
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 28, 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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500 Bicentennial Way <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 28, 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: October 28, 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 October 28, 2010 announcing results of operations for the three and nine months ended September 30, 2010 and declaration of dividend.

Summit State Bank Reports Continued Profitability, Strengthening Margins & Dividend

SANTA ROSA, CA – (October 28, 2010) – Summit State Bank (Nasdaq: SSBI) today reported net income for the Quarter ended September 30, 2010 of \$325,000 and declaration of \$0.09 quarterly dividend.

Dividend

The Directors declared a \$0.09 quarterly cash dividend to shareholders of record on November 11, 2010 and payable on November 23, 2010.

Net Income and Results of Operations

The Bank had net income of \$325,000 and net income available for common stockholders, which deducts the preferred dividends, of \$187,000, or \$0.04 per diluted share, for the quarter ended September 30, 2010 compared to net income of \$166,000 and net income available for common stockholders of \$28,000, or \$0.01 per diluted share, for the quarter ended September 30, 2009. Net income available for common stockholders and diluted earnings per share for the nine months ended September 30, 2010 were \$957,000 and \$0.20 compared to \$1,353,000 and \$0.28 for the same period in 2009.

“Our core operating performance continues to strengthen as our key initiative started in 2008 to reshape the Bank into a full relationship Bank is being firmly established. Our strong net interest margin, efficiency ratio, and core deposit growth, best demonstrate our successful transformation. Net earnings have been impacted by loan loss provisions to address former transaction orientation and the weak economy” stated Thomas Duryea, President and CEO.

The Bank’s net interest margin was 4.52% for the three months ended September 30, 2010 compared to 4.47% for the three months ended September 30, 2009. Net interest income was stable at \$3,840,000 during the third quarter of 2010 compared to \$3,770,000 for the same quarter of 2009.

The Bank’s efficiency ratio, which expresses operating costs as a percentage of revenues, was 58% for the third quarter in 2010 compared to 57% in the third

quarter of 2009. The efficiency ratio includes expenses related to problem loan monitoring and resolution largely from former transaction orientation.

Core deposits, defined as demand, savings and money market deposits, increased 28% to \$103,440,000 at September 30, 2010 from \$80,532,000 at September 30, 2009, reflecting the Bank's key initiative to build full banking relationships with businesses in the Sonoma County community.

The Bank's regulatory capital remains well above the required capital ratios with a Tier 1 capital leverage ratio of 14.6%, a Tier 1 risk-based capital ratio of 18.3% and a Total risk-based capital ratio of 19.6% at September 30, 2010.

The provisions for loan loss decreased with a provision of \$1,150,000 for the third quarter of 2010 compared to \$1,450,000 for the same quarter in 2009. The provision was \$2,860,000 compared to \$2,450,000 for the nine months ended September 30, 2010 and 2009. These provisions increased the allowance for loan losses to 2.37% of total loans at September 30, 2010 from 1.62% at December 31, 2009.

"The ability for the Bank to increase its allowance for loan loss while still posting positive earnings, demonstrates the strength of the underlying earning power of the core banking operations," said Dennis Kelley, Chief Financial Officer.

Nonperforming loans at September 30, 2010 included \$10,583,000 in loans on non-accrual, and \$3,521,000 in loans past due more than 90 days but accruing and brought current in October. This compares to nonperforming loans of \$10,683,000 at June 30, 2010 and \$11,653,000 at December 31, 2009.

"We continue to work through the Bank's previous transaction emphasis and remain cautiously optimistic that a positive trend has been established. Given the historical downturn, however, we are acutely aware of the slow and uneven nature of our national economic recovery: Nonetheless, we continue to replace former transaction credits with full banking relationships strengthening our performance in both the short term, and, more importantly, long term." said Chief Credit Officer, Guy Dana.

Total assets increased to \$353,016,000 at September 30, 2010 compared to \$340,400,000 at December 31, 2009, as the Bank increased its liquidity position.

“Our strong commitment to the businesses in Sonoma County continues to drive our strong net interest margin, efficiency ratio, and core deposit growth, reflecting our gaining more and more full customer relationships attracted by our commitment to our Sonoma community.” said Thomas Duryea.

About Summit State Bank

Summit State Bank has total assets of \$353 million and total equity of \$56 million at September 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 is Sonoma County’s top rated bank, with the highest Bauer Financial rating 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.

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>Nine Months Ended</u>	
	<u>September 30, 2010</u>	<u>September 30, 2009</u>	<u>September 30, 2010</u>	<u>September 30, 2009</u>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income:				
Interest and fees on loans	\$ 4,350	\$ 4,726	\$ 13,194	\$ 14,315
Interest on Federal funds sold	11	-	19	-
Interest on investment securities and deposits in banks	343	403	1,041	1,447
Dividends on FHLB stock	3	6	7	6
	<u>4,707</u>	<u>5,135</u>	<u>14,261</u>	<u>15,768</u>
Total interest income				
Interest expense:				
Deposits	737	1,103	2,344	3,604
FHLB advances	130	262	402	820
	<u>867</u>	<u>1,365</u>	<u>2,746</u>	<u>4,424</u>
Total interest expense				
Net interest income before provision for loan losses	3,840	3,770	11,515	11,344
Provision for loan losses	1,150	1,450	2,860	2,450
	<u>2,690</u>	<u>2,320</u>	<u>8,655</u>	<u>8,894</u>
Net interest income after provision for loan losses				
Non-interest income:				
Service charges on deposit accounts	100	101	289	300
Office leases	140	124	401	462
Net securities gains	-	-	150	28
Loan servicing, net	10	10	31	48
Securities impairment	(24)	(17)	(24)	(17)
Other income	74	3	131	30
	<u>300</u>	<u>221</u>	<u>978</u>	<u>851</u>
Total non-interest income				
Non-interest expense:				
Salaries and employee benefits	1,201	1,079	3,620	3,252
Occupancy and equipment	410	423	1,201	1,272
Other expenses	774	757	2,375	2,284
	<u>2,385</u>	<u>2,259</u>	<u>7,196</u>	<u>6,808</u>
Total non-interest expense				
Income before provision for income taxes	605	282	2,437	2,937
Provision for income taxes	280	116	1,066	1,211
	<u>\$ 325</u>	<u>\$ 166</u>	<u>\$ 1,371</u>	<u>\$ 1,726</u>
Net income				
Less: preferred dividends	138	138	414	373
	<u>\$ 187</u>	<u>\$ 28</u>	<u>\$ 957</u>	<u>\$ 1,353</u>
Net income available for common stockholders				
Basic earnings per common share	\$ 0.04	\$ 0.01	\$ 0.20	\$ 0.29
Diluted earnings per common share	\$ 0.04	\$ 0.01	\$ 0.20	\$ 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	4,783	4,794	4,777	4,768

SUMMIT STATE BANK AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

(In thousands except share and per share data)

	September 30, 2010	December 31, 2009	September 30, 2009
	(Unaudited)		(Unaudited)
ASSETS			
Cash and due from banks	\$ 5,119	\$ 2,933	\$ 3,096
Federal funds sold	12,835	-	-
Total cash and cash equivalents	17,954	2,933	3,096
Available-for-sale investment securities - amortized cost of \$29,640 at September 30, 2010, \$27,393 at December 31, 2009, and \$31,460 at September 30, 2009	31,260	27,400	31,844
Loans, less allowance for loan losses of \$6,864 at September 30, 2010, \$4,737 at December 31, 2009, and \$4,758 at September 30, 2009	282,748	288,277	291,211
Bank premises and equipment, net	7,403	7,721	7,796
Investment in Federal Home Loan Bank stock, at cost	2,723	2,942	2,942
Goodwill	4,119	4,119	4,119
Accrued interest receivable and other assets	6,809	7,008	6,069
Total assets	\$ 353,016	\$ 340,400	\$ 347,077
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Demand - non interest-bearing	\$ 27,558	\$ 15,706	\$ 15,080
Demand - interest-bearing	25,021	22,206	21,316
Savings	12,809	12,783	11,755
Money market	38,052	43,489	32,381
Time deposits, \$100 thousand and over	111,411	97,855	93,692
Other time deposits	69,041	72,214	88,310
Total deposits	283,892	264,253	262,534
Federal Home Loan Bank (FHLB) advances	12,000	20,120	27,650
Accrued interest payable and other liabilities	887	522	999
Total liabilities	296,779	284,895	291,183
Shareholders' equity			
Preferred stock, no par value; 20,000,000 shares authorized; shares issued and outstanding - 8,500 in 2010 and 2009; per share redemption of \$1,000 for total liquidation preference of \$8,500	8,085	7,989	7,958
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 September 30, 2009	36,300	36,275	36,267
Common stock warrant	622	622	622
Retained earnings	10,291	10,615	10,824
Accumulated other comprehensive income (loss), net of taxes	939	4	223
Total shareholders' equity	56,237	55,505	55,894
Total liabilities and shareholders' equity	\$ 353,016	\$ 340,400	\$ 347,077

Earnings Summary
(In Thousands)

	Three Months Ended		Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Statement of Income Data:				
Net interest income	\$ 3,840	\$ 3,770	\$ 11,515	\$ 11,344
Provision for loan losses	1,150	1,450	2,860	2,450
Non-interest income	300	221	978	851
Non-interest expense	2,385	2,259	7,196	6,808
Provision for income taxes	280	116	1,066	1,211
Net income	<u>\$ 325</u>	<u>\$ 166</u>	<u>\$ 1,371</u>	<u>\$ 1,726</u>
Less: preferred dividends	138	138	414	373
Net income available for common stockholders	<u>\$ 187</u>	<u>\$ 28</u>	<u>\$ 957</u>	<u>\$ 1,353</u>
Selected per Common Share Data:				
Basic earnings per common share	\$ 0.04	\$ 0.01	\$ 0.20	\$ 0.29
Diluted earnings per common share	\$ 0.04	\$ 0.01	\$ 0.20	\$ 0.28
Book value per common share (2)(3)	\$ 10.15	\$ 10.10	\$ 10.15	\$ 10.10
Selected Balance Sheet Data:				
Assets	\$ 353,016	\$ 347,077	\$ 353,016	\$ 347,077
Loans, net	282,748	291,211	282,748	291,211
Deposits	283,892	262,534	283,892	262,534
Average assets	354,936	351,523	350,706	357,271
Average earnings assets	336,709	334,976	332,886	341,602
Average shareholders' equity	56,480	56,021	55,927	56,251
Average common shareholders' equity	47,806	47,461	47,268	47,716
Nonperforming loans	14,104	9,293	14,104	9,293
Total nonperforming assets	14,104	9,293	14,104	9,293
Selected Ratios:				
Return on average assets (1)	0.36%	0.19%	0.52%	0.65%
Return on average common equity (1)	1.55%	0.23%	2.71%	3.79%
Return on average common tangible equity (1)	1.70%	0.26%	2.97%	4.15%
Efficiency ratio	57.61%	56.60%	57.60%	55.83%
Net interest margin (1)	4.52%	4.47%	4.62%	4.44%
Tier 1 leverage capital ratio	14.6%	14.8%	14.6%	14.8%
Tier 1 risk-based capital ratio	18.3%	18.2%	18.3%	18.2%
Total risk-based capital ratio	19.6%	19.5%	19.6%	19.5%
Common dividend payout ratio (4)	228.34%	74.26%	133.86%	63.12%
Average equity to average assets	15.91%	15.94%	15.95%	15.74%
Nonperforming loans to total loans (2)	4.87%	3.14%	4.87%	3.14%
Nonperforming assets to total assets (2)	4.00%	2.68%	4.00%	2.68%
Allowance for loan losses to total loans (2)	2.37%	1.61%	2.37%	1.61%
Allowance for loan losses to nonperforming loans (2)	48.67%	51.20%	48.67%	51.20%

(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