
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): **January 26, 2012**

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 February 26, 2012, the registrant issued the press release attached hereto as Exhibit 99 and incorporated herein by reference regarding the results of operations for the quarter and year ended December 31, 2011 and the declaration of dividends.

Common stock cash dividend of \$0.09 per share declared on January 23, 2012 payable on February 23, 2012 to shareholders of record on February 15, 2012.

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 26, 2012

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 January 26, 2012 announcing Results of Operations for the Quarter and Year ended December 31, 2011 and declaration of dividend.

Summit State Bank Reports 23% Increase in 2011 Net Income and Declaration of Dividend

SANTA ROSA, CA – (January 26, 2012) – Summit State Bank (Nasdaq: SSBI) today reported net income for the year ended December 31, 2011 of \$2,228,000 a 23% increase over 2010. Earnings per share increased to \$0.33 in 2011 from \$0.26 in 2010. The quarterly dividend of \$0.09 per share was declared payable on February 23 with a record date of February 15, 2012.

Net Income and Results of Operations

The Bank had net income of \$2,228,000 and net income available for common stockholders, which deducts the preferred dividends, of \$1,577,000, or \$0.33 per diluted share, for the year ended December 31, 2011 compared to net income of \$1,807,000 and net income available for common stockholders of \$1,255,000, or \$0.26 per diluted share, for the year ended December 31, 2010.

Net income, net income available for common stockholders and diluted earnings per share for the quarter ended December 31, 2011 were \$552,000, \$379,000 and \$0.08 compared to \$436,000, \$298,000 and \$0.06 for the same period in 2010.

“As a local community bank, we continue to attract new full banking relationships including core deposits that are reducing our cost of funds enabling us to provide new loans to small businesses and non profits that are strengthening our local Sonoma County community,” said Thomas Duryea, President and CEO.

Net interest income was \$15,750,000 for 2011, an increase of \$417,000 compared to 2010 and the provision for loan losses expense declined by \$210,000 to \$3,650,000 in 2011 compared to \$3,860,000 in 2010.

The Bank’s net interest margin was 4.34% for the year ended December 31, 2011, compared to 4.55% in 2010. For the fourth quarter of 2011, the Bank’s net interest margin was 3.82% compared to 4.45% for the fourth quarter of 2010. The declines in net interest margin in 2011 were primarily due to an increase in investment securities to augment the Bank’s growth. Additionally, the fourth quarter net interest margin was further impacted with the reversal of interest from loans placed on nonaccrual status during the quarter.

The Bank’s efficiency ratio, which expresses operating costs as a percentage of revenues, held steady at 58% for the year 2011 and 2010. The efficiency ratio also includes expenses related to problem loan monitoring and resolution. “We continue to make ongoing adjustments and improvements to our operations to improve the Bank’s operating efficiency in keeping with our “Summit Way” standards,” said Linda Bertauche, Chief Operations Officer.

Core deposits, defined as demand, savings and money market deposits, increased 22% to \$124,421,000 at December 31, 2011 from \$101,927,000 at December 31, 2010. “Our key commitment since 2008 to be a relationship based community bank, with core deposits as an essential part of any banking relationship, has resulted in core deposits increasing 106% in the last three years with the largest growth in Demand deposits which have increased from \$24MM to \$57MM during the three year period ending 12/31/11,” said Dennis Kelley, Chief Financial Officer.

The Bank’s regulatory capital remains well above the required capital ratios with a Tier 1 capital leverage ratio of 14.5%, a Tier 1 risk-based capital ratio of 18.6% and a Total risk-based capital ratio of 19.8% at December 31, 2011.

Nonperforming assets at December 31, 2011 included \$12,292,000 in loans on non-accrual or past due 90 days or more, and \$1,074,000 in foreclosed real estate. This compares to nonperforming assets of \$13,958,000 at September 30, 2011 and \$13,472,000 at December 31, 2009. “Although nonperforming assets continue to be elevated, we are encouraged with the progress toward resolutions, said Bill Fogarty, Chief Credit Officer.”

The allowance for loan losses was \$5,411,000 at December 31, 2011 compared to \$6,058,000 at December 31, 2010. The ratio of the allowance for loan losses to total loans was 1.96% at December 31, 2011 compared to 2.53% of total loans at September 30, 2011 and 2.11% at December 31, 2010. Changes in the allowance for loan losses between December 31, 2011 and 2010 included provision for loan losses expense of \$3,650,000 and net loan charge-offs of \$4,297,000.

Total assets increased to \$387,625,000 at December 31, 2011 compared to \$347,933,000 at December 31, 2010. “Our growth has primarily been fueled by the attraction of new deposit relationships largely core deposits.

We believe our commitment to strengthen the local Sonoma County community will continue to drive our profitable growth in the future.” said Mr. Duryea.

About Summit State Bank

Summit State Bank has total assets of \$388 million and total equity of \$61 million at December 31, 2011. Headquartered in Sonoma County, the Bank provides diverse financial products and services throughout Sonoma, Napa, San Francisco, and Marin Counties. Summit State Bank is a Premier Performing Bank, earning the highest Findley Reports designation of all Sonoma County-based banks. Summit State Bank received the 2012 Community Bank Award from the American Bankers Association, the Gold Medal award for Best Business Bank from the Northbay Biz Magazine and has also been recognized as one of the North Bay’s Best Places to Work by the North Bay Business Journal. 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		Twelve Months Ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income:				
Interest and fees on loans	\$ 3,509	\$ 4,272	\$ 16,055	\$ 17,466
Interest on Federal funds sold	-	7	5	26
Interest on investment securities and deposits in banks	785	343	2,611	1,384
Dividends on FHLB stock	2	3	7	10
	<u>4,296</u>	<u>4,625</u>	<u>18,678</u>	<u>18,886</u>
Total interest income				
Interest expense:				
Deposits	594	712	2,589	3,056
FHLB advances	83	95	339	497
	<u>677</u>	<u>807</u>	<u>2,928</u>	<u>3,553</u>
Total interest expense				
Net interest income before provision for loan losses	3,619	3,818	15,750	15,333
Provision for loan losses	650	1,000	3,650	3,860
	<u>2,969</u>	<u>2,818</u>	<u>12,100</u>	<u>11,473</u>
Net interest income after provision for loan losses				
Non-interest income:				
Service charges on deposit accounts	126	112	514	401
Office leases	139	128	534	529
Net securities gains	99	-	754	150
Net gain on sale of other real estate	75	-	75	-
Loan servicing, net	6	9	26	40
Securities impairment	-	-	-	(24)
Other income	5	36	23	167
	<u>450</u>	<u>285</u>	<u>1,926</u>	<u>1,263</u>
Total non-interest income				
Non-interest expense:				
Salaries and employee benefits	1,288	1,168	5,135	4,788
Occupancy and equipment	387	397	1,601	1,598
Other expenses	801	792	3,498	3,167
	<u>2,476</u>	<u>2,357</u>	<u>10,234</u>	<u>9,553</u>
Total non-interest expense				
Income before provision for income taxes	943	746	3,792	3,183
Provision for income taxes	391	310	1,564	1,376
	<u>\$ 552</u>	<u>\$ 436</u>	<u>\$ 2,228</u>	<u>\$ 1,807</u>
Net income				
Less: preferred dividends	173	138	651	552
	<u>\$ 379</u>	<u>\$ 298</u>	<u>\$ 1,577</u>	<u>\$ 1,255</u>
Net income available for common stockholders				
Basic earnings per common share	\$ 0.08	\$ 0.06	\$ 0.33	\$ 0.26
Diluted earnings per common share	\$ 0.08	\$ 0.06	\$ 0.33	\$ 0.26
Basic weighted average shares of common stock outstanding	4,745	4,745	4,745	4,745
Diluted weighted average shares of common stock outstanding	4,745	4,783	4,745	4,779

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

	December 31, 2011 (Unaudited)	December 31, 2010
ASSETS		
Cash and due from banks	\$ 8,290	\$ 4,542
Federal funds sold	-	7,940
Total cash and cash equivalents	8,290	12,482
Available-for-sale investment securities - amortized cost of \$87,001 in 2011 and \$33,472 in 2010	88,660	33,642
Loans, less allowance for loan losses of \$5,411 in 2011 and \$6,058 in 2010	269,963	280,398
Bank premises and equipment, net	6,731	7,304
Investment in Federal Home Loan Bank stock, at cost	2,190	2,614
Goodwill	4,119	4,119
Other Real Estate Owned	1,074	-
Accrued interest receivable and other assets	6,598	7,374
Total assets	\$ 387,625	\$ 347,933
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Demand - non interest-bearing	\$ 31,022	\$ 23,594
Demand - interest-bearing	25,743	24,421
Savings	20,201	15,849
Money market	47,455	38,063
Time deposits, \$100 thousand and over	117,964	113,187
Other time deposits	69,673	64,863
Total deposits	312,058	279,977
Federal Home Loan Bank (FHLB) advances	13,750	12,000
Accrued interest payable and other liabilities	808	647
Total liabilities	326,616	292,624
Shareholders' equity		
Preferred stock, no par value; 20,000,000 shares authorized; shares issued and outstanding - 13,750 in 2011 and 8,500 in 2010; per share redemption of \$1,000 for total liquidation preference of \$13,750 and \$8,500	13,666	8,117
Common stock, no par value; shares authorized - 30,000,000 shares; issued and outstanding 4,744,720 at December 31, 2011 and 2010	36,352	36,311
Common stock warrant	-	622
Retained earnings	10,030	10,161
Accumulated other comprehensive income, net of taxes	961	98
Total shareholders' equity	61,009	55,309
Total liabilities and shareholders' equity	\$ 387,625	\$ 347,933

Earnings Summary
(In Thousands)

	Three Months Ended		Twelve Months Ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Statement of Income Data:				
Net interest income	\$ 3,619	\$ 3,818	\$ 15,750	\$ 15,333
Provision for loan losses	650	1,000	3,650	3,860
Non-interest income	450	285	1,926	1,263
Non-interest expense	2,476	2,357	10,234	9,553
Provision for income taxes	391	310	1,564	1,376
Net income	<u>\$ 552</u>	<u>\$ 436</u>	<u>\$ 2,228</u>	<u>\$ 1,807</u>
Less: preferred dividends	173	138	651	552
Net income available for common stockholders	<u>\$ 379</u>	<u>\$ 298</u>	<u>\$ 1,577</u>	<u>\$ 1,255</u>
Selected per Common Share Data:				
Basic earnings per common share	\$ 0.08	\$ 0.06	\$ 0.33	\$ 0.26
Diluted earnings per common share	\$ 0.08	\$ 0.06	\$ 0.33	\$ 0.26
Book value per common share (2)(3)	\$ 9.98	\$ 9.95	\$ 9.98	\$ 9.95
Selected Balance Sheet Data:				
Assets	\$ 387,625	\$ 347,933	\$ 387,625	\$ 347,933
Loans, net	269,963	280,398	269,963	280,398
Deposits	312,058	279,977	312,058	279,977
Average assets	390,639	353,405	377,126	351,386
Average earnings assets	375,861	340,501	363,042	336,905
Average shareholders' equity	61,224	56,376	58,109	56,197
Average common shareholders' equity	47,558	47,752	47,287	47,540
Nonperforming loans	12,292	12,713	12,292	12,713
Total nonperforming assets	13,366	13,472	13,366	13,472
Selected Ratios:				
Return on average assets (1)	0.56%	0.49%	0.59%	0.51%
Return on average common equity (1)	3.16%	2.48%	3.33%	2.64%
Return on average common tangible equity (1)	3.46%	2.71%	3.65%	2.89%
Efficiency ratio	60.85%	57.45%	57.90%	57.56%
Net interest margin (1)	3.82%	4.45%	4.34%	4.55%
Tier 1 leverage capital ratio	14.5%	14.6%	14.5%	14.6%
Tier 1 risk-based capital ratio	18.6%	18.6%	18.6%	18.6%
Total risk-based capital ratio	19.8%	19.8%	19.8%	19.8%
Common dividend payout ratio (4)	112.7%	143.29%	108.31%	136.10%
Average equity to average assets	15.67%	15.95%	15.41%	15.99%
Nonperforming loans to total loans (2)	4.46%	4.70%	4.46%	4.70%
Nonperforming assets to total assets (2)	3.45%	3.87%	3.45%	3.87%
Allowance for loan losses to total loans (2)	1.96%	2.11%	1.96%	2.11%
Allowance for loan losses to nonperforming loans (2)	44.02%	47.65%	44.02%	47.65%

(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