
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 30, 2007

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 30, 2007, 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 30, 2007

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 30, 2007 announcing results of operations for the quarter ended September 30, 2007 and declaration of dividend.

Summit State Bank Reports Third Quarter Earnings and Declaration of Dividend

SANTA ROSA, CA – (October 30, 2007) – Summit State Bank (Nasdaq GM: SSBI) today reported net income for the quarter ended September 30, 2007 and the declaration of a dividend of nine cents per share on the Company's common stock. Earnings and dividends per share information for all periods presented give effect to the 2-for-1 stock split issued in June 2006.

Dividend

On October 29, 2007, the Board of Directors declared a quarterly cash dividend of \$.09 per share on the Company's common Stock. The dividend is payable November 21, 2007 to shareholders of record as of the close of business on November 13, 2007.

Net Income

The Bank had net income of \$509,000 or \$0.10 per diluted share for the quarter ended September 30, 2007. This compares to net income of \$734,000 or \$0.16 per diluted share for the third quarter of 2006. Net income for the nine months ended September 30, 2007 was \$1,501,000 or \$0.31 per diluted share compared to net income of \$2,167,000 or \$0.57 per diluted share in 2006.

On August 16, 2006, SSB completed an underwritten public offering of 1,432,700 shares of common stock. These shares increased the weighted average shares outstanding for the third quarter and nine months ending September 30, 2007 over the same periods in 2006 by 5% and 27%, respectively. The diluted earnings per share decline in the third quarter of \$0.06 was comprised of a decline of \$0.05 attributable to the decline in net income and \$0.01 decline attributable to the increase in diluted weighted average shares outstanding. The diluted earnings per share decline for the nine month periods of \$0.26 was comprised of a decline of \$0.17 attributable to the decline in net income and \$0.09 decline attributable to the increase in diluted weighted average shares outstanding.

Total shareholder equity was \$48,232,000 at September 30, 2007 and per share book value was \$9.96.

Annualized return on average assets and annualized return on average equity was 0.61% and 4.20% for the three months ended September 30, 2007, as compared to 0.96% and 6.63% for the same period one year ago. Annualized return on average assets and return on average equity for the nine months period was 0.62% and 4.17% for 2007, as compared to 0.96% and 8.77% for 2006. Annualized return on average tangible equity was 4.60% and 4.56% for the quarter and nine months ended September 30, 2007.

Net Interest Income

Net interest income declined \$96,000 or 3% to \$2,731,000 during the third quarter of 2007 compared to \$2,827,000 for the same quarter of 2006. The annualized net interest

margin declined to 3.45% for the third quarter of 2007, compared to 3.96% for the third quarter of 2006. After three quarters of fighting ever-tightening margins, we are beginning to see positive trends going forward. Once the 50 basis point drop in the Federal Discount Rates has a chance to flow through our Deposits and adjustable rate Loans, there should be a positive impact on the Net Interest Margin.

Average earning assets were \$314,341,000 for the third quarter of 2007, as compared to \$283,233,000 for the third quarter of 2006. The annualized yield on average earning assets was 7.35% and the annualized cost of average interest-bearing liabilities was 4.51% for the third quarter of 2007, as compared to the annualized yield on average earning assets of 7.36% and annualized cost of interest-bearing liabilities of 3.95% for the third quarter of 2006.

Net interest income declined \$190,000 or 2% to \$8,130,000 during the first nine months of 2007. The net interest margin declined to 3.54% from 3.93% for the nine month periods.

Non-interest Income

For the third quarter of 2007, total non-interest income was \$290,000, as compared to \$345,000 for the third quarter of 2006. For the nine month periods, non-interest income was \$897,000 at September 30, 2007 and \$1,002,000 at September 30, 2006. The higher interest rates and the current real estate environment has negatively impacted the volume of Small Business lending and real estate exchange activities, which has reduced the gains on sale of loans and real estate exchange fee income during 2007.

Non-interest Expense

For the third quarter of 2007, non-interest expense increased \$103,000 or 5% to \$1,995,000, compared to the same quarter in 2006. Salaries and employee benefits expense increased \$27,000 or 3% to \$957,000. Occupancy and equipment expenses increased \$96,000 or 29% and other expenses decreased \$20,000 or 3% for the third quarter of 2007 as compared to the third quarter of 2006. For the nine month periods, non-interest expense was \$5,977,000 in 2007, a 12% increase compared to \$5,350,000 in 2006. Part of the increase in salaries and employee benefits expense and occupancy and equipment expense were attributable to personnel hired and space leased in the first quarter of 2007 for the new regional office in Petaluma which was opened in July 2007.

Loan and Deposit Activity

Total loans as of September 30, 2007 were \$278,139,000, an increase of \$25,857,000 or 10%, compared to total loans of \$252,282,000 at September 30, 2006.

Total deposits were \$246,686,000 at September 30, 2007, compared to \$224,751,000 at September 30, 2006, a 10% increase.

Total assets were \$338,017,000 at September 30, 2007, an increase of \$34,471,000 or 11%, compared to \$303,546,000 at September 30, 2006.

Nonperforming Assets, Allowance and Provision For Loan Losses

Nonperforming assets at September 30, 2007 consisted of a single loan on nonaccrual of \$333,000 or 0.12% of gross loans. This loan was restructured in 2006, and is current as to the restructured terms. At June 30, 2007, the Bank had other real estate owned (“OREO”) of \$921,000 which was sold during the third quarter with a net loss of \$4,000.

The provision for loan losses was \$159,000 for the third quarter ended September 30, 2007 as compared to \$31,000 in the third quarter of 2006. The provision reflects loan growth and changes in the general real estate economy. The Bank had zero loan charge-offs and \$28,000 in loan recoveries during the third quarter of 2007. At September 30, 2007, the allowance for loan losses was \$3,362,000 and represented a ratio to gross loans of 1.21% and to nonperforming loans of 1010%. These ratios compare to 1.48% and 350% at September 30, 2006.

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 \$338 million and total equity of \$48 million at September 30, 2007. The Bank provides diverse financial products and services which are marketed throughout Sonoma County and surrounding areas, California 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.

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,	September 30,	September 30,	September 30,
	2007	2006	2007	2006
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Interest income:				
Interest and fees on loans	\$ 5,213	\$ 4,771	\$ 15,161	\$ 13,595
Interest on Federal funds sold	1	27	3	271
Interest on investment securities and deposits in banks	580	429	1,712	1,106
Dividends on FHLB stock	28	28	86	73
	<u>5,822</u>	<u>5,255</u>	<u>16,962</u>	<u>15,045</u>
Total interest income				
Interest expense:				
Deposits	2,613	2,059	7,384	5,684
Securities sold under repurchase agreements	-	4	2	11
FHLB Advances	478	365	1,446	1,030
	<u>3,091</u>	<u>2,428</u>	<u>8,832</u>	<u>6,725</u>
Total interest expense				
Net interest income before provision for loan losses	2,731	2,827	8,130	8,320
Provision for loan losses	159	31	490	253
	<u>2,572</u>	<u>2,796</u>	<u>7,640</u>	<u>8,067</u>
Net interest income after provision for loan losses				
Non-interest income:				
Gains on sales of loans	-	40	41	63
Service charges	76	100	256	262
Office leases	184	163	516	481
Real estate exchange fees	1	12	8	35
Loan servicing, net	21	15	50	46
Other income	8	15	26	115
	<u>290</u>	<u>345</u>	<u>897</u>	<u>1,002</u>
Total non-interest income				
Non-interest expense:				
Salaries and employee benefits	957	930	2,913	2,696
Occupancy and equipment	431	335	1,187	996
Other expenses	607	627	1,877	1,658
	<u>1,995</u>	<u>1,892</u>	<u>5,977</u>	<u>5,350</u>
Total non-interest expense				
Income before provision for income taxes	867	1,249	2,560	3,719
Provision for Income taxes	358	515	1,059	1,552
	<u>\$ 509</u>	<u>\$ 734</u>	<u>\$ 1,501</u>	<u>\$ 2,167</u>
Net income				
Basic earnings per share	\$ 0.11	\$ 0.16	\$ 0.31	\$ 0.57
Diluted earnings per share	\$ 0.10	\$ 0.16	\$ 0.31	\$ 0.57
Basic weighted average shares of common stock outstanding	4,845	4,579	4,840	3,772
Diluted weighted average shares of common stock outstanding	4,853	4,625	4,848	3,817

SUMMIT STATE BANK AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(In thousands)

	September 30, 2007	September 30, 2006
	(Unaudited)	(Unaudited)
ASSETS		
Cash and due from banks	\$ 4,224	\$ 4,865
Federal funds sold	-	-
Total cash and cash equivalents	4,224	4,865
Time deposits in banks	160	457
Available-for-sale investment securities - amortized cost of \$35,209 in 2007 and \$26,470 in 2006	34,910	26,131
Held-to-maturity investment securities - market value of \$4,930 in 2007 and \$4,845 in 2006	5,000	5,000
Loans, less allowance for loan losses of \$3,362 in 2007 and \$3,736 in 2006	274,777	248,546
Bank premises and equipment, net	8,577	8,290
Investment in Federal Home Loan Bank stock, at cost	2,203	1,876
Goodwill	4,119	4,119
Accrued interest receivable and other assets	4,047	4,262
Total assets	\$ 338,017	\$ 303,546
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Demand - non interest-bearing	\$ 11,015	\$ 11,060
Demand - interest-bearing	12,299	12,803
Savings	11,484	18,748
Money market	33,670	32,807
Time deposits, \$100 thousand and over	91,922	86,811
Other time deposits	86,296	62,522
Total deposits	246,686	224,751
Securities sold under repurchase agreements	4	638
Federal Home Loan Bank (FHLB) advances	42,370	29,920
Accrued interest payable and other liabilities	725	646
Total liabilities	289,785	255,955
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 4,845 at September 30, 2007 and 4,795 outstanding at September 30, 2006	36,957	36,724
Retained earnings	11,449	11,047
Accumulated other comprehensive loss, net of taxes	(174)	(180)
Total shareholders' equity	48,232	47,591
Total liabilities and shareholders' equity	\$ 338,017	\$ 303,546

**Earnings Summary
(In Thousands)**

	Three Months Ended		Nine Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Statement of Income Data:				
Net interest income	\$ 2,731	\$ 2,827	\$ 8,130	\$ 8,320
Provision for loan losses	159	31	490	253
Noninterest income	290	345	897	1,002
Noninterest expense	1,995	1,892	5,977	5,350
Provision for Income taxes	358	515	1,059	1,552
Net income	<u>\$ 509</u>	<u>\$ 734</u>	<u>\$ 1,501</u>	<u>\$ 2,167</u>
Selected per Share Data:				
Basic earnings per share	\$ 0.11	\$ 0.16	\$ 0.31	\$ 0.57
Diluted earnings per share	\$ 0.10	\$ 0.16	\$ 0.31	\$ 0.57
Book value per share (2)	\$ 9.96	\$ 9.93	\$ 9.96	\$ 9.93
Selected Ratios:				
Return on average assets (1)	0.61%	0.96%	0.62%	0.96%
Return on average equity (1)	4.20%	6.63%	4.17%	8.77%
Return on average tangible equity (1)	4.60%	7.31%	4.56%	10.02%
Efficiency ratio	66.04%	59.65%	66.21%	57.39%
Net interest margin (1)	3.45%	3.96%	3.54%	3.93%
Dividend payout ratio	85.66%	58.45%	87.14%	47.72%
Average equity to average assets	14.43%	14.48%	14.76%	10.95%
Nonperforming loans to total loans (2)	0.12%	0.42%	0.12%	0.42%
Nonperforming assets to total assets (2)	0.10%	0.35%	0.10%	0.35%
Allowance for loan losses to total loans (2)	1.21%	1.48%	1.21%	1.48%
Allowance for loan losses to nonperforming loans (2)	1009.61%	350.14%	1009.61%	350.14%

(1) Annualized.

(2) As of period end