
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 30, 2010

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 29, 2010, 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 30, 2010

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 29, 2010 announcing results of operations for the three and six months ended June 30, 2010 and declaration of dividend.

Summit State Bank Reports Continued Profitability, Strong Core Deposit Growth and Declaration of Dividend

SANTA ROSA, CA – (July 29, 2010) – Summit State Bank (Nasdaq: SSBI) today reported net income for the Quarter ended June 30, 2010 of \$506,000. The Board of Directors declared a cash dividend of \$.09 per common share payable August 23, 2010 to shareholders of record on August 11, 2010.

Net Income and Results of Operations

The Bank had net income of \$506,000 and net income available for common stockholders, which deducts the preferred dividends, of \$368,000, or \$0.08 per diluted share, for the quarter ended June 30, 2010 compared to net income of \$713,000 and net income available for common stockholders of \$575,000, or \$0.12 per diluted share, for the quarter ended June 30, 2009. Net income available for common and diluted earnings per share for the six months ended June 30, 2010 were \$770,000 or \$0.16 compared to \$1,325,000 or \$0.28 for the same period in 2009.

“Continuing strong operating results driven by our disciplined asset and liability side initiatives were tempered by the increase in the allowance for loan losses and credit expenses related to former transaction credit focus and present economic conditions,” stated Thomas Duryea, President and CEO.

The Bank’s net interest margin was 4.56% for the three months ended June 30, 2010 compared to 4.53% for the three months ended June 30, 2009. Net interest income was stable at \$3,795,000 during the second quarter of 2010 compared to \$3,872,000 for the same quarter of 2009.

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 18.1% and a Total risk-based capital ratio of 19.4% at June 30, 2010.

“Continued strong core operations and strong capital ratios have allowed continued dividends to our shareholders,” said Dennis Kelley, Chief Financial Officer.

The provisions for loan losses increased with a provision of \$700,000 for the second quarter of 2010 compared to \$550,000 for the same quarter in 2009. The provision was \$1,710,000 compared to \$1,000,000 for the six months

ended June 30, 2010 and 2009. These provisions increased the allowance for loan losses to 1.98% of total loans at June 30, 2010 from 1.62% at December 31, 2009.

Nonperforming loans at June 30, 2010 were \$10,683,000 compared to \$11,653,000 at December 31, 2009. Nonperforming loans to gross loans were 3.68% at June 30, 2010 compared to 3.98% at December 31, 2009. “Nonperforming loans consist of eight borrowers and are primarily secured by real estate. Problem loans have been leveling, but we remain ever cautious during these economic times,” said Guy Dana, Chief Credit Officer.

Total assets increased to \$360,974,000 at June 30, 2010 compared to \$340,400,000 at December 31, 2009, as the Bank increased its liquidity position.

Core deposits, defined as demand, savings and money market deposits, increased 43% to \$98,691,000 at June 30, 2010 from \$69,064,000 at June 30, 2009, which reflects the Bank’s relationship focus.

“Continuing to be recognized as Sonoma County’s Top Rated Bank by Bauer Financial has enabled us to attract new full banking relationships in our local communities. We continue to replace transaction based loans with loans that involve banking relationships, growing our core deposits accordingly, which will strengthen the Bank’s future earnings stream.”

About Summit State Bank

Summit State Bank has total assets of \$361 million and total equity of \$56 million at June 30, 2010. 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, 2010 (Unaudited)	June 30, 2009 (Unaudited)	June 30, 2010 (Unaudited)	June 30, 2009 (Unaudited)
Interest income:				
Interest and fees on loans	\$ 4,371	\$ 4,845	\$ 8,844	\$ 9,589
Interest on Federal funds sold	6	-	8	-
Interest on investment securities and deposits in banks	339	446	698	1,044
Dividends on FHLB stock	2	-	4	-
	4,718	5,291	9,554	10,633
Total interest income				
Interest expense:				
Deposits	787	1,149	1,607	2,501
FHLB advances	136	270	272	558
	923	1,419	1,879	3,059
Total interest expense				
Net interest income before provision for loan losses	3,795	3,872	7,675	7,574
Provision for loan losses	700	550	1,710	1,000
	3,095	3,322	5,965	6,574
Net interest income after provision for loan losses				
Non-interest income:				
Service charges on deposit accounts	96	98	189	199
Office leases	134	114	260	339
Net securities gains	-	-	150	28
Loan servicing, net	10	11	22	38
Other income	11	2	57	27
	251	225	678	631
Total non-interest income				
Non-interest expense:				
Salaries and employee benefits	1,177	1,049	2,419	2,173
Occupancy and equipment	402	407	791	849
Other expenses	853	859	1,601	1,528
	2,432	2,315	4,811	4,550
Total non-interest expense				
Income before provision for income taxes	914	1,232	1,832	2,655
Provision for income taxes	408	519	786	1,095
	506	713	1,046	1,560
Net income				
Less: preferred dividends	138	138	276	235
	368	575	770	1,325
Net income available for common stockholders				
Basic earnings per common share	\$ 0.08	\$ 0.12	\$ 0.16	\$ 0.28
Diluted earnings per common share	\$ 0.08	\$ 0.12	\$ 0.16	\$ 0.28
Basic weighted average shares of common stock outstanding	4,745	4,745	4,745	4,745
Diluted weighted average shares of common stock outstanding	4,785	4,764	4,774	4,749

SUMMIT STATE BANK AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

(In thousands except share and per share data)

	<u>June 30,</u> <u>2010</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2009</u>	<u>June 30,</u> <u>2009</u> <u>(Unaudited)</u>
ASSETS			
Cash and due from banks	\$ 4,610	\$ 2,933	\$ 2,364
Federal funds sold	13,200	-	-
Total cash and cash equivalents	<u>17,810</u>	<u>2,933</u>	<u>2,364</u>
Available-for-sale investment securities - amortized cost of \$35,132 at June 30, 2010 and \$27,393 and \$32,699 at December 31, and June 30, 2009	36,177	27,400	32,050
Loans, less allowance for loan losses of \$5,741 at June 30, 2010 and \$4,737 and \$4,415 at December 31, and June 30, 2009	284,711	288,277	300,070
Bank premises and equipment, net	7,493	7,721	7,697
Investment in Federal Home Loan Bank stock, at cost	2,832	2,942	2,941
Goodwill	4,119	4,119	4,119
Accrued interest receivable and other assets	7,832	7,008	6,678
Total assets	<u>\$ 360,974</u>	<u>\$ 340,400</u>	<u>\$ 355,919</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Demand - non interest-bearing	\$ 22,928	\$ 15,706	\$ 12,722
Demand - interest-bearing	24,588	22,206	17,905
Savings	11,743	12,783	11,479
Money market	39,432	43,489	26,958
Time deposits, \$100 thousand and over	95,860	97,855	89,460
Other time deposits	90,525	72,214	97,831
Total deposits	<u>285,076</u>	<u>264,253</u>	<u>256,355</u>
Federal Home Loan Bank (FHLB) advances	19,000	20,120	42,950
Accrued interest payable and other liabilities	797	522	959
Total liabilities	<u>304,873</u>	<u>284,895</u>	<u>300,264</u>
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	8,053	7,989	7,927
Common stock, no par value; shares authorized - 30,000,000 shares; issued and outstanding 4,744,720 at June 30, 2010, December 31, 2009 and June 30, 2009	36,289	36,275	36,262
Common stock warrants	622	622	622
Retained earnings	10,531	10,615	11,223
Accumulated other comprehensive income (loss), net of taxes	606	4	(379)
Total shareholders' equity	<u>56,101</u>	<u>55,505</u>	<u>55,655</u>
Total liabilities and shareholders' equity	<u>\$ 360,974</u>	<u>\$ 340,400</u>	<u>\$ 355,919</u>

Earnings Summary
(In Thousands)

	Three Months Ended		Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Statement of Income Data:				
Net interest income	\$ 3,795	\$ 3,872	\$ 7,675	\$ 7,574
Provision for loan losses	700	550	1,710	1,000
Non-interest income	251	225	678	631
Non-interest expense	2,432	2,315	4,811	4,550
Provision for income taxes	408	519	786	1,095
Net income	<u>\$ 506</u>	<u>\$ 713</u>	<u>\$ 1,046</u>	<u>\$ 1,560</u>
Less: preferred dividends	138	138	276	235
Net income available for common stockholders	<u>\$ 368</u>	<u>\$ 575</u>	<u>\$ 770</u>	<u>\$ 1,325</u>
Selected per Common Share Data:				
Basic earnings per common share	\$ 0.08	\$ 0.12	\$ 0.16	\$ 0.28
Diluted earnings per common share	\$ 0.08	\$ 0.12	\$ 0.16	\$ 0.28
Book value per common share (2)(3)	\$ 10.13	\$ 10.06	\$ 10.13	\$ 10.06
Selected Balance Sheet Data:				
Assets	\$ 360,974	\$ 355,919	\$ 360,974	\$ 355,919
Loans, net	284,711	300,070	284,711	300,070
Deposits	285,076	256,355	285,076	256,355
Average assets	352,380	357,568	348,591	360,192
Average earnings assets	334,098	343,185	330,949	349,291
Average shareholders equity	55,989	56,085	55,927	56,368
Average common shareholders equity	48,290	47,916	47,298	47,846
Nonperforming loans	10,683	3,886	10,683	3,886
Total nonperforming assets	10,683	3,927	10,683	3,927
Selected Ratios:				
Return on average assets (1)	0.58%	0.80%	0.61%	0.87%
Return on average common equity (1)	4.20%	5.10%	4.46%	5.58%
Return on average common tangible equity (1)	4.59%	5.50%	4.89%	6.02%
Efficiency ratio	60.11%	56.50%	57.60%	55.45%
Net interest margin (1)	4.56%	4.53%	4.68%	4.37%
Tier 1 leverage capital ratio	14.7%	14.7%	14.7%	14.7%
Tier 1 risk-based capital ratio	18.1%	17.7%	18.1%	17.7%
Total risk-based capital ratio	19.4%	18.9%	19.4%	18.9%
Common dividend payout ratio (4)	116.03%	74.26%	110.91%	64.45%
Average equity to average assets	15.89%	15.69%	16.04%	15.65%
Nonperforming loans to total loans (2)	3.68%	1.28%	3.68%	1.28%
Nonperforming assets to total assets (2)	2.96%	1.10%	2.96%	1.10%
Allowance for loan losses to total loans (2)	1.98%	1.45%	1.98%	1.45%
Allowance for loan losses to nonperforming loans (2)	53.74%	113.61%	53.74%	113.61%

(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