
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): October 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 October 26, 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: October 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 October 26, 2009 announcing results of operations for the three and nine months ended September 30, 2009 and declaration of dividend.

Summit State Bank Reports Third Quarter Profit and Declaration of Dividend

SANTA ROSA, CA – (October 26, 2009) – Summit State Bank (Nasdaq: SSBI) today reported net income for the third quarter was \$166,000 and \$1,726,000 for the nine months ended September 30, 2009. A dividend of \$0.09 per share on the Company's common stock was declared.

Dividend

On October 26, 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 November 20, 2009 to shareholders of record as of the close of business on November 11, 2009. Additionally, a dividend on the preferred stock of \$106,250 was declared payable on November 15, 2009.

Net Income and Results of Operations

The Bank had net income of \$166,000 and net income available for common stockholders, which deducts the preferred dividends, of \$28,000 or \$0.01 per diluted share for the quarter ended September 30, 2009 compared to a net loss of \$569,000, or \$(0.12) per diluted share for the quarter ended September 30, 2008. Net income for the nine months ended September 30, 2009 was \$1,726,000, and net income available for common stockholders was \$1,353,000 or \$0.28 per diluted share compared to \$245,000 or \$0.05 per diluted share for the same period in 2008.

The quarter ended September 30, 2009 was negatively impacted by a provision for loan losses of \$1,450,000 which increased the allowance for loan losses to gross loans to 1.6% from 1.5% at June 30, 2009. Net loan charge-offs for the quarter was \$1,107,000. "Weakness in the economy and the stress it is putting on our customers has resulted in a need to continue to increase our allowance for loan losses. We are fortunate to have the increased operating margins and efficiencies to fund these increased loan loss provisions," stated Thomas Duryea, President and CEO.

The Bank's regulatory capital remains well above the required capital ratios with a Tier 1 capital leverage ratio of 14.8%, a Tier 1 risk-based capital ratio of 18.2% and a Total risk-based capital ratio of 19.5% at September 30, 2009.

Net interest income increased \$479,000, or 15%, to \$3,770,000 during the third quarter of 2009 compared to \$3,291,000 for the same quarter of 2008. The annualized net interest margin increased to 4.47% for the third quarter of 2009, compared to 4.06% for the third quarter of 2008.

Non-interest income was \$221,000 for the third quarter of 2009. This compares to a negative \$1,970,000 for the third quarter of 2008, which reflected a \$2,262,000 impairment charge on investments in preferred stocks of Fannie Mae and Freddie Mac and a Shearson Lehman bond.

Non-interest expense increased \$94,000 or 4% for the third quarter of 2009 over the third quarter of 2008. The increase is primarily attributable to increased FDIC insurance premiums and marketing expenses related to the relocation of two of our branches. The efficiency ratio for the third quarter of 2009 was 57%.

Total assets declined \$17.5 million or 5% to \$347,077,000 at September 30, 2009 compared to December 31, 2008, as the Bank's investment portfolio experienced calls on its long-term government agency securities and payments on loans. Gross loans declined \$7.7 million or 3% to \$295,969,000 at September 30, 2009 compared to December 31, 2008.

"We continue to take advantage of our strong capital position in attracting new deposit customers and increasing our core deposit base," said Mr. Duryea. Demand, savings and money market deposits increased \$20 million or 33% at September 30, 2009 compared to December 31, 2008.

Nonperforming assets at September 30, 2009 were \$9,293,000 compared to \$3,927,000 at June 30, 2009. Nonperforming loans to gross loans was 3.14% at September 30, 2009 which compares favorably to the banking industry. The Bank has no foreclosed real estate owned. The increase in nonperforming loans was primarily attributable to multiple loans to one borrower with a majority secured by real property.

"We expect that nonperforming loans will continue to surface as the financial conditions of borrowers are further impacted by the current economy. I believe it is safe to assume that we will continue to build our allowance for loan losses through year end as conditions dictate," said Mr. Duryea.

The provision for loan losses was \$1,450,000 for the third quarter ended September 30, 2009 as compared to \$130,000 for the third quarter of 2008. The Bank had \$1,112,000 in loan charge-offs and recoveries of \$5,000 during the third quarter of 2009. At September 30, 2009, the allowance for loan losses was \$4,758,000 and represented a ratio to gross loans of 1.61% and to nonperforming loans of 51%. These ratios compare to 1.45% and 114% at June 30, 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.

"We continue to promote our customer service standards and gain new customer relationships. We utilize product pricing models that reward customers with deep relationships." said Mr. Duryea.

About Summit State Bank

Summit State Bank has total assets of \$347 million and total equity of \$56 million at September 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		Nine Months Ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income:				
Interest and fees on loans	\$ 4,726	\$ 4,738	\$ 14,315	\$ 14,122
Interest on Federal funds sold	-	-	-	69
Interest on investment securities and deposits in banks	403	664	1,447	1,921
Dividends on FHLB stock	6	39	6	107
	<u>5,135</u>	<u>5,441</u>	<u>15,768</u>	<u>16,219</u>
Total interest income				
Interest expense:				
Deposits	1,103	1,654	3,604	5,669
FHLB advances	262	496	820	1,550
	<u>1,365</u>	<u>2,150</u>	<u>4,424</u>	<u>7,219</u>
Total interest expense				
Net interest income before provision for loan losses	3,770	3,291	11,344	9,000
Provision for loan losses	1,450	130	2,450	465
	<u>2,320</u>	<u>3,161</u>	<u>8,894</u>	<u>8,535</u>
Net interest income after provision for loan losses				
Non-interest income:				
Service charges on deposit accounts	101	96	300	310
Office leases	124	179	462	488
Net securities gains	-	-	28	-
Loan servicing, net	10	10	48	44
Securities impairment	(17)	(2,262)	(17)	(2,323)
Other income	3	7	30	22
	<u>221</u>	<u>(1,970)</u>	<u>851</u>	<u>(1,459)</u>
Total non-interest income				
Non-interest expense:				
Salaries and employee benefits	1,079	1,066	3,252	3,397
Occupancy and equipment	423	450	1,272	1,292
Other expenses	757	649	2,284	1,978
	<u>2,259</u>	<u>2,165</u>	<u>6,808</u>	<u>6,667</u>
Total non-interest expense				
Income before provision for income taxes	282	(974)	2,937	409
Provision for Income taxes	116	(405)	1,211	164
	<u>166</u>	<u>(569)</u>	<u>1,726</u>	<u>245</u>
Net income				
Less: preferred dividends	138	-	373	-
	<u>28</u>	<u>(569)</u>	<u>1,353</u>	<u>245</u>
Net income available for common stockholders				
Basic earnings per common share	\$ 0.01	\$ (0.12)	\$ 0.29	\$ 0.05
Diluted earnings per common share	\$ 0.01	\$ (0.12)	\$ 0.28	\$ 0.05
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	4,745	4,768	4,745

SUMMIT STATE BANK AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

(In thousands except share and per share data)

	September 30, 2009	September 30, 2008
	(Unaudited)	(Unaudited)
ASSETS		
Cash and due from banks	\$ 3,096	\$ 3,783
Total cash and cash equivalents	3,096	3,783
Available-for-sale investment securities - amortized cost of \$31,460 at September 30, 2009 and \$41,744 at September 30, 2008	31,844	41,157
Loans, less allowance for loan losses of \$4,758 at September 30, 2009 and \$3,871 at September 30, 2008	291,211	284,425
Bank premises and equipment, net	7,796	7,899
Investment in Federal Home Loan Bank stock, at cost	2,942	3,383
Goodwill	4,119	4,119
Accrued interest receivable and other assets	6,069	5,020
Total assets	\$ 347,077	\$ 349,786
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Demand - non interest-bearing	\$ 15,080	\$ 11,659
Demand - interest-bearing	21,316	12,785
Savings	11,755	10,126
Money market	32,381	34,830
Time deposits, \$100 thousand and over	93,692	84,761
Other time deposits	88,310	103,753
Total deposits	262,534	257,914
Federal Home Loan Bank (FHLB) advances	27,650	44,740
Accrued interest payable and other liabilities	999	779
Total liabilities	291,183	303,433
Shareholders' equity		
Preferred stock, no par value; 20,000,000 shares authorized; shares issued and outstanding 8,500 in 2009 and 0 in 2008; per share redemption of \$1,000 for total liquidation preference of \$8,500	7,958	-
Common stock, no par value; shares authorized - 30,000,000 shares; shares issued and outstanding 4,744,720 at September 30, 2009 and 4,744,720 September 30, 2008	36,267	36,238
Common stock warrants	622	-
Retained earnings	10,824	10,419
Accumulated other comprehensive income (loss), net of taxes	223	(304)
Total shareholders' equity	55,894	46,353
Total liabilities and shareholders' equity	\$ 347,077	\$ 349,786

Earnings Summary
(In Thousands)

	Three Months Ended		Nine Months Ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Statement of Income Data:				
Net interest income	\$ 3,770	\$ 3,291	\$ 11,344	\$ 9,000
Provision for loan losses	1,450	130	2,450	465
Non-interest income	221	(1,970)	851	(1,459)
Non-interest expense	2,259	2,165	6,808	6,667
Provision for Income taxes	116	(405)	1,211	164
Net income	<u>\$ 166</u>	<u>\$ (569)</u>	<u>\$ 1,726</u>	<u>\$ 245</u>
Less: preferred dividends	138	-	373	-
Net income available for common stockholders	<u>\$ 28</u>	<u>\$ (569)</u>	<u>\$ 1,353</u>	<u>\$ 245</u>
Selected per Share Data:				
Basic earnings per common share	\$ 0.01	\$ (0.12)	\$ 0.29	\$ 0.05
Diluted earnings per common share	\$ 0.01	\$ (0.12)	\$ 0.28	\$ 0.05
Book value per common share (2)(3)	\$ 10.10	\$ 9.77	\$ 10.10	\$ 9.77
Selected Balance Sheet Data:				
Assets	\$ 347,077	\$ 349,786	\$ 347,077	\$ 349,786
Loans, net	291,211	284,425	291,211	284,425
Deposits	262,534	257,914	262,534	257,914
Average assets	351,523	346,168	357,271	338,786
Average earnings assets	334,976	321,275	341,602	317,270
Average equity	56,021	47,257	56,251	47,657
Average common equity	47,461	47,257	47,716	47,657
Nonperforming loans	9,293	883	9,293	883
Total nonperforming assets	9,293	3,206	9,293	3,206
Selected Ratios:				
Return on average assets (1)	0.19%	-0.65%	0.65%	0.10%
Return on average common equity (1)	0.23%	-4.79%	3.79%	0.69%
Return on average common tangible equity (1)	0.26%	-5.25%	4.15%	0.75%
Efficiency ratio	56.60%	NM	55.83%	88.41%
Net interest margin (1)	4.47%	4.06%	4.44%	3.79%
Tier 1 leverage capital ratio	14.8%	12.5%	14.8%	12.5%
Tier 1 risk-based capital ratio	18.2%	15.5%	18.2%	15.5%
Total risk-based capital ratio	19.5%	16.8%	19.5%	16.8%
Common dividend payout ratio (4)	74.26%	NM	63.12%	522.86%
Average equity to average assets	15.94%	13.65%	15.74%	14.07%
Nonperforming loans to total loans (2)	3.14%	0.31%	3.14%	0.31%
Nonperforming assets to total assets (2)	2.68%	0.25%	2.68%	0.25%
Allowance for loan losses to total loans (2)	1.61%	1.34%	1.61%	1.34%
Allowance for loan losses to nonperforming loans (2)	51.20%	438.39%	51.20%	438.39%

(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