>
Total interest expense		
Net interest income before provision for loan losses	3,702	2,647
Provision for loan losses	450	155
	<u>3,252</u>	<u>2,492</u>
Net interest income after provision for loan losses		
Non-interest income:		
Service charges	101	113
Office leases	225	159
Net securities gains	28	-
Loan servicing, net	27	15
Other income	25	3
	<u>406</u>	<u>290</u>
Total non-interest income		
Non-interest expense:		
Salaries and employee benefits	1,124	1,292
Occupancy and equipment	442	417
Other expenses	669	681
	<u>2,235</u>	<u>2,390</u>
Total non-interest expense		
Income before provision for income taxes	1,423	392
Provision for income taxes	576	162
	<u>\$ 847</u>	<u>\$ 230</u>
Net income		
Less: preferred dividends	96	-
	<u>\$ 751</u>	<u>\$ 230</u>
Net income available for common stock		
Basic earnings per common share	\$ 0.16	\$ 0.05
Diluted earnings per common share	\$ 0.16	\$ 0.05
Basic weighted average shares of common stock outstanding		
	4,745	4,745
Diluted weighted average shares of common stock outstanding		
	4,745	4,747

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

	<b>March 31, 2009</b>	<b>December 31, 2008</b>	<b>March 31, 2008</b>
	<b>(Unaudited)</b>		<b>(Unaudited)</b>
<b>ASSETS</b>			
Cash and due from banks	\$ 2,675	\$ 3,650	\$ 5,240
Total cash and cash equivalents	2,675	3,650	5,240
Available-for-sale investment securities - amortized cost of \$41,708 at March 31, 2009 and \$41,088 and 43,034 at December 31, and March 31, 2008	41,563	41,183	43,041
Loans, less allowance for loan losses of \$4,442 at March 31, 2009 and \$4,016 and 3,776 at December 31, and March 31, 2008	297,781	299,645	266,755
Bank premises and equipment, net	7,695	7,816	8,291
Investment in Federal Home Loan Bank stock, at cost	2,942	2,942	2,546
Goodwill	4,119	4,119	4,119
Accrued interest receivable and other assets	5,329	5,225	4,227
Total assets	\$ 362,104	\$ 364,580	\$ 334,219
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Deposits:			
Demand - non interest-bearing	\$ 11,647	\$ 10,773	\$ 11,634
Demand - interest-bearing	17,142	13,597	12,479
Savings	11,302	10,068	11,167
Money market	26,461	26,123	33,657
Time deposits, \$100 thousand and over	94,110	84,751	99,172
Other time deposits	89,338	107,451	66,806
Total deposits	250,000	252,763	234,915
Federal Home Loan Bank (FHLB) advances	52,320	55,420	50,781
Accrued interest payable and other liabilities	4,021	850	1,021
Total liabilities	306,341	309,033	286,717
Shareholders' equity			
Preferred stock (net), no par value; 20,000,000 shares authorized; shares issued and outstanding 8,500 at March 31, 2009 and December 31, 2008; per share redemption of \$1,000	7,898	7,868	-
Common stock, no par value; shares authorized - 30,000,000; shares issued and outstanding 4,744,720 at March 31, 2009, December 31, 2008 and March 31, 2008	36,256	36,251	36,238
Common stock w warrants	622	622	-
Retained earnings	11,076	10,752	11,258
Accumulated other comprehensive income (loss), net of taxes	(89)	54	6
Total shareholders' equity	55,763	55,547	47,502
Total liabilities and shareholders' equity	\$ 362,104	\$ 364,580	\$ 334,219

## Earnings Summary (In Thousands)

	Three Months Ended	
	March 31, 2009	March 31, 2008
	(Unaudited)	(Unaudited)
<b>Statement of Income Data: (000)</b>		
Net interest income	\$ 3,702	\$ 2,647
Provision for loan losses	450	155
Non-interest income	406	290
Non-interest expense	2,235	2,390
Provision for income taxes	576	162
Net income	\$ 847	\$ 230
Less: preferred stock dividends	96	-
Net income available for common stock	\$ 751	\$ 230
<b>Selected per Share Data:</b>		
Basic earnings per common share	\$ 0.16	\$ 0.05
Diluted earnings per common share	\$ 0.16	\$ 0.05
Book value per common share (2)(3)	\$ 9.96	\$ 10.01
<b>Selected balance sheet data: (000)</b>		
Assets	\$ 362,104	\$ 334,219
Loans, net	\$ 297,781	\$ 299,645
Deposits	\$ 250,000	\$ 252,763
Average assets	\$ 362,846	\$ 338,091
Average earnings assets	\$ 346,874	\$ 320,839
Average equity	\$ 55,092	\$ 47,788
Nonperforming loans	\$ 3,642	\$ 1,438
Total nonperforming assets	\$ 3,682	\$ 1,438
<b>Selected Ratios:</b>		
Return on average assets (1)	0.95%	0.27%
Return on average equity (1)	6.24%	1.94%
Return on average tangible equity (1)	6.74%	2.12%
Efficiency ratio	54.41%	81.38%
Net interest margin (1)	4.33%	3.32%
Common dividend payout ratio	56.86%	185.65%
Tier 1 leverage capital ratio	14.41%	13.00%
Tier 1 risk-based capital ratio	17.68%	15.38%
Total risk-based capital ratio	18.93%	16.50%
Nonperforming loans to total loans (2)	1.21%	0.53%
Nonperforming assets to total assets (2)	1.02%	0.43%
Allowance for loan losses to total loans (2)	1.47%	1.40%
Allowance for loan losses to nonperforming loans (2)	121.98%	262.59%

(1) Annualized.

(2) As of period end

(3) total shareholders' equity less \$8,500 liquidation value of preferred stock divided by total common shares outstanding