
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): April 28, 2008

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)
--	---	--

<u>500 Bicentennial Way</u> <u>Santa Rosa, California</u> (Address of principal executive offices)	<u>95403</u> (Zip Code)
--	----------------------------

(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))
-

Item 2.02. Results of Operations and Financial Condition.

On April 28, 2008, 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: April 28, 2008

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 April 28, 2008 announcing results of operations for the quarter ended March 31, 2008 and declaration of dividend.

Summit State Bank Reports First Quarter Earnings and Declaration of Dividend

SANTA ROSA, CA – (April 28, 2008) – Summit State Bank (Nasdaq: SSBI) today reported net income of \$230,000, or \$0.05 per diluted share for the quarter ended March 31, 2008 and the declaration of a dividend of \$0.09 per share on the Company's common stock.

Dividend

On April 28, 2008, the Board of Directors declared a quarterly cash dividend of \$0.09 per share on the Company's common Stock. The dividend is payable May 21, 2008 to shareholders of record as of the close of business on May 12, 2008.

Net Income and Results of Operation

The Bank had net income of \$230,000, or \$0.05 per diluted share for the quarter ended March 31, 2008. This compares to net income of \$592,000, or \$0.12 per diluted share for the first quarter of 2007. Net income for the first quarter of 2008 was negatively impacted by \$338,000 of severance expenses related to the change in senior officers and \$140,000 of expenses related to the change in our core data processor. Excluding the after tax impact of these expenses, net income for the first quarter of 2008 would have been \$507,000, or \$0.11 per diluted share.

Total shareholders' equity was \$47,502,000 at March 31, 2008 and book value per share was \$10.01. The Bank's regulatory capital remains well above the required capital ratios with a Tier 1 capital leverage ratio of 13.0%, a Tier 1 risk-based capital ratio of 15.3% and a Total risk-based capital ratio of 16.5%

Annualized return on average assets and annualized return on average equity was 0.27% and 1.94% for the three months ended March 31, 2008, as compared to 0.76% and 4.99% for the same period one year ago.

Net interest income declined \$117,000, or 4% to \$2,647,000 during the first quarter of 2008 compared to \$2,764,000 for the same quarter of 2007. The annualized net interest margin declined to 3.32% for the first quarter of 2008, compared to 3.75% for the first quarter of 2007. The net interest margin was negatively impacted by the immediate declines in loan rates indexed to the prime lending rate versus the timing of repricing of maturing time deposits. The Bank's liquidity position at the beginning of this year has allowed management to aggressively bring down interest rates for renewing time deposits.

Average earning assets were \$320,839,000 for the first quarter of 2008, as compared to \$298,851,000 for the same quarter of 2007. The annualized yield on average earning assets was 6.82% and the annualized cost of average interest-bearing liabilities was 4.04% for the first quarter of 2008, as compared to the annualized yield on average

earning assets of 7.51% and annualized cost of interest-bearing liabilities of 4.39% for the same quarter of 2007.

For the first quarter of 2008, total non-interest income was \$290,000, as compared to \$294,000 for the first quarter of 2007.

For the first quarter of 2008, non-interest expense increased \$410,000 or 21% to \$2,390,000, compared to the same quarter in 2007. In the first quarter of 2008, Thomas Duryea was appointed President and Chief Executive Officer, Terrance Davis resigned as President and Chief Operating Officer and John Lewis retired as Chief Executive Officer, but continues as Chairman of the Board. Also, the Bank entered into a contract to convert its core data processing system to a new vendor. Excluding \$338,000 of expenses associated with the senior officer changes and \$140,000 of expenses related to our core data processor change, total non-interest expense would have declined \$68,000 to \$1,912,000 for the first quarter of 2008 compared to \$1,980,000 for the same quarter last year.

Excluding the expenses associated with the senior officer changes, salaries and employee benefits expense would have declined \$45,000, or 5% to \$954,000. Occupancy and equipment expenses increased \$50,000, or 14% and other expenses, excluding the core data processor change expense, would have decreased \$73,000 or 12% for the first quarter of 2008 as compared to the first quarter of 2007. Additional expenses associated with the core data processor conversion will occur during the second and third quarters of 2008, as continued work on the conversion of the data processing systems takes place.

Total loans were \$270,531,000 at March 31, 2008, an increase of \$10,453,000, or 4%, compared to total loans of \$260,078,000 at March 31, 2007.

Total deposits were \$234,915,000 at March 31, 2008, a decrease of \$3,536,000, or 1%, compared to \$238,451,000 at March 31, 2007. The decline in total deposits was the result of management's decision to aggressively reduce the cost of its deposits.

Total assets were \$334,219,000 at March 31, 2008, an increase of \$10,878,000, or 3%, compared to \$323,341,000 at March 31, 2007.

Nonperforming assets at March 31, 2008 consisted of \$1,438,000 of loans on nonaccrual status. \$1,028,000 represented several loans secured by commercial real estate, \$267,000 is secured by a single family residence and \$143,000 is partially guaranteed by the Small Business Administration.

The provision for loan losses was \$155,000 for the first quarter ended March 31, 2008 as compared to \$71,000 in the first quarter of 2007. The Bank had no loan charge-offs or loan recoveries during the first quarter of 2008. At March 31, 2008, the allowance for loan losses was \$3,776,000 and represented a ratio to gross loans of 1.40% and to nonperforming loans of 263%. These ratios compare to 1.37% and 169% at March 31, 2007. The increase in the provision resulted from management's assessment of the current economy.

The Bank's lending focus has been on commercial lending, commercial real estate and 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.

About Summit State Bank

Summit State Bank has total assets of \$334 million and total equity of \$48 million at March 31, 2008. The Bank provides diverse financial products and services which are marketed throughout Sonoma County, California and surrounding areas, with offices located in Santa Rosa, Rohnert Park, Petaluma and Windsor. Summit State Bank stock is traded on the Nasdaq Global Market under the symbol SSBI.

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.

CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except for earnings per share data)

	Three Months Ended	
	March 31,	March 31,
	2008	2007
	(Unaudited)	(Unaudited)
Interest income:		
Interest and fees on loans	\$ 4,741	\$ 4,962
Interest on Federal funds sold	69	-
Interest on investment securities and deposits in banks	599	543
Dividends on FHLB stock	33	28
	<u>5,442</u>	<u>5,533</u>
Total interest income		
	<u>5,442</u>	<u>5,533</u>
Interest expense:		
Deposits	2,292	2,345
Securities sold under repurchase agreements	-	1
FHLB advances	503	423
	<u>2,795</u>	<u>2,769</u>
Total interest expense		
	<u>2,795</u>	<u>2,769</u>
Net interest income before provision for loan losses	2,647	2,764
Provision for loan losses	155	71
	<u>155</u>	<u>71</u>
Net interest income after provision for loan losses	2,492	2,693
	<u>2,492</u>	<u>2,693</u>
Non-interest income:		
Service charges	113	85
Office leases	159	166
Gains on sales of loans	-	14
Loan servicing, net	15	10
Other income	3	19
	<u>290</u>	<u>294</u>
Total non-interest income		
	<u>290</u>	<u>294</u>
Non-interest expense:		
Salaries and employee benefits	1,292	999
Occupancy and equipment	417	367
Other expenses	681	614
	<u>2,390</u>	<u>1,980</u>
Total non-interest expense		
	<u>2,390</u>	<u>1,980</u>
Income before provision for income taxes	392	1,007
Provision for Income taxes	162	415
	<u>162</u>	<u>415</u>
Net income	<u>\$ 230</u>	<u>\$ 592</u>
Basic earnings per share	\$ 0.05	\$ 0.12
Diluted earnings per share	\$ 0.05	\$ 0.12
Basic weighted average shares of common stock outstanding	4,745	4,828
Diluted weighted average shares of common stock outstanding	4,747	4,842

SUMMIT STATE BANK AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

(In thousands)

	March 31, 2008	December 31, 2007	March 31, 2007
	(Unaudited)		(Unaudited)
ASSETS			
Cash and due from banks	\$ 5,240	\$ 5,695	\$ 4,697
Federal funds sold	-	7,110	2,200
Total cash and cash equivalents	5,240	12,805	6,897
Time deposits in banks	-	80	160
Available-for-sale investment securities - amortized cost of \$43,034 at March 31, 2008 and \$35,404 and \$36,092 at December 31, and March 31, 2007	43,041	35,426	35,876
Held-to-maturity investment securities - market value of \$0,000 at March 31, 2008 and \$5,000 and \$4,886 at December 31, and March 31, 2007	-	5,000	5,000
Loans, less allowance for loan losses of \$3,776 at March 31, 2008 and \$3,621 and \$3,557 at December 31, and March 31, 2007	266,755	267,067	256,521
Bank premises and equipment, net	8,291	8,463	8,228
Investment in Federal Home Loan Bank stock, at cost	2,546	2,850	2,181
Goodwill	4,119	4,119	4,119
Accrued interest receivable and other assets	4,227	4,383	4,359
Total assets	\$ 334,219	\$ 340,193	\$ 323,341
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Demand - non interest-bearing	\$ 11,634	\$ 10,297	\$ 12,632
Demand - interest-bearing	12,479	12,421	13,271
Savings	11,167	12,460	14,659
Money market	33,657	29,858	56,129
Time deposits, \$100 thousand and over	99,172	103,995	88,526
Other time deposits	66,806	79,988	53,234
Total deposits	234,915	249,019	238,451
Securities sold under repurchase agreements	-	-	125
Federal Home Loan Bank (FHLB) advances	50,781	42,600	35,975
Accrued interest payable and other liabilities	1,021	859	550
Total liabilities	286,717	292,478	275,101
Shareholders' equity			
Preferred stock, no par value; 20,000 shares authorized; none issued	-	-	-
Common stock, no par value; shares authorized - 30,000; shares issued and outstanding 4,745 at March 31, 2008 and 4,745 and 4,845 outstanding at December 31, and March 31, 2007	36,238	36,244	36,956
Retained earnings	11,258	11,455	11,413
Accumulated other comprehensive income (loss), net of taxes	6	16	(129)
Total shareholders' equity	47,502	47,715	48,240
Total liabilities and shareholders' equity	\$ 334,219	\$ 340,193	\$ 323,341

**Earnings Summary
(In Thousands)**

	Three Months Ended	
	March 31, 2008	March 31, 2007
	(Unaudited)	(Unaudited)
Statement of Income Data:		
Net interest income	\$ 2,647	\$ 2,764
Provision for loan losses	155	71
Non-interest income	290	294
Non-interest expense	2,390	1,980
Provision for Income taxes	162	415
Net income	\$ 230	\$ 592
Selected per Share Data:		
Basic earnings per share	\$ 0.05	\$ 0.12
Diluted earnings per share	\$ 0.05	\$ 0.12
Book value per share (2)	\$ 10.01	\$ 9.96
Selected Ratios:		
Return on average assets (1)	0.27%	0.76%
Return on average equity (1)	1.94%	4.99%
Return on average tangible equity (1)	2.12%	5.46%
Efficiency ratio	81.38%	64.75%
Net interest margin (1)	3.32%	3.75%
Dividend payout ratio	185.65%	73.48%
Average equity to average assets	14.13%	15.13%
Nonperforming loans to total loans (2)	0.53%	0.81%
Nonperforming assets to total assets (2)	0.43%	0.65%
Allowance for loan losses to total loans (2)	1.40%	1.37%
Allowance for loan losses to nonperforming loans (2)	262.59%	168.58%

(1) Annualized.

(2) As of period end