
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 29, 2013

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))



Item 2.02. Results of Operations and Financial Condition.

On April 29, 2013, the registrant issued the press release attached hereto as Exhibit 99 and incorporated herein by reference regarding the declaration of dividends and results of operations for the three months ended March 31, 2013.

Common stock cash dividend of \$0.11 per share declared on April 29, 2013, payable on May 23, 2013 to shareholders of record on May 15, 2013.

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 29, 2013

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 29, 2013 announcing declaration of dividend and results of operation for the three months ended March 31, 2013.

Summit State Bank Reports 64% Increase in Profitability and Dividend Increase

SANTA ROSA, CA – (April 29, 2013) – Summit State Bank (Nasdaq: SSBI) today reported net income for the quarter ended March 31, 2013 of \$1,002,000, a 64% increase over the quarter ended March 31, 2012. A quarterly dividend of \$0.11 per share was declared for common shareholders.

Dividend

The Board of Directors today declared an \$0.11 quarterly dividend to be paid on May 23, 2013 to shareholders of record on May 15, 2013. This represents a \$0.02 increase in the Bank's regular quarterly dividend.

Net Income and Results of Operations

The Bank had net income of \$1,002,000 and net income available for common stockholders of \$862,000, or \$0.18 per diluted share, for the quarter ended March 31, 2013 compared to net income of \$613,000 and net income available for common stockholders of \$441,000, or \$0.09 per diluted share, for the quarter ended March 31, 2012.

“Our profitability increase continues to be driven by the quality of the Summit team's care and expertise in building and supporting growth opportunities for our clients. This has resulted in increasing profitability of many of our clients resulting in increasing profitability of the bank. Our client's success, drives our success,” said Tom Duryea, President & CEO

Net interest income increased 2% at \$4,115,000 for the first quarter of 2013 compared to \$4,023,000 for the same quarter in 2012. Increase in average earning assets between the quarters was 14%, which offset the net interest margin compression experienced in the current low interest rate environment. Net interest margin was 3.93% for the first quarter of 2013 compared to 4.34% in the first quarter of 2012.

Noninterest income was \$363,000 in the first quarter of 2013 compared to \$1,070,000 in the first quarter of 2012. The first quarter of 2012 benefitted from gains on securities of \$702,000.

Total assets increased 8% to \$438,266,000 at March 31, 2013 compared to \$406,830,000 at March 31, 2012. The asset growth was funded in part by a \$17,651,000 increase in deposits. The mix of deposits changed between the periods in favor of demand, savings and money market deposits now comprising 51% of total deposits at March 31, 2013 compared to 45% at March 31, 2012.

“Our continuing focus on attracting meaningful full banking relationships, with demand, savings, and money market accounts as a defining part of any banking relationship, continues to play an important role in helping lower our cost of funds to drive long term bank performance,” said Dennis Kelley, Chief Financial Officer.

The Bank’s efficiency ratio, which expresses operating costs as a percentage of revenues, was 62% for the first quarter of 2013 compared to 59% for the same quarter in 2012. Operating expense between the quarters increased 6.7% with \$2,773,000 in operating expense in 2013 compared to \$2,600,000 in 2012. The operating expense increase was due in part to increased loan staffing to better serve present and future loan requests as the local economy continues to improve.

“We are experiencing a noticeable pickup in quality loan inquiries over the past 2 to 3 months, particularly in commercial real estate and construction, which typically has a positive multiplier effect benefitting our local economy. In addition, we are allocating more resources to expand our servicing of our local wineries and vineyards that are key drivers of the Sonoma County experience,” said Bill Fogarty, Chief Credit Officer

Gross loans were \$280,172,000 at March 31, 2013 compared to \$274,077,000 at March 31, 2012. Loan totals from new loan generation was partially offset as problem loans were worked out of the Bank during 2012. Additionally, new loan generation and the retention of current commercial real estate loans are experiencing increased competition.

The Bank recorded no provision for loan losses for the first quarter of 2013 as it also did in the fourth quarter of 2012. In the first quarter of 2012, the loan loss provision was \$1,450,000. The coverage of allowance for loan losses to gross loans was 2.13% at March 31, 2013 compared to 2.49% at March 31, 2012. Nonperforming assets at March 31, 2013 declined to \$9,956,000 from \$14,245,000 for March 31, 2012 compared to March 31, 2012. This represents a decline in nonperforming assets to total assets of 2.3% compared to 3.5%. Nonperforming assets at March 31, 2013 included \$4,973,000 in loans on non-accrual and \$4,983,000 in OREO. Nonaccrual loans are primarily collateralized by commercial real estate and OREO consisted of three properties and have been written down to the expected disposal value.

The Bank’s regulatory capital remains well above the required capital ratios with a Tier 1 capital leverage ratio of 13.3%, a Tier 1 risk-based capital ratio of 17.4% and a Total risk-based capital ratio of 18.7% at March 31, 2013.

About Summit State Bank

Summit State Bank has total assets of \$438 million and total equity of \$63 million at March 31, 2013. Headquartered in Sonoma County, the Bank provides diverse financial products and services throughout Sonoma, Napa, San Francisco, and Marin Counties. Summit State Bank received the 2012 Community Bank Award from the American Bankers Association for its nonprofit work. In addition, Summit has been recognized with the Gold Medal award for Best Business Bank from the Northbay Biz Magazine and as one of the North Bay’s Best Places to Work by the North Bay Business Journal. Summit has also been consistently recognized as a high performing bank by Findley Reports.

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	
	March 31, 2013	March 31, 2012
	(Unaudited)	(Unaudited)
Interest income:		
Interest and fees on loans	\$ 3,610	\$ 3,790
Interest on Federal funds sold	-	-
Interest on investment securities and deposits in banks	867	845
Dividends on FHLB stock	13	2
Total interest income	4,490	4,637
Interest expense:		
Deposits	351	526
FHLB advances	24	88
Total interest expense	375	614
Net interest income before provision for loan losses	4,115	4,023
Provision for loan losses	-	1,450
Net interest income after provision for loan losses	4,115	2,573
Non-interest income:		
Service charges on deposit accounts	139	123
Office leases	125	136
Net securities gains	2	702
Net gain (loss) on sale of other real estate owned	-	-
Loan servicing, net	4	6
Other income	93	103
Total non-interest income	363	1,070
Non-interest expense:		
Salaries and employee benefits	1,432	1,386
Occupancy and equipment	408	371
Other expenses	933	843
Total non-interest expense	2,773	2,600
Income before provision for income taxes	1,705	1,043
Provision for income taxes	703	430
Net income	\$ 1,002	\$ 613
Less: preferred dividends	140	172
Net income available for common stockholders	\$ 862	\$ 441
Basic earnings per common share	\$ 0.18	\$ 0.09
Diluted earnings per common share	\$ 0.18	\$ 0.09
Basic weighted average shares of common stock outstanding	4,746	4,745
Diluted weighted average shares of common stock outstanding	4,776	4,745

SUMMIT STATE BANK AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

(In thousands except share and per share data)

	March 31	December 31,	March 31
	2013	2012	2012
	(Unaudited)		(Unaudited)
ASSETS			
Cash and due from banks	\$ 14,888	\$ 19,979	\$ 18,771
Total cash and cash equivalents	14,888	19,979	18,771
Time deposits with banks	2,977	2,977	-
Investment securities:			
Held-to-maturity, at amortized cost	17,055	-	-
Available-for-sale (at fair market value; amortized cost of \$104,908, \$123,026 and \$95,271)	107,706	125,714	95,795
Total investment securities	124,761	125,714	95,795
Loans, less allowance for loan losses of \$5,967, \$5,749 and \$6,835	274,205	275,877	267,242
Bank premises and equipment, net	5,009	5,160	6,596
Investment in Federal Home Loan Bank stock, at cost	2,265	2,265	2,085
Goodwill	4,119	4,119	4,119
Other Real Estate Owned	4,983	4,845	5,125
Accrued interest receivable and other assets	5,059	3,960	7,097
Total assets	\$ 438,266	\$ 444,896	\$ 406,830
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Demand - non interest-bearing	\$ 54,911	\$ 58,548	\$ 42,551
Demand - interest-bearing	39,237	29,059	26,844
Savings	23,272	23,257	20,649
Money market	56,211	56,669	56,087
Time deposits, \$100 thousand and over	120,762	128,785	128,020
Other time deposits	47,861	44,686	50,452
Total deposits	342,254	341,004	324,603
Federal Home Loan Bank (FHLB) advances	30,000	40,000	21,000
Accrued interest payable and other liabilities	2,579	1,022	850
Total liabilities	374,833	382,026	346,453
Shareholders' equity			
Preferred stock, no par value; 20,000,000 shares authorized; shares issued and outstanding - 13,750 Series B; per share redemption of \$1,000 for total liquidation preference of \$13,750	13,666	13,666	13,666
Common stock, no par value; shares authorized - 30,000,000 shares; issued and outstanding 4,745,998, 4,744,720 and 4,744,720	36,459	36,396	36,364
Retained earnings	11,685	11,250	10,044
Accumulated other comprehensive income, net of taxes	1,623	1,558	303
Total shareholders' equity	63,433	62,870	60,377
Total liabilities and shareholders' equity	\$ 438,266	\$ 444,896	\$ 406,830

Earnings Summary
(In Thousands)

	Three Months Ended	
	March 31, 2013	March 31, 2012
	(Unaudited)	(Unaudited)
Statement of Income Data:		
Net interest income	\$ 4,115	\$ 4,023
Provision for loan losses	-	1,450
Non-interest income	363	1,070
Non-interest expense	2,773	2,600
Provision for income taxes	703	430
Net income	\$ 1,002	\$ 613
Less: preferred dividends	140	172
Net income available for common stockholders	\$ 862	\$ 441
 Selected per Common Share Data:		
Basic earnings per common share	\$ 0.18	\$ 0.09
Diluted earnings per common share	\$ 0.18	\$ 0.09
Dividend per share	\$ 0.09	\$ 0.09
Book value per common share (2)(3)	\$ 10.49	\$ 9.84
 Selected Balance Sheet Data:		
Assets	\$ 438,266	\$ 406,830
Loans, net	274,205	267,242
Deposits	342,254	324,603
Average assets	437,831	391,165
Average earning assets	424,328	373,102
Average shareholders' equity	63,201	61,250
Average common shareholders' equity	49,535	47,584
Nonperforming loans	4,973	9,120
Other real estate owned	4,983	5,125
Total nonperforming assets	9,956	14,245
Troubled debt restructures (accruing)	5,892	5,942
 Selected Ratios:		
Return on average assets (1)	0.93%	0.63%
Return on average common equity (1)	7.06%	3.73%
Efficiency ratio (4)	61.95%	59.21%
Net interest margin (1)	3.93%	4.34%
Tier 1 leverage capital ratio	13.3%	14.5%
Tier 1 risk-based capital ratio	17.4%	17.7%
Total risk-based capital ratio	18.7%	19.0%
Common dividend payout ratio (5)	49.54%	96.83%
Average equity to average assets	14.44%	15.66%
Nonperforming loans to total loans (2)	1.78%	3.33%
Nonperforming assets to total assets (2)	2.27%	3.50%
Allowance for loan losses to total loans (2)	2.13%	2.49%
Allowance for loan losses to nonperforming loans (2)	119.99%	74.94%

(1) Annualized

(2) As of period end

(3) Total shareholders' equity, less preferred stock, divided by total common shares outstanding

(4) Excludes securities gains

(5) Common dividends divided by net income available for common stockholders