
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): January 30, 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)
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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 January 30, 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: January 30, 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 January 30, 2008 announcing results of operations for the quarter and year ended December 31, 2007.

Summit State Bank Reports Fourth Quarter and Year End Earnings

SANTA ROSA, CA – (January 30, 2008) – Summit State Bank (Nasdaq GM: SSBI) today reported net income for the quarter ended and year ended December 31, 2007. Earnings and dividends per share information for all periods presented give effect to the 2-for-1 stock split issued in June 2006.

Net income for the year ended December 31, 2007 was \$1,942,000 or \$0.40 per diluted share compared to net income of \$2,808,000 or \$0.69 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 year ending December 31, 2007 over the prior year by 19%. The diluted earnings per share decline between the years of \$0.29 was comprised of a decline of \$0.21 attributable to the decline in net income and \$0.08 decline attributable to the increase in diluted weighted average shares outstanding.

The Bank had net income of \$441,000 or \$0.09 per diluted share for the quarter ended December 31, 2007. This compares to net income of \$641,000 or \$0.13 per diluted share for the fourth quarter of 2006.

The financial results for 2007 were impacted significantly by the increase in our cost of funds and resulting compression of the net interest margin. As expected, additional costs were incurred opening the Bank's fifth office in Petaluma.

Total shareholder equity was \$47,715,000 at December 31, 2007 and per share book value was \$10.06. The Bank completed its share repurchase program on January 2, 2008, with the purchase and retirement of 100,000 shares at an average market price of \$8.80 per share.

Return on average assets and return on average equity was 0.59% and 4.03% for the year ended December 31, 2007, as compared to 0.92% and 7.64% for the prior year. Annualized return on average assets and return on average equity for the fourth quarter was 0.52% and 3.61% for 2007, as compared to 0.82% and 5.32% for 2006. Annualized return on average tangible equity was 4.40% and 3.94% for the year and three months ended December 31, 2007.

Net Interest Income

Net interest income increased \$9,000 to \$2,721,000 during the fourth quarter of 2007 compared to \$2,712,000 for the same quarter of 2006. The annualized net interest margin declined to 3.36% for the fourth quarter of 2007, compared to 3.71% for the fourth quarter of 2006 and 3.45% for the third quarter of 2007. The Bank is liability sensitive, meaning that more liabilities reprice in the short-term than assets. As time deposits mature and are renewed at the current lower interest rates, the net interest margin should begin to increase.

Average earning assets were \$321,172,000 for the fourth quarter of 2007, as compared to \$290,720,000 for the fourth quarter of 2006. The annualized yield on average earning assets was 7.16% and the annualized cost of average interest-bearing liabilities was 4.38% for the fourth quarter of 2007, as compared to the annualized yield on average earning assets of 7.39% and annualized cost of interest-bearing liabilities of 4.32% for the fourth quarter of 2006.

Net interest income declined \$180,000 or 2% to \$10,851,000 during the year. The net interest margin declined to 3.49% in 2007 from 3.87% in 2006 as the higher cost of funds in the first three quarters of 2007 reduced the Bank's margin.

Non-interest Income

For the fourth quarter of 2007, total non-interest income was \$299,000, as compared to \$317,000 for the fourth quarter of 2006. For the years 2007 and 2006, non-interest income was \$1,196,000 and \$1,321,000. Fee income during 2007 was reduced most notably due to the decline in Small Business Administration guaranteed lending which were impacted by the higher market rates in 2007. The reduction in non-interest income was partially offset with an increase in deposit services fee income which had an increase of \$22,000 or 30% for the fourth quarter of 2007 as compared to the same period in 2006 and a \$15,000 or 4% increase year over year.

Non-interest Expense

Non-interest expense increased 7% for the quarter and 10% for the year, compared to the same periods in 2006. The opening of the Bank's fifth office was the main reason for the increase between the quarter and year end periods, however costs associated with loan collections also contributed to the increase.

Balance Sheet Activity

Total loans as of December 31, 2007 were \$270,688,000, an increase of \$14,092,000 or 5%, compared to total loans of \$256,596,000 at December 31, 2006.

Total deposits were \$249,019,000 at December 31, 2007, compared to \$232,974,000 at December 31, 2006, a 7% increase.

Total assets were \$340,193,000 at December 31, 2007, an increase of \$27,243,000 or 9%, compared to \$312,950,000 at December 31, 2006.

The Bank continues to exceed the "well capitalized" regulatory ratios with Total Risk Based Capital ratio of 16.4%, Tier 1 Capital to Risk Based Assets of 15.1%, and Regulatory leverage ratio of 13.0% at December 31, 2007.

Nonperforming Assets, Allowance and Provision for Loan Losses

Nonperforming assets at December 31, 2007, defined as loans past due 90 days or more, loans on nonaccrual status and other real estate owned, consisted of a two loans on nonaccrual of \$465,000 or 0.17% of gross loans; of which \$322,000 is current and the other is 75% SBA guaranteed.

The provision for loan losses was \$259,000 for the fourth quarter and \$749,000 for the year ended December 31, 2007. The provision reflects loan growth, net charge-offs and changes in the general economy. The Bank had zero loan charge-offs and recoveries during the fourth quarter of 2007. At December 31, 2007, the allowance for loan losses was \$3,621,000 and represented a ratio to gross loans of 1.34% and to nonperforming loans of 779%. These ratios compare to 1.21% and 1010% at September 30, 2007 and 1.46% and 157% at December 31, 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 nor has the Bank purchased collateralized debt obligations..

Although the Bank has not experienced a substantial increase in nonperforming loans at year end, management has observed a negative trend in a number of economic indicators. The increase the fourth quarter in provision for loan losses was in part attributable to that trend.

About Summit State Bank

Summit State Bank has total assets of \$340 million and total equity of \$48 million at December 31, 2007. The Bank provides diverse financial products and services which are marketed throughout Sonoma County and surrounding areas in 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		Twelve Months Ended	
	December 31, 2007 (Unaudited)	December 31, 2006 (Unaudited)	December 31, 2007 (Unaudited)	December, 31 2006
Interest income:				
Interest and fees on loans	\$ 5,166	\$ 4,912	\$ 20,327	\$ 18,507
Interest on Federal funds sold	3	25	6	297
Interest on investment securities and deposits in banks	581	430	2,293	1,536
Dividends on FHLB stock	43	41	129	114
Total interest income	5,793	5,408	22,755	20,454
Interest expense:				
Deposits	2,485	2,354	9,869	8,040
Securities sold under repurchase agreements	-	2	2	13
FHLB Advances	587	340	2,033	1,370
Total interest expense	3,072	2,696	11,904	9,423
Net interest income before provision for loan losses	2,721	2,712	10,851	11,031
Provision for loan losses	259	-	749	253
Net interest income after provision for loan losses	2,462	2,712	10,102	10,778
Non-interest income:				
Service charges	96	74	352	337
Office leases	183	177	699	658
Gains on sales of loans	-	37	41	99
Real estate exchange fees	2	6	10	42
Loan servicing, net	15	19	65	65
Other income	3	4	29	120
Total non-interest income	299	317	1,196	1,321
Non-interest expense:				
Salaries and employee benefits	1,061	979	3,974	3,675
Occupancy and equipment	436	354	1,624	1,350
Other expenses	519	555	2,395	2,213
Total non-interest expense	2,016	1,888	7,993	7,238
Income before provision for income taxes	745	1,141	3,305	4,861
Provision for Income taxes	304	500	1,363	2,053
Net income	\$ 441	\$ 641	\$ 1,942	\$ 2,808
Basic earnings per share	<u>\$ 0.09</u>	<u>\$ 0.13</u>	<u>\$ 0.40</u>	<u>\$ 0.70</u>
Diluted earnings per share	<u>\$ 0.09</u>	<u>\$ 0.13</u>	<u>\$ 0.40</u>	<u>\$ 0.69</u>
Basic weighted average shares of common stock outstanding	<u>4,805</u>	<u>4,795</u>	<u>4,831</u>	<u>4,030</u>
Diluted weighted average shares of common stock outstanding	<u>4,808</u>	<u>4,839</u>	<u>4,834</u>	<u>4,074</u>

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

	December 31, 2007 (Unaudited)	December 31, 2006
ASSETS		
Cash and due from banks	\$ 5,695	\$ 10,606
Federal funds sold	7,110	-
Total cash and cash equivalents	12,805	10,606
Time deposits in banks	80	457
Available-for-sale investment securities - amortized cost of \$35,404 in 2007 and \$26,104 in 2006	35,426	25,829
Held-to-maturity investment securities - market value of \$5,000 in 2007 and \$4,868 in 2006	5,000	5,000
Loans, less allowance for loan losses of \$3,621 in 2007 and \$3,736 in 2006	267,067	252,860
Bank premises and equipment, net	8,463	8,175
Investment in Federal Home Loan Bank stock, at cost	2,850	1,699
Goodwill	4,119	4,119
Accrued interest receivable and other assets	4,383	4,205
Total assets	\$ 340,193	\$ 312,950
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Demand - non interest-bearing	\$ 10,297	\$ 11,188
Demand - interest-bearing	12,421	12,623
Savings	12,460	19,331
Money market	29,858	47,335
Time deposits, \$100,000 and over	103,995	80,160
Other time deposits	79,988	62,337
Total deposits	249,019	232,974
Securities sold under repurchase agreements	-	257
Federal Home Loan Bank (FHLB) advances	42,600	31,460
Accrued interest payable and other liabilities	859	447
Total liabilities	292,478	265,138
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 December 31, 2007 and 4,795 at December 31, 2006	36,244	36,698
Retained earnings	11,455	11,256
Accumulated other comprehensive income (loss), net of taxes	16	(142)
Total shareholders' equity	47,715	47,812
Total liabilities and shareholders' equity	\$ 340,193	\$ 312,950

Earnings Summary
(In Thousands Except Per share Data)

	Three Months Ended		Twelve Months Ended	
	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Statement of Income Data:				
Net interest income	\$ 2,721	\$ 2,712	\$ 10,851	\$ 11,031
Provision for loan losses	259	-	749	253
Total non-interest income	299	317	1,196	1,321
Total non-interest expense	2,016	1,888	7,993	7,238
Provision for Income taxes	304	500	1,363	2,053
Net income	<u>\$ 441</u>	<u>\$ 641</u>	<u>\$ 1,942</u>	<u>\$ 2,808</u>
Selected per Share Data:				
Earnings per share - basic	\$ 0.09	\$ 0.13	\$ 0.40	\$ 0.70
Earnings per share - diluted	\$ 0.09	\$ 0.13	\$ 0.40	\$ 0.69
Book value per share (2)	\$ 10.06	\$ 9.97	\$ 10.06	\$ 9.97
Selected Ratios:				
Return on average assets (1)	0.52%	0.82%	0.59%	0.92%
Return on average equity (1)	3.61%	5.32%	4.03%	7.64%
Return on average tangible equity (1)	3.94%	5.82%	4.40%	8.60%
Net interest margin (1)	3.36%	3.71%	3.49%	3.87%
Dividend payout ratio	98.64%	68.02%	89.75%	52.21%
Average equity to average assets	14.28%	15.42%	14.64%	12.10%
Leveraged capital ratio	13.01%	14.29%	13.01%	14.29%
Efficiency ratio (noninterest expenses to net interest income and noninterest income)	66.75%	62.33%	66.35%	58.60%
Nonperforming loans to total loans (2)	0.17%	0.93%	0.17%	0.93%
Nonperforming assets to total assets (2)	0.14%	0.76%	0.14%	0.76%
Allowance for loan losses to total loans (2)	1.34%	1.46%	1.34%	1.46%
Allowance for loan losses to nonperforming loans (2)	779%	157%	779%	157%

(1) Annualized.

(2) As of period end

