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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): July 28, 2011

### 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 28, 2011, the registrant issued the press release attached hereto as Exhibit 99 and incorporated herein by reference regarding the financial results for the quarter and six months ended June 30, 2011 and financial position for June 30, 2011.

**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 28, 2011

**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 28, 2011 announcing the financial results for the quarter and six months ended June 30, 2011 and financial position for June 30, 2011.

## **Summit State Bank Reports 56% Increase in Second Quarter Net Income**

SANTA ROSA, CA – (July 28, 2011) – Summit State Bank (Nasdaq: SSBI) today reported net income for the quarter ended June 30, 2011 of \$790,000 or \$0.14 per common share.

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

The Bank had net income of \$790,000 and net income available for common stockholders, which deducts the preferred dividends, of \$652,000, or \$0.14 per diluted share, for the quarter ended June 30, 2011. This represented a 56% increase compared to net income of \$506,000 and net income available for common stockholders of \$368,000, or \$0.08 per diluted share, for the quarter ended June 30, 2010.

Net income for the six months ended June 30, 2011 was \$1,267,000, net income available for common stockholders was \$991,000 or \$0.21 per diluted share compared to net income of \$1,046,000, net income available for common stockholders of \$770,000 or \$0.16 per diluted share for six months ending June 30, 2010.

The increase in net income between the quarters was driven by a 14% or \$520,000 increase in net interest income. The increase in net interest income resulted from increased interest revenue from additional bond investments, resolution of a nonaccrual loan relationship and the continued decline in the Bank's cost of funds. The net interest margin for the quarter ended June 30, 2011 was 4.82% compared to 4.56% for the quarter ended June 30, 2010.

Net interest income was \$4,315,000 for the second quarter of 2011 compared to \$3,795,000 for the same quarter in 2010. A 7.5% increase in average earning assets between the quarters was predominantly due to an increase in the investment portfolio.

“Our continuing success in attracting key full banking relationships, including core deposits, has allowed us to further improve the Bank's cost of funds, which is the key to the Bank's long term top line performance. In addition, starting in the first quarter of this year, we increased our investment portfolio to better utilize our excess liquidity, further strengthening performance,” stated Thomas Duryea, President and CEO.

The provision for loan losses was \$600,000 for the second quarter of 2011 compared to \$700,000 in 2010. Allowance for loan losses increased to \$7,319,000 at June 30, 2011 from \$6,058,000 at December 31, 2010, increasing the coverage of allowance for loan losses to gross loans to 2.61% from 2.11%. Nonperforming assets at June 30, 2011 included \$10,145,000 in loans on non-accrual and \$1,317,000 in foreclosed real estate. This compares to nonperforming assets of \$14,294,000 at March 31, 2010 and \$13,472,000 at December 31, 2010. “Nonperforming loans are primarily secured by real estate. Credit Quality remains a key focus especially during this uneven economic recovery,” said Guy Dana, Chief Credit Officer.

The Bank's efficiency ratio, which expresses operating costs as a percentage of revenues, was 57% for the second quarter of 2011 compared to 60% for the same quarter in 2010. "In addition to revenue growth, we remain committed to gaining greater efficiencies in the Bank's operating cost structure," stated Mr. Duryea.

Total assets increased to \$383,524,000 at June 30, 2011, a 10.2% increase compared to \$347,933,000 at December 31, 2010.

Total deposits increased 11.9% for the quarter over December 31, 2010 to \$313,412,000, with demand, money market and savings deposits increasing 12.9% to \$115,039,000.

The Bank's regulatory capital remains well above the required capital ratios with a Tier 1 capital leverage ratio of 13.9%, a Tier 1 risk-based capital ratio of 17.5% and a Total risk-based capital ratio of 18.8% at June 30, 2011. "The capital ratios were further enhanced after the quarter end as the Bank exchanged its \$8,500,000 in TARP preferred capital for \$13,750,000 in preferred capital issued under the Small Business Lending Initiative," said Dennis Kelley, Chief Financial Officer.

#### About Summit State Bank

Summit State Bank has total assets of \$384 million and total equity of \$56 million at June 30, 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 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](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)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30, 2011</u> <u>(Unaudited)</u>	<u>June 30, 2010</u> <u>(Unaudited)</u>	<u>June 30, 2011</u> <u>(Unaudited)</u>	<u>June 30, 2010</u> <u>(Unaudited)</u>
Interest income:				
Interest and fees on loans	\$ 4,386	\$ 4,371	\$ 8,631	\$ 8,844
Interest on Federal funds sold	-	6	5	8
Interest on investment securities and deposits in banks	680	339	1,116	698
Dividends on FHLB stock	2	2	4	4
Total interest income	<u>5,068</u>	<u>4,718</u>	<u>9,756</u>	<u>9,554</u>
Interest expense:				
Deposits	668	787	1,326	1,607
FHLB advances	85	136	172	272
Total interest expense	<u>753</u>	<u>923</u>	<u>1,498</u>	<u>1,879</u>
Net interest income before provision for loan losses	4,315	3,795	8,258	7,675
Provision for loan losses	<u>600</u>	<u>700</u>	<u>1,400</u>	<u>1,710</u>
Net interest income after provision for loan losses	<u>3,715</u>	<u>3,095</u>	<u>6,858</u>	<u>5,965</u>
Non-interest income:				
Service charges on deposit accounts	131	96	248	189
Office leases	141	134	279	260
Net securities gains	-	-	-	150
Loan servicing, net	7	10	14	22
Other income	2	11	2	57
Total non-interest income	<u>281</u>	<u>251</u>	<u>543</u>	<u>678</u>
Non-interest expense:				
Salaries and employee benefits	1,308	1,177	2,630	2,419
Occupancy and equipment	450	402	840	791
Other expenses	880	853	1,760	1,601
Total non-interest expense	<u>2,638</u>	<u>2,432</u>	<u>5,230</u>	<u>4,811</u>
Income before provision for income taxes	1,358	914	2,171	1,832
Provision for income taxes	<u>568</u>	<u>408</u>	<u>904</u>	<u>786</u>
Net income	<u>\$ 790</u>	<u>\$ 506</u>	<u>\$ 1,267</u>	<u>\$ 1,046</u>
Less: preferred dividends	<u>138</u>	<u>138</u>	<u>276</u>	<u>276</u>
Net income available for common stockholders	<u>\$ 652</u>	<u>\$ 368</u>	<u>\$ 991</u>	<u>\$ 770</u>
Basic earnings per common share	\$ 0.14	\$ 0.08	\$ 0.21	\$ 0.16
Diluted earnings per common share	\$ 0.14	\$ 0.08	\$ 0.21	\$ 0.16
Basic weighted average shares of common stock outstanding	4,745	4,745	4,745	4,745
Diluted weighted average shares of common stock outstanding	4,794	4,785	4,794	4,774

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

	<b>June 30, 2011</b>	<b>December 31, 2010</b>	<b>June 30, 2010</b>
	<b>(Unaudited)</b>		<b>(Unaudited)</b>
<b>ASSETS</b>			
Cash and due from banks	\$ 20,702	\$ 4,542	\$ 4,610
Federal funds sold	-	7,940	13,200
Total cash and cash equivalents	20,702	12,482	17,810
Available-for-sale investment securities - amortized cost of \$66,463 in 2011 and \$33,472 in 2010	68,004	33,642	36,177
Loans, less allowance for loan losses of \$7,319 in 2011 and \$6,058 in 2010	272,581	280,398	284,711
Bank premises and equipment, net	7,028	7,304	7,493
Investment in Federal Home Loan Bank stock, at cost	2,403	2,614	2,832
Goodwill	4,119	4,119	4,119
Accrued interest receivable and other assets	8,687	7,374	7,832
Total assets	\$ 383,524	\$ 347,933	\$ 360,974
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Deposits:			
Demand - non interest-bearing	\$ 30,553	\$ 23,594	\$ 22,928
Demand - interest-bearing	24,609	24,421	24,588
Savings	20,839	15,849	11,743
Money market	39,038	38,063	39,432
Time deposits, \$100 thousand and over	143,226	113,187	95,860
Other time deposits	55,147	64,863	90,525
Total deposits	313,412	279,977	285,076
Federal Home Loan Bank (FHLB) advances	12,000	12,000	19,000
Accrued interest payable and other liabilities	1,787	647	797
Total liabilities	327,199	292,624	304,873
Shareholders' equity			
Preferred stock, no par value; 20,000,000 shares authorized; shares issued and outstanding - 8,500 in 2011 and 2010; per share redemption of \$1,000 for total liquidation preference of \$8,500	8,181	8,117	8,053
Common stock, no par value; shares authorized - 30,000,000 shares; issued and outstanding 4,744,720 at June 30, 2011 and December 31, 2010	36,332	36,311	36,289
Common stock warrant	622	622	622
Retained earnings	10,297	10,161	10,531
Accumulated other comprehensive income, net of taxes	893	98	606
Total shareholders' equity	56,325	55,309	56,101
Total liabilities and shareholders' equity	\$ 383,524	\$ 347,933	\$ 360,974

**Earnings Summary**  
(In Thousands)

	Three Months Ended		Six Months Ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Statement of Income Data:</b>				
Net interest income	\$ 4,315	\$ 3,795	\$ 8,258	\$ 7,675
Provision for loan losses	600	700	1,400	1,710
Non-interest income	281	251	543	678
Non-interest expense	2,638	2,432	5,230	4,811
Provision for income taxes	568	408	904	786
Net income	<u>\$ 790</u>	<u>\$ 506</u>	<u>\$ 1,267</u>	<u>\$ 1,046</u>
Less: preferred dividends	<u>138</u>	<u>138</u>	<u>276</u>	<u>276</u>
Net income available for common stockholders	<u>\$ 652</u>	<u>\$ 368</u>	<u>\$ 991</u>	<u>\$ 770</u>
<b>Selected per Common Share Data:</b>				
Basic earnings per common share	\$ 0.14	\$ 0.08	\$ 0.21	\$ 0.16
Diluted earnings per common share	\$ 0.14	\$ 0.08	\$ 0.21	\$ 0.16
Book value per common share (2)(3)	\$ 10.15	\$ 10.13	\$ 10.15	\$ 10.13
<b>Selected Balance Sheet Data:</b>				
Assets	\$ 383,524	\$ 360,974	\$ 383,524	\$ 360,974
Loans, net	272,581	284,711	272,581	284,711
Deposits	313,412	285,076	313,412	285,076
Average assets	373,058	352,380	365,158	348,591
Average earnings assets	359,206	334,098	351,151	330,949
Average shareholders' equity	55,915	55,989	55,709	55,927
Average common shareholders' equity	47,133	47,343	46,948	47,298
Nonperforming loans	10,145	10,683	10,145	10,683
Total nonperforming assets	11,462	10,706	11,462	10,706
<b>Selected Ratios:</b>				
Return on average assets (1)	0.85%	0.58%	0.70%	0.61%
Return on average common equity (1)	5.55%	3.12%	4.26%	3.28%
Return on average common tangible equity (1)	6.08%	3.41%	4.67%	3.60%
Efficiency ratio	57.40%	60.11%	59.43%	57.60%
Net interest margin (1)	4.82%	4.56%	4.74%	4.68%
Tier 1 leverage capital ratio	13.9%	14.70%	13.9%	14.7%
Tier 1 risk-based capital ratio	17.5%	18.10%	17.5%	18.1%
Total risk-based capital ratio	18.8%	19.40%	18.8%	19.4%
Common dividend payout ratio (4)	65.5%	116.03%	86.18%	110.91%
Average equity to average assets	14.99%	15.89%	15.26%	16.04%
Nonperforming loans to total loans (2)	3.62%	3.68%	3.62%	3.68%
Nonperforming assets to total assets (2)	2.99%	2.97%	2.99%	2.97%
Allowance for loan losses to total loans (2)	2.61%	1.98%	2.61%	1.98%
Allowance for loan losses to nonperforming loans (2)	72.14%	53.74%	72.14%	53.74%

(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